

# HOUSE BILL REPORT

## HB 2615

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### As Reported By House Committee On:

Capital Budget

**Title:** An act relating to real estate excise taxes for local capital projects.

**Brief Description:** Distributing a portion of real estate excise tax revenues to local governments for capital projects.

**Sponsors:** Representatives D. Sommers, Crouse, Fuhrman, Sterk, Sheahan and Pelesky.

### Brief History:

#### Committee Activity:

Capital Budget: 1/30/96, 2/1/96, 2/2/96 [DPS].

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Chopp, Assistant Ranking Minority Member; Costa; Hankins; Koster; Mitchell; Pennington; Regala; Romero; Silver; D. Sommers; L. Thomas and Valle.

**Staff:** Bill Robinson (786-7140).

**Background:** The real estate excise tax was initially authorized as a county tax in 1951. The authorizing statute permitted a tax of up to 1 percent of the selling price of real property, and all revenues from the tax were dedicated to school districts within the county.

In 1981, when the state assumed responsibility for full funding of public schools under the basic education act, the tax was shifted to the state level. The current tax rate is 1.28 percent of the selling price. All receipts from the tax, except for 1.0 percent for county collection costs and 7.7 percent for the public works assistance account, are deposited into the state general fund and dedicated for public education.

Beginning in 1982, the Legislature made several increases to the real estate tax for collection by cities and counties. Cities and counties may use the tax receipts for local capital improvements and the acquisition and maintenance of conservation areas.

**Summary of Substitute Bill:** The Department of Community, Trade and Economic Development shall conduct a study identifying the number of local governments that impose impact fees and the amount of revenues collected from impact fees. The department will then determine the percent of the real estate excise tax that would equal the amount collected from impact fees. The department shall also identify the total expenditures by local governments for capital projects and estimate the amount of unfunded need for local capital projects. The results of the study will be reported to the Legislature before December 1, 1996.

**Substitute Bill Compared to Original Bill:** The distribution of 40 percent of state revenues from the real estate excise tax to cities and counties is deleted, and the study of impact fees is added.

**Appropriation:** None.

**Fiscal Note:** (original bill) Requested on January 19, 1996.

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

**Testimony For:** (original bill) The original purpose of the real estate excise tax was to fund local government, and this is consistent with the original intent. Cities and counties could better use these funds to build local infrastructure and to reduce the need for impact fees, which will help keep homes affordable.

**Testimony Against:** (original bill) There is no requirement in the bill to reduce impact fees and additional revenues to the Public Works Trust Fund to help local governments finance infrastructure projects. The money should go to school construction, a higher priority.

**Testified:** Rob Higgins, Spokane Association of Realtors; Suzanne Knapp, Spokane Home Builders Association; Chris Anderson, Spokane City Council; K. O. Rosenberg, North-East Tri Counties; and Duke Schaub, Associated General Contractors.