FINAL BILL REPORT
SHB 2539

C 174 L 16
Synopsis as Enacted

Brief Description: Concerning the inheritance exemption for the real estate excise tax.

Sponsors: House Committee on Finance (originally sponsored by Representatives Nealey, Manweller, Hansen, Tharinger, Harris, Walsh, Magendanz, Wilson, Haler, Springer, Johnson, Muri, Hayes and Dent).

House Committee on Finance
Senate Committee on Ways & Means

Background:

The real estate excise tax (REET) is imposed on each sale of real property, which includes both the transfer of ownership and the transfer of controlling interests. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent. Additional local rates are allowed. The combined state and local rate in most areas is 1.78 percent or less.

There are several exemptions allowable from the REET. One exemption is for individuals who inherit real property. This exemption from the REET is allowed for inherited property when one of the following documents is provided (or already filed with the county) along with a certified copy of the death certificate:
- a community property agreement;
- a trust agreement;
- a certified copy of the letters testamentary or letter of administration;
- a deed;
- a copy of a court order requiring the transfer; or
- a lack of probate affidavit for a community property interest.

In some instances, an individual will inherit property by operation of law, but there is no accompanying documentation. In these cases, the heir will often file a lack of probate affidavit with the county affirming that the person is the rightful heir to the property.

The county treasurer is usually responsible for collecting and administering the REET. For the REET inheritance exemption, the county treasurer is typically the recipient of the documentation substantiating the transfer by inheritance.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All new tax preference legislation must include a tax preference performance statement. New tax preference means a tax preference that initially takes effect after August 1, 2013, or a tax preference in effect as of August 1, 2013, that is expanded or extended after August 1, 2013. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objective of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

A new tax preference expires after 10 years, unless an alternative expiration date is provided in the new tax preference legislation.

Summary:

The conditions to qualify for the inheritance exemption are modified to include circumstances where a person inherits property by operation of law but absent a will, trust, community property agreement, or other document or court order. To qualify for the exemption, the heir (or heirs) must submit a certified copy of the death certificate along with a lack of probate affidavit affirming that he or she is the rightful heir to the property.

The documentation provided to the county treasurer to establish eligibility for the REET inheritance exemption must also be recorded with the county auditor.

The bill is exempted from a JLARC review and the automatic 10-year expiration of tax preferences.

Votes on Final Passage:

House	98	0
Senate	48	0

Effective: June 9, 2016