

SENATE BILL REPORT

SB 5676

As Reported by Senate Committee On:
Local Government, February 7, 2019

Title: An act relating to authorizing cities planning under the growth management act to impose certain real estate excise taxes by councilmanic action.

Brief Description: Authorizing cities planning under the growth management act to impose certain real estate excise taxes by councilmanic action. **[Revised for 1st Substitute:** Authorizing cities planning under the growth management act to impose certain real estate excise taxes by council action.]

Sponsors: Senators Takko, Walsh and Short.

Brief History:

Committee Activity: Local Government: 2/05/19, 2/07/19 [DPS, w/oRec].

Brief Summary of First Substitute Bill

- Removes a provision requiring voter approval before a county choosing to plan under the Growth Management Act and cities within those counties may impose additional real estate excise taxes (REET II).
- Adds a referendum process to repeal an ordinance imposing REET II.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5676 be substituted therefor, and the substitute bill do pass.

Signed by Senators Takko, Chair; Salomon, Vice Chair; Short, Ranking Member.

Minority Report: That it be referred without recommendation.

Signed by Senator Honeyford.

Staff: Bonnie Kim (786-7316)

Background: REET I. County legislative authorities may impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city and town legislative authorities may impose an excise tax on each sale of real property within their corporate

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limits. The rate of real estate excise taxes (REET I) may not exceed 0.25 percent of the selling price.

REET II. Counties and cities required to plan under the Growth Management Act (GMA) may impose an additional excise tax (REET II) on each sale of real property within their jurisdiction that may not exceed 0.25 percent of the selling price. Counties that choose to plan under the GMA, and the cities and towns within those counties, may impose the REET II with voter approval.

With some exceptions, REET II revenue may be used only for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA. "Capital project," as defined in REET II provisions, means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of specific infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems;
- storm and sanitary sewer systems; and
- planning, constructing, reconstructing, repairing, rehabilitating, or improving parks.

Summary of Bill (First Substitute): The provision requiring REET II voter approval for counties choosing to plan under the GMA and cities within those counties is removed.

A referendum process to repeal an ordinance imposing REET II is added.

EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT COMMITTEE (First Substitute):

- Adds a referendum process.
- Corrects the title to replace "councilmanic" with "council".

Appropriation: None.

Fiscal Note: Not requested.

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 Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill eliminates the different treatment between those jurisdictions that were required to plan under the GMA or opted in. Just 42 small cities lack REET II authority. Walla Walla will use this revenue to fund a backlog of capital projects, especially sidewalk improvement-related projects. This bill provides necessary clarity for jurisdictions that have voluntarily chosen to plan under the GMA.

CON: We tried to work over the interim to address the challenges cities have expressed and that this bill attempts to fix. We do not support legislation that removes the right of voters to approve new taxes.

Persons Testifying: PRO: Senator Dean Takko, Prime Sponsor; Ki Bealey, Director, City of Walla Walla Public Works; Candice Bock, Association of Washington Cities; Mara Machulsky, City of Walla Walla.

CON: Denny Eliason, Washington Realtors Association.

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