

SENATE BILL REPORT

SHB 2615

As of February 21, 1996

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: House Committee on Capital Budget (originally sponsored by Representatives D. Sommers, Crouse, Fuhrman, Sterk, Sheahan and Pelesky).

Brief History:

Committee Activity: Ways & Means: 2/20/96.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The state imposes a tax on the sale of real property at a rate of 1.28 percent. Sales of property from a governmental entity, and property acquired by gift, inheritance, or a similar transfer are exempt from the tax. The revenues are deposited in the general fund for the support of the common schools, except 7.7 percent of the revenues are deposited in the public works assistance account.

Cities and counties are authorized to impose local taxes on the sale of real property. City taxes apply to sales in the city, and county taxes apply to sales in the unincorporated areas.

All cities and counties may impose a tax of up to 0.25 percent for capital improvements. An additional 0.25 percent is authorized for growth management programs. Voter approval is required in areas not required to plan under the growth management act. An additional 0.5 percent is authorized in lieu of the second 0.5 percent sales tax. This tax is subject to referendum. Finally, an additional 1.0 percent tax is authorized for counties for the acquisition of conservation areas, subject to voter approval. This tax is paid by the buyer.

Counties are also authorized to impose a regular property tax levy of up to 6.25 cents per \$1,000 of assessed valuation to acquire interests in land to preserve open space land, farm and agricultural land, and timber land (known as conservation futures).

Summary of Amended 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 shall determine the percentage 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. Capital needs and proposed financing under the growth management act for

housing and capital needs for the next six years must be provided. The results of the study must be reported to the Legislature before December 1, 1996.

Counties collecting a conservation futures tax may retain 5 percent of the state real estate excise tax for the acquisition of less than fee simple interests in land to preserve open space land, farm and agricultural land, and timber land and for the acquisition of less than fee simple interest in and maintenance of critical or conservation areas.

The study is void if not funded in the omnibus appropriations act by June 30, 1996.

Amended Bill Compared to Substitute Bill: The substitute bill was not considered.

Appropriation: None.

Fiscal Note: Available (original bill).

Effective Date: Ninety days after adjournment of session in which bill is passed, except the retention of the state tax by counties takes effect July 1, 1997.

Testimony For: The study is important. Cities and counties planning under growth management are identifying real needs but the funding is not necessarily there. Retention of the tax gives an incentive to counties to levy their own conservation futures tax. The real estate excise tax is needed to replace impact fees. It is a way to compensate property owners for rights that are being taken without compensation. Development activity that funds the tax puts pressure on to conserve lands. The study may not be possible to complete because growth management plans are being declared invalid. All cities and counties need this. The tax retention should not be limited to counties imposing the conservation futures tax. The tax should not be used for the maintenance of lands.

Testimony Against: None.

Testified: Representative Duane Sommers, prime sponsor (pro); Senator Haugen (pro); Scott Merriman, WA Environmental Council (pro); Mike Ryherd, APA, 1000 Friends (pro); Maureen Morris, Assoc. of Cities (pro); Ron Shultz, National Audubon Society (pro); Al Haslebacher, Suzan Knapp, Spokane Home Builders (pro); Glen Hudson, Assoc. of Realtors (pro); Dick Ducharme (pro).