

SENATE BILL REPORT

SHB 2634

As Reported by Senate Committee On:
Housing Stability & Affordability, February 26, 2020

Title: An act relating to exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax.

Brief Description: Exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax.

Sponsors: House Committee on Finance (originally sponsored by Representatives Walen, Barkis, Stokesbary, Macri, Chapman, Gildon, Chopp, Robinson, Senn, Leavitt and Tharinger).

Brief History: Passed House: 2/17/20, 94-4.

Committee Activity: Housing Stability & Affordability: 2/24/20, 2/26/20 [DP-WM].

Brief Summary of Bill

- Exempts the sale of property used for rental housing for low-income households from the real estate excise tax.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Fortunato, Assistant Ranking Member; Darneille, Saldaña and Warnick.

Staff: Jeff Olsen (786-7428)

Background: The sale of real estate is subject to the real estate excise tax (REET). REET is assessed on the selling price and is typically paid by the seller of the property. 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 greater than \$500,000, but equal to or less than \$1,500,000;
- 2.75 percent on the portion of the selling price greater than \$1,500,000, but equal to or less than \$3,000,000; and

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- 3 percent on the portion of the selling price greater than \$3,000,000.

Certain types of real estate transactions are statutorily exempt from paying REET, including a qualified sale of a mobile home community, low-income housing transfers, transfers to a qualified entity providing housing for developmentally disabled persons, and transfers to a qualified low-income household from an affordable home ownership facilitator. Low-income household means household income may not exceed 80 percent of county median household income, adjusted for family size.

Summary of Bill: Property sold to a qualifying grantee used for rental housing for low-income households is exempt from REET. A qualifying grantee includes nonprofit housing providers, housing authority, or public corporation intending to use the property for rental housing for low-income persons. If a qualifying grantee intends to receive or operate existing housing on the property as affordable housing, they must certify by affidavit their intent to qualify the property within one year. If a qualifying grantee intends to develop new affordable housing on the site, they must certify by affidavit their intent to qualify the property within five years. If a qualifying grantee intends to substantially rehabilitate the premises, they must certify by affidavit their intent to qualify the property within three years.

If a qualifying grantee fails to receive, or otherwise qualify the property for an exemption within the prescribed timeline, REET must be paid, plus interest. If the property is transferred to another qualifying grantee, REET is not due if the property is operated or developed for the intended purpose within the exemption period of the initial transfer. There is no limit on the number of transfers between qualifying grantees.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 3, relating to authorizing the exemption, which takes effect July 1, 2020 and section 4, relating to continuing the exemption, which takes effect January 1, 2030.

Staff Summary of Public Testimony: PRO: Changes in the bill remove barriers for the development of affordable housing. The Legislature recently authorized the use of REET for affordable housing, and it does not make sense to charge REET to affordable housing providers. The exemption allows affordable housing providers to compete for acquisition of scarce properties and makes it attractive for both buyers and sellers. There are already similar exemptions in statute for other types of facilities, and this will help preserve property for affordable housing.

Persons Testifying: PRO: Representative Amy Walen, Prime Sponsor; Michele Thomas, Washington Low Income Housing Alliance; Andrew Calkins, King County Housing Authority, Association of Washington Housing Authorities.

Persons Signed In To Testify But Not Testifying: No one.