
Finance Committee

HB 2919

Brief Description: Adjusting the amount and use of county fees on the real estate excise tax.

Sponsors: Representatives Chopp and Tharinger.

Brief Summary of Bill

- Increases the percentage of real estate excise taxes (REET) retained by counties with a population of less than 230,000 to 1.48 percent.
- Directs a portion of the REET retained by county with a population of over 2 million to go to the maintenance and operations of permanent supportive housing programs in the county.

Hearing Date: 2/4/20

Staff: Tracey O'Brien (786-7152).

Background:

Graduated REET.

Beginning January 1, 2020, the real estate excise tax (REET) is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$500,000;
- 1.28 percent on the portion of the selling price that is greater than \$500,000, but equal to or less than \$1,500,000;
- 2.75 percent on the portion of the selling price that is greater than \$1,500,000, but equal to or less than \$3,000,000; and
- 3 percent on the portion of the selling price that is greater than \$3,000,000.

A rate of 1.28 percent is imposed on the sale of undeveloped land, timberland, agricultural land, and water or mineral rights, regardless of selling price.

Beginning on January 1, 2022, and every fourth year thereafter, the selling price thresholds are adjusted to reflect the lesser of the growth in the Consumer Price Index for Shelter over the past

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four years, or 5 percent. The Department of Revenue (DOR) must publish updated selling price thresholds by September 1, 2022, and September 1 of every fourth year thereafter. If the growth in Consumer Price Index for Shelter is less than 0 percent, the current selling price thresholds will continue to apply. The DOR must report the updated selling price thresholds to the Legislature within six months of publication.

The DOR must publish guidance to assist sellers in properly classifying real property on the REET affidavit for purposes of determining the proper amount of tax due under this section. Real property with multiple uses must be classified according to the property's predominant use and the DOR's guidance must include factors for use in determining the predominant use of real property. The DOR, rather than county treasurers, are responsible for verifying the seller has properly classified real property reported on a REET affidavit.

Revenue Distributions.

Beginning January 1, 2020, and ending June 30, 2023, revenue distributions must be as follows:

- 1.7 percent must be deposited in the Public Works Assistance Account;
- 1.4 percent must be deposited in the City-County Assistance Account;
- 79.4 percent must be deposited in the general fund; and
- the remaining amount must be deposited in the Education Legacy Trust Account.

Beginning July 1, 2023, and thereafter, revenue distributions to the Public Works Assistance Account increases to 5.2 percent.

The county treasurer retains 1.3 percent of the REET collected by the county, along with the treasurer's fee of \$5, to defray the costs of collection. These funds are deposited in the county's current expense account.

Summary of Bill:

The county treasurer must retain 1.48 percent of the REET collected by the county to defray the costs of collection if the county has a population of less than 230,000.

In a county with a population greater than 2 million, the county treasurer must deposit 75 percent the amount of REET taxes retained into the county current expense account to offset the costs of collection. The remaining 25 percent of the REET taxes retained by the county may be used for operations and maintenance of permanent supportive housing programs in the county.

Appropriation: None.

Fiscal Note: Available.

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