
Finance Committee

HB 2444

Brief Description: Providing a real estate excise tax exemption for certain transfers of low-income housing.

Sponsors: Representatives Slatter, Robinson, McBride, Clibborn, Appleton, Tharinger, Kloba, Doglio and Tarleton.

Brief Summary of Bill

- Provides a real estate excise tax exemption for the transfer of a qualified low-income housing development or controlling interest in a qualified low-income housing development.
- Defines qualified low-income housing development.

Hearing Date: 1/16/18

Staff: Richelle Geiger (786-7139).

Background:

Real Estate Excise Tax.

Real estate excise tax (REET) is assessed on the sale of real estate. The tax is assessed on the selling price, including the amount of any liens, mortgages, or other debts. The tax is typically paid by the seller of the property, although the buyer is liable if the tax is not paid. The tax also applies to transfers of controlling interest in entities that own property in the state. The state REET rate is 0.0128. City and county rates vary depending on the area, ranging from 0.0025 to 0.015. Certain types of real estate transactions are statutorily exempt from REET.

Federal Low-Income Housing Tax Credits.

The Low-Income Housing Tax Credit (LIHTC) is a federal income tax incentive program used to encourage private investment in affordable housing development for low-income households. In Washington, the housing credits are allocated by the Housing Finance Commission (Commission). The Commission awards tax credits to project developers, who sell the credits to

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.

investors to raise capital for their projects. Investors in the program receive a dollar-for-dollar reduction in their federal tax liability by agreeing to provide low-cost housing for up to 40 years. The properties developed must serve individuals at or below 60 percent of area median income. The Commission also monitors all tax-credit properties for compliance. Serious violations of federal statutory requirements may result in the recapture of all or some of the allocated credits.

Summary of Bill:

A REET exemption is provided to the transfer of a qualified low-income housing development or controlling interest in a qualified low-income housing development.

"Qualified low-income housing development" is defined as real property and improvements for which the seller was allocated federal low-income housing tax credits.

The exemption does not apply if the seller has been subject to recapture of all or some of the allocated credits within the four years prior to the date of transfer due to noncompliance with federal statutory requirements.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2018.