

SENATE BILL REPORT

EHB 2971

As Reported by Senate Committee On:
Ways & Means, February 29, 2016

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: Addressing 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 and Nealey.

Brief History: Passed House: 2/16/16, 96-2.

Committee Activity: Ways & Means: 2/23/16, 2/29/16 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Darneille, Hasegawa, Hewitt, Nelson, O'Ban, Padden, Parlette, Pedersen, Rolfes, Schoesler and Warnick.

Staff: Dean Carlson (786-7305)

Background: Real Estate Excise Tax - General Authorization for Counties and Cities. County legislative authorities may impose an excise tax on each sale of real property in the unincorporated areas of the county. Similarly, city and town (city) legislative authorities may impose an excise tax on each sale of real property within their corporate limits. County and city real estate excise taxes (REET I) may not exceed a rate of 0.25 percent of the selling price of property. However, in lieu of imposing a local sales and use tax, a county or city may impose an additional excise tax on each sale of real property within its jurisdiction at a rate not to exceed 0.50 percent of the selling price.

Counties and cities that are required to plan under the Growth Management Act (GMA) may impose an additional real estate excise tax (REET II) on each sale of real property within their jurisdictions. However, the issue of whether to impose the REET II must first be

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approved by voters at a general or special election. The REET II may not exceed a rate of 0.25 percent of the selling price of property.

Counties and cities may use revenue collected from the REET II for: (1) financing capital projects specified in the capital facilities element of a comprehensive plan; (2) qualifying debt retirement; or (3) for projects to which revenue was committed prior to March 1, 1992. For purposes of using REET II proceeds, "capital project" (REET II capital projects) means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of certain types of facilities and infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems; and
- storm and sanitary sewer systems.

Proceeds from the REET I may be used for capital purposes, improvements, and projects. In counties and cities with fewer than 5000 residents, and in counties and cities that do not fully plan under the GMA, the proceeds may be used for any capital purpose identified in a capital improvements plan and local capital improvements. In counties with more than 5000 residents, and cities with more than 5000 residents that fully plan under the GMA, the proceeds may be used: (1) to finance capital projects specified in a capital facilities plan; (2) for housing relocation assistance for low-income tenants; (3) for qualifying debt retirement; and (4) for projects to which revenue was committed prior to April 30, 1992.

For purposes of using REET I proceeds, "capital project" (REET I capital projects) means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of certain types of facilities and infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems;
- storm and sanitary sewer systems;
- recreational facilities;
- parks;
- law enforcement and fire protection facilities;
- administrative and judicial facilities; and
- river and waterway flood control projects.

Real Estate Excise Tax - Additional Authorization for Fully Planning Counties and Cities.

Counties and cities that are required to plan under the GMA may impose REET II on each sale of real property within their jurisdictions. However, the issue of whether to impose the REET II must first be approved by voters at a general or special election. The REET II may not exceed a rate of 0.25 percent of the selling price of property.

Counties and cities may use revenue collected from the REET II for: (1) financing capital projects specified in the capital facilities element of a comprehensive plan; (2) qualifying debt retirement; or (3) for projects to which revenue was committed prior to March 1, 1992. For purposes of using REET II proceeds, "capital project" (REET II capital projects) means public works projects of a local government for planning, acquisition, construction,

reconstruction, repair, replacement, rehabilitation, or improvement of certain types of facilities and infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems; and
- storm and sanitary sewer systems.

Municipal Research and Services Center. The Department of Commerce is required by statute to contract for the provision of municipal research and services to cities, towns, counties, and special purpose districts. This directive is fulfilled through a contract with the Municipal Research and Services Center (MRSC), a nonprofit organization that provides policy, financial, and legal research and support services in accordance with the terms of the contract. The MRSC maintains a website where publications, reports, and materials associated with municipal research and services are posted.

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 September 26, 2015, 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 in a specific section on the MRSC website, and it must list by jurisdiction all applicable local requirements.

Summary of Bill (Recommended Amendments): Provisions requiring cities, counties, and the MRSC to electronically post information on the MRSC website concerning locally-adopted ordinances, resolutions, or policies that impose specific requirements on landlords or sellers of real property are modified. Instead of being required to post the ordinance, resolution, or policy, cities and counties are required to post:

- a summary of the ordinance, resolution, or policy; and
- an Internet link to the ordinance, resolution, or policy, or the relevant portion of the actual language of the ordinance, resolution, or policy.

Similarly, instead of being required to post a list of all applicable requirements imposed by cities, towns, or counties, the MRSC is required to post:

- a summary of the ordinance, resolution, or policy; and
- an Internet link to the ordinance, resolution, or policy, or the relevant portion of the actual language of the ordinance, resolution, or policy.

Also, instead of posting a list of requirements in a specific section on the MRSC website, the MRSC must post the information provided by cities, towns, and counties regarding an ordinance, resolution, or policy in a specific section on the MRSC website.

Provisions disqualifying a city or county from using REET revenues for maintenance of capital projects, or other authorized purposes, are modified. Instead of disqualifying a city or

county that enacts any new requirement on the leasing of real property, a city or county is disqualified if it enacts any new requirement on landlords, at the time of executing a lease, to perform or provide physical improvements or modifications to real property or fixtures. A city or county is not disqualified, though, if the requirement is: (1) necessary to address an immediate threat to health or safety; (2) specifically authorized by certain statutes, including statutes relating to the regulation of nuisances and building codes; (3) specifically authorized by other state or federal law; or (4) a seller or landlord disclosure requirement posted electronically in accordance with statute.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): Dates were changed in the bill to reflect the timing of the policy changes.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is actually a technical fix to a flexibility bill. Cities, counties and realtors came to an agreement after on legislation after many years of negotiations and passed legislation last year. This bill fixes a couple of unintended consequences that resulted from that bill. This a clean-up bill from last years REET flexibility bill. This is an issue that our organizations have been working on for a long time. These are unforeseen consequences from last years bill. This is a good government small cleanup. It requires MRSC to post a summary of ordinances rather than the whole thing which could be pages and pages. The summary is what realtors want. It was brought to our attention that last years bill got into landlord tenant issues which was not intended.

Persons Testifying: PRO: Representative McBride, Prime Sponsor; Bill Clarke, Washington REALTORS; Josh Weiss, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: No one.