

SENATE BILL REPORT

EHB 2444

As of March 6, 2018

Title: An act relating to providing a real estate excise tax exemption for certain transfers of low-income housing.

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 History: Passed House: 2/13/18, 98-0.

Committee Activity: Ways & Means: 3/06/18.

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.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: REET. 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 interest in entities that own property in the state. The state REET rate is 1.28 percent. Cities and counties are also authorized to impose local option real estate excise taxes. Combined state and local tax rates are typically either 1.53 percent or 1.78 percent. Certain types of real estate transactions, such as gifts or inheritances, 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

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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 of Bill: 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.

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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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