

FINAL BILL REPORT

EHB 2444

C 221 L 18
Synopsis as Enacted

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.

House Committee on Finance
Senate Committee on Ways & Means

Background:

Real Estate Excise Tax.

Real estate excise tax (REET) is assessed on the sale of real estate. The REET is assessed on the selling price, including the amount of any liens, mortgages, or other debts. The REET is typically paid by the seller of the property, although the buyer is liable if the REET is not paid. The REET also applies to transfers of controlling interests in entities that own property in the state. The state REET rate is 1.28 percent. City and county rates vary by location, ranging from 0.25 percent to 1.5 percent. 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 investors to raise capital for their projects. 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:

A REET exemption is provided for the transfer of a qualified low-income housing development or controlling interest in a qualified low-income housing development, until July 1, 2035.

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.

"Qualified low-income housing development" is defined as real property and improvements for which the seller or, in the case of a transfer of controlling interests, the owner or beneficial owner, 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.

The Washington State Housing Finance Commission, working with the Department of Revenue, is directed to collect data to measure the effectiveness of the tax preference in lowering costs for beneficiaries and maintaining the use of the property for low-income housing; and the Joint Legislative Audit and Review Committee is required to conduct a review of the exemption in 2033.

Votes on Final Passage:

House	98	0	
Senate	48	1	(Senate amended)
House	98	0	(House concurred)

Effective: July 1, 2018