
Finance Committee

HB 1493

Brief Description: Authorizing cities and counties to impose additional taxes for affordable housing.

Sponsors: Representatives Morgan, Jenkins, Kirby, Ryu, Fey, Doglio, Ormsby and Pollet.

Brief Summary of Bill

- Authorizes qualifying cities and counties to impose the real estate excise tax for affordable housing
- Changes the requirements a jurisdiction must meet in order to levy the tax

Hearing Date: 2/5/19

Staff: Richelle Geiger (786-7139).

Background:

Real estate excise tax.

Real estate excise tax (REET) is assessed on the sale or transfer of real estate. The REET is assessed on the selling price, including the amount of any liens, mortgages, or other debts. Typically, the REET is paid by the seller of the property, although the buyer is liable if the REET is not paid. The state REET rate is 1.28 percent. Cities and counties are permitted to collect REET for specified purposes if they meet criteria defined in statute. Local REET rates vary depending on location, ranging from 0.25 percent to 1.5 percent. Certain types of real estate transactions are statutorily exempt from REET.

Real estate excise tax for affordable housing.

A qualifying county may impose an additional REET for affordable housing with voter approval. The maximum tax rate is 0.5 percent. To qualify, a county must have imposed the real estate excise tax for conservation areas prior to January 1, 2003.

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.

On taxable real estate transactions, one-half of the tax must be paid by the seller. The authorizing county may determine if the second half of the tax is the obligation of the buyer, the seller, or both.

The proceeds of the tax must be used exclusively for the development of affordable housing including acquisition, building, rehabilitation, and maintenance and operation of housing for very low, low, and moderate-income persons and those with special needs. The revenue must be deposited in an affordable housing account administered by the authorizing county. The proceeds are awarded through a competitive grant and loan application process, designed by the authorizing county. Eligible grant and loan recipients must be private nonprofit organizations, affordable housing providers, the housing authority for the county, or other housing programs conducted or funded by a public agency, or by a public agency in partnership with a private nonprofit entity.

The authorizing vote to impose the tax must follow either the adoption of a resolution by the county legislative authority proposing the action; or the filing of a petition proposing this action with the county auditor, signed by at least 10 percent of the total number of voters in the county who voted in the preceding general election. The tax is imposed 30 days after the election in which the tax is authorized. An expenditure plan for the proceeds must be prepared by the county legislative authority at least 60 days before the election if the proposal is initiated by the county legislative authority or within six months after the tax has been authorized by the voters if the proposal was initiated by a petition. Prior to the adoption of the plan, the elected officials of cities located within the county must be consulted and at least one public hearing will be held to obtain public comment. The proceeds must be spent in accordance to the adopted plan.

Summary of Bill:

Permits all cities and counties to impose the affordable housing REET, with councilmanic or voter approval depending on the tax rate. The requirement that a county must have levied the conservation areas REET prior to January 1, 2003 to levy this REET is eliminated.

The jurisdiction needs voter approval to impose the full 0.5 percent tax rate. The jurisdiction's legislative authority may impose a tax rate less than 0.5 percent, without voter approval.

If both a city and a county collect this REET, the city must collect the tax within its incorporated boundaries, and the county must collect the tax within the unincorporated areas.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.