

SENATE BILL REPORT

ESHB 2919

As Passed Senate - Amended, March 10, 2020

Title: An act relating to adjusting the amount and use of county fees on the real estate excise tax.

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

Sponsors: House Committee on Finance (originally sponsored by Representatives Chopp and Tharinger).

Brief History: Passed House: 2/19/20, 98-0.

Committee Activity: Housing Stability & Affordability: 2/26/20, 2/28/20 [DPA-WM].
Ways & Means: 3/02/20, 3/09/20 [DPA (HSA), w/oRec].

Floor Activity:

Passed Senate - Amended: 3/10/20, 46-2.

Brief Summary of Engrossed First Substitute Bill

- Increases the percentage of real estate excise taxes (REET) retained by counties with a population of less than 400,000 from 1.3 percent to 1.48 percent.
- Up to 25 percent of the REET retained by a county with a population greater than 2 million may be used for operations and maintenance of permanent supportive housing programs.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass as amended 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)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hunt, Keiser, Liias, Muzzall, Pedersen, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Alia Kennedy (786-7405)

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. The 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.

From January 1, 2020, and ending June 30, 2023, REET 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 state 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 Engrossed First Substitute Bill: For counties with populations less than 400,000, the county treasurer must retain 1.48 percent of the REET collected by the county to defray the costs of collection. In a county with a population greater than 2 million, the county treasurer must deposit 75 percent of 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.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Substitute House Bill (Housing Stability & Affordability): *The committee recommended a different version of the bill than what was heard.* PRO: With the recent change in the graduated REET, there have been unintended consequences. Smaller counties have experienced a decrease in REET revenues. In counties with higher value transactions, such as King County, REET collections are increasing. This bill allows King County to redirect the excess funds to the maintenance and operation of the county's supportive housing programs. The population threshold for smaller counties should be increased to 400,000 to allow for stability as counties continue to grow.

Persons Testifying (Housing Stability & Affordability): PRO: Representative Frank Chopp, Prime Sponsor; Mellani McAleenan, Washington State Association of Counties; Steven Drew, Elected Thurston County Assessor.

Persons Signed In To Testify But Not Testifying (Housing Stability & Affordability): No one.

Staff Summary of Public Testimony on Bill as Amended by Housing Stability & Affordability (Ways & Means): PRO: The bill positively impacts 34 of the state's 39 counties, as it applies to all counties except the really large ones. Legislation passed last session to create a graduated REET had the effect of reducing the amount of revenue collected in certain counties, which in turn, reduced the amount retained by the county for administrative costs. Counties with higher property values saw an increase in REET revenue, while counties with lower values saw a reduction, even though the workload to counties stayed the same. The intent of this bill is to fix those unintended consequences.

Persons Testifying (Ways & Means): PRO: Mellani McAleenan, Washington State Association of Counties; Steven Drew, Thurston County Assessor, Chair, Legislative Committee for Association of Assessors.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.