

SENATE BILL REPORT

SB 5757

As of January 19, 2022

Title: An act relating to adjusting the real estate excise tax rate for multifamily residential properties.

Brief Description: Adjusting the real estate excise tax rate for multifamily residential properties.

Sponsors: Senator Gildon.

Brief History:

Committee Activity: Housing & Local Government: 1/19/22.

Brief Summary of Bill

- Imposes a real estate excise tax rate of 1.28 percent on the sale of multiple-unit housing, regardless of the selling price.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Staff: Jeff Olsen (786-7428)

Background: The sale of real estate is subject to the real estate excise tax (REET). The tax base is the selling price of the real estate, without any deduction for mortgages, liens, or other debts. REET is typically paid by the seller.

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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

A rate of 1.28 percent is imposed on the sale of timberland or agricultural land, regardless of selling price.

Summary of Bill: A REET rate of 1.28 percent is imposed on the sale of multiple-unit housing, regardless of selling price. Multiple-unit housing is defined to include a building or a group of buildings having four or more dwelling units, not designed or used as transient accommodations, and not including hotels and motels, in which at least 50 percent of the total square footage of the building or group of buildings are residential units.

Appropriation: None.

Fiscal Note: Requested on January 15, 2022.

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: PRO: With the graduated REET, the rate for lower priced properties is reduced, while higher priced properties pay a higher rate. Lower cost homes see cost savings as a result. However, affordable and workforce housing rates in apartment complexes have doubled. There is a significant difference between the 1.28 percent rate and a 3 percent rate on the sale of an apartment building. A large apartment building paying the higher 3 percent rates equate to significant costs. These costs impact monthly rental costs. The state needs every tool in the tool box to keep housing costs down, and this would lower costs for the sale of multifamily properties.

Persons Testifying: PRO: Senator Chris Gildon, Prime Sponsor.

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