# SENATE BILL REPORT
# EHB 2122

As of Second Reading

**Title**: An act relating to real estate as it concerns the local government authority in the use of real estate excise tax revenues and regulating real estate transactions.

**Brief Description**: Concerning real estate as it concerns the local government authority in the use of real estate excise tax revenues and regulating real estate transactions.

**Sponsors**: Representatives McBride, Nealey, Peterson, Fey, Muri, Ryu, Walsh and Springer.

**Brief History:** Passed House: 6/11/15, 86-3.
**Committee Activity**: Government Operations & Security:

## SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

**Staff**: Karen Epps (786-7424)

**Background**: Real Estate Excise Tax (REET). County legislative authorities may impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city and town legislative authorities also may impose an excise tax on each sale of real property within their corporate limits. The rate of this REET (REET I) may not exceed 0.25 percent of the selling price. Revenues generated from REET I must be used for financing qualifying capital projects and for housing relocation assistance. Revenue from REET I may not supplant other funds reasonably available for these capital projects.

Counties, cities, and towns that are required to fully plan under the Growth Management Act (GMA) may impose an additional REET on each sale of real property that may not exceed 0.25 percent of the selling price (REET II). Counties, cities, and towns that have opted, but are not required, to fully plan under GMA, may impose REET II with voter approval. With some exceptions, revenues generated from REET II may only be used for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under GMA. Revenue from REET II is intended to be in addition to other funds that may be reasonably available for these capital projects.

Temporary Authorization for Expanded Use of REET I and REET II Revenues. Until December 31, 2016, capital projects that may be funded by REET I and REET II revenues include streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and parks. Additional

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eligible uses of REET I funds include recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, judicial facilities, and flood control projects. Until December 31, 2016, a city, town, and county may use the greater of $100,000 or 35 percent of REET I revenues, but not exceeding $1 million, to pay for the operations and maintenance expenditures of existing capital facilities. Until December 31, 2016, a city, town, and county may use the greater of $100,000 or 35 percent of REET II revenues, but not exceeding $1 million, to pay for the operations and maintenance expenditures of existing capital facilities. Additionally, counties may use REET II revenues for the payment of existing debt service on any capital project authorized under REET I. The use of revenues for payment of existing debt service is subject to the same fiscal limitations as REET revenues used for operations and maintenance.

Municipal Research and Services Center. The Department of Commerce must contract for the provision of municipal research and services to cities, towns, and counties. Currently, the Municipal Research and Services Center (MRSC), a nonprofit organization, provides policy, financial, and legal research and support services to cities, towns, and counties in accordance with the terms of the contract with the Department of Commerce. The MRSC maintains a website where publications, reports, and materials associated with municipal research and services are posted.

**Summary of Bill**: Use of REET I and REET II Revenues. If a county or city that imposes REET I meets certain criteria, the county or city may use the greater of $100,000 or 25 percent of available funds, not to exceed $1 million per year, from revenues collected for maintenance of REET I capital projects. In addition, if a county or city that imposes REET II meets certain criteria, the county or city may use the greater of $100,000 or 25 percent of available funds, not to exceed $1 million per year, from revenues collected:
- for maintenance of REET II capital projects; and
- for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, improvement, and maintenance of some REET I capital projects (those projects included within the definition of REET I capital projects that are not also included within the definition of REET II capital projects).

"Maintenance" is defined to mean the use of funds for labor and materials that will preserve, prevent the decline of, or extend the useful life of a capital project. "Maintenance" does not include labor or material costs for routine operations of a capital project.

Use of REET I and REET II Revenues - Criteria. The county or city must prepare a written report demonstrating that it has or will have adequate funding to pay for all of its capital projects identified in a capital facilities plan or other document for the succeeding two-year period. The report must be prepared and adopted as part of the county or city's regular, public budget process and must provide specific information, including how revenues collected under the REET I or REET II were used in the preceding two years and how the funds will be used during the succeeding two-years. Additionally, the county or city may not have enacted, after the effective date of the act, any requirement on the listing, leasing, or sale of real property, unless the requirement is authorized by state or federal law.

Sale or Lease of Real Property - Local Requirements. Counties and cities must post on the MRSC website any ordinance, resolution, or policy adopted by the county or city that imposes a requirement on landlords or sellers of real property to provide information to a buyer or tenant pertaining to subject property or the surrounding area. The ordinance, resolution, or policy is not effective until posted in accordance with this requirement. If a local ordinance, resolution, or policy was adopted prior to the effective date of the act, the ordinance, resolution, or policy must be posted within 90 days or it will cease to be in effect. The MRSC must provide a list of all requirements imposed by counties, cities, and towns on landlords or sellers of real property to provide information to a buyer or tenant pertaining to subject property or the surrounding area. The list must be posted on the MRSC website, and it must list by jurisdiction these local requirements.

**Appropriation**: None.

**Fiscal Note**: Available.

**Committee/Commission/Task Force Created**: No.

**Effective Date**: Ninety days after adjournment of session in which bill is passed.