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**SUBSTITUTE HOUSE BILL 1157**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** House Local Government (originally sponsored by Representatives Bateman, Gilday, Taylor, Eslick, Robertson, Simmons, Ormsby, Lekanoff, Hackney, Ryu, Walen, Vick, Wicks, Berg, Fitzgibbon, Barkis, Harris-Talley, and Dolan)

READ FIRST TIME 02/15/21.

1 AN ACT Relating to increasing housing supply through the growth  
2 management act and housing density tax incentives for local  
3 governments; amending RCW 82.45.060; and adding a new section to  
4 chapter 36.70A RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 36.70A  
7 RCW to read as follows:

8 (1) Cities within counties planning under RCW 36.70A.215 and  
9 those counties may establish one or more real estate excise tax  
10 density incentive zones. A real estate excise tax density incentive  
11 zone is an area within an urban growth area where the city or county  
12 adopts zoning and development regulations to increase housing supply  
13 by allowing construction of additional housing types as outright  
14 permitted uses. Creation of a real estate excise tax density  
15 incentive zone enables the local government to receive a portion of  
16 the tax imposed under chapter 82.45 RCW for sales of qualified  
17 residential dwelling units within the zone.

18 (2) A real estate excise tax density incentive zone may only be  
19 located within a designated urban growth area, and must allow the  
20 following housing types: Single-family detached dwellings at a net  
21 density of at least six dwelling units per acre, duplexes, triplexes,

1 fourplexes, townhomes, accessory dwelling units, and courtyard  
2 apartments.

3 (3) A real estate excise tax density incentive zone may also  
4 allow as outright permitted uses housing types and densities that  
5 exceed the minimum requirements in subsection (2) of this section.

6 (4)(a) Additional dwelling units must be in addition to the  
7 baseline density under existing zoning to implement the housing  
8 element in RCW 36.70A.070.

9 (b) For the purposes of this section, a "qualified residential  
10 dwelling" is either an individual residential dwelling unit or a  
11 residential building of two or more dwelling units constructed within  
12 a real estate excise tax density incentive zone that achieves a net  
13 increase in the total number of residential dwelling units compared  
14 to the maximum number of residential dwelling units that could have  
15 been built prior to the adoption of zoning and development  
16 regulations creating the real estate excise tax density incentive  
17 zone. To be included as qualified residential dwelling units, the  
18 units must be restricted from being offered as short-term rentals for  
19 more than 30 days a year for the first 15 years after construction.  
20 The department of revenue shall determine how the residential  
21 dwelling units shall be restricted from being short-term rentals.

22 (c) If the qualified residential dwelling has two or more  
23 dwelling units, the amount distributed to the local government under  
24 RCW 82.45.060(4)(c) shall be reduced by the percent attributable to  
25 the number of new dwelling units within the building that could have  
26 been built under the zoning and development regulations that existed  
27 prior to the creation of the local real estate excise tax density  
28 incentive zone.

29 (5) A sale that does not involve a net increase above the maximum  
30 number of residential dwelling units that could have been constructed  
31 as an outright permitted use, prior to the creation of the real  
32 estate excise tax density incentive zone, is not a sale of a  
33 qualified residential dwelling unit.

34 (6) A real estate excise tax density incentive zone may be  
35 established for areas where a city or county previously enacted  
36 zoning and development regulations meeting the minimum requirements  
37 in this section, but not prior to January 1, 2017. A real estate  
38 excise tax density incentive zone may not be established later than  
39 one year after the date by which a city or county is required to  
40 update its growth management comprehensive plan under RCW 36.70A.130.

1 Once a real estate excise tax density incentive zone is established  
2 in compliance with this section, a qualified residential dwelling  
3 unit may be constructed at any time.

4 **Sec. 2.** RCW 82.45.060 and 2019 c 424 s 1 are each amended to  
5 read as follows:

6 (1) There is imposed an excise tax upon each sale of real  
7 property.

8 (a) Through December 31, 2019, the rate of the tax imposed under  
9 this section is 1.28 percent of the selling price.

10 (b) Beginning January 1, 2020, except as provided in (c) of this  
11 subsection, the rate of the tax imposed under this section is as  
12 follows:

13 (i) 1.1 percent of the portion of the selling price that is less  
14 than or equal to five hundred thousand dollars;

15 (ii) 1.28 percent of the portion of the selling price that is  
16 greater than five hundred thousand dollars and equal to or less than  
17 one million five hundred thousand dollars;

18 (iii) 2.75 percent of the portion of the selling price that is  
19 greater than one million five hundred thousand dollars and equal to  
20 or less than three million dollars;

21 (iv) Three percent of the portion of the selling price that is  
22 greater than three million dollars.

23 (c) The sale of real property that is classified as timberland or  
24 agricultural land is subject to the tax imposed under this section at  
25 a rate of 1.28 percent of the selling price.

26 (2) Beginning July 1, 2022, and every fourth year thereafter:

27 (a) The department must adjust the selling price threshold in  
28 subsection (1)(b)(i) of this section to reflect the lesser of the  
29 growth of the consumer price index for shelter or five percent. If  
30 the growth is equal to or less than zero percent, the current selling  
31 price threshold continues to apply.

32 (b) The department must adjust the selling price thresholds in  
33 subsection (1)(b)(ii) through (iv) of this section by the dollar  
34 amount of any increase in the selling price threshold in subsection  
35 (1)(b)(i) of this section.

36 (c) The department must publish updated selling price thresholds  
37 by September 1, 2022, and September 1st of every fourth year  
38 thereafter. Updated selling price thresholds will apply beginning  
39 January 1, 2023, and January 1st every fourth year thereafter.

1 Adjusted selling price thresholds must be rounded to the nearest one  
2 thousand dollars. No changes may be made to adjusted selling price  
3 thresholds once such adjustments take effect.

4 (d) The most recent selling price threshold becomes the base for  
5 subsequent adjustments.

6 (e) The department must report adjustments to the selling price  
7 thresholds to the fiscal committees of the legislature, beginning  
8 December 1, 2022, and December 1st every fourth year thereafter.

9 (3)(a) The department must publish guidance to assist sellers in  
10 properly classifying real property on the real estate excise tax  
11 affidavit for purposes of determining the proper amount of tax due  
12 under this section. Real property with multiple uses must be  
13 classified according to the property's predominant use. The  
14 department's guidance must include factors for use in determining the  
15 predominant use of real property.

16 (b) County treasurers are not responsible for verifying that the  
17 seller has properly classified real property reported on a real  
18 estate excise tax affidavit. The department is solely responsible for  
19 such verification as part of its audit responsibilities under RCW  
20 82.45.150.

21 (4)(a) Beginning July 1, 2013, and ending December 31, 2019, an  
22 amount equal to two percent of the proceeds of this tax must be  
23 deposited in the public works assistance account created in RCW  
24 43.155.050, an amount equal to four and one-tenth percent must be  
25 deposited in the education legacy trust account created in RCW  
26 83.100.230, an amount equal to one and six-tenths percent must be  
27 deposited in the city-county assistance account created in RCW  
28 43.08.290, and the remainder must be deposited in the general fund.

29 (b) Beginning January 1, 2020, amounts collected from the tax  
30 imposed under this section must be deposited as provided in RCW  
31 82.45.230 less any amount distributed to a city or county pursuant to  
32 (c) of this subsection (4).

33 (c) Beginning July 1, 2023, the amounts collected on the sale of  
34 a qualified residential dwelling constructed within a real estate  
35 excise tax density incentive zone created under section 1 of this act  
36 shall be distributed to a city or county as follows:

37 (i) For a qualified residential dwelling unit located less than  
38 or equal to .25 miles from a mass transit stop as defined in RCW  
39 43.21C.420(3), 50 percent of the amounts collected to the city or  
40 county where the dwelling is located;

1 (ii) For a qualified residential dwelling unit located more  
2 than .25 miles from a mass transit stop as defined in RCW  
3 43.21C.420(3), 25 percent of the amounts collected to the city or  
4 county where the dwelling is located.

5 (d) The distribution to a city or county under (c) of this  
6 subsection applies to both the initial and all subsequent sales of a  
7 qualified residential dwelling unit. The amounts distributed to a  
8 city and county may be used solely for:

9 (i) Planning to implement moderate, low, very low, and extremely  
10 low-income housing or creating affordable housing;

11 (ii) Preparation of the review and evaluation report pursuant to  
12 RCW 36.70A.215;

13 (iii) Long-term planning;

14 (iv) Code and development regulation amendments for the purpose  
15 of increasing housing supply; or

16 (v) Code and development regulation amendments that decrease the  
17 amount of time necessary to obtain permits for housing.

18 (5) The definitions in this subsection apply throughout this  
19 section unless the context clearly requires otherwise.

20 (a) "Agricultural land" means farm and agricultural land and farm  
21 and agricultural conservation land, as those terms are defined in RCW  
22 84.34.020, including any structures on such land.

23 (b) "Consumer price index for shelter" means the most current  
24 seasonally adjusted index for the shelter expenditure category of the  
25 consumer price index for all urban consumers (CPI-U) as published by  
26 July 31st by the bureau of labor statistics of the United States  
27 department of labor.

28 (c) "Growth of the consumer price index for shelter" means the  
29 percentage increase in the consumer price index for shelter as  
30 measured from data published by the bureau of labor statistics of the  
31 United States department of labor by July 31st for the most recent  
32 three-year period for the selling price threshold adjustment in 2022,  
33 and the most recent four-year period for subsequent selling price  
34 threshold adjustments.

35 (d) "Timberland" means land classified under chapter 84.34 RCW or  
36 designated under chapter 84.33 RCW, including any structures and  
37 standing timber on such land, and standing timber sold apart from the  
38 land upon which it sits.

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