

HOUSE BILL REPORT

HB 1756

As Reported By House Committee On:

Finance

Title: An act relating to a real estate excise tax exemption for land exchanges with the federal government.

Brief Description: Exempting certain land exchanges with the federal government from real estate excise tax.

Sponsors: Representatives Thomas and Dunshee.

Brief History:

Committee Activity:

Finance: 2/16/99, 3/8/99 [DPS].

Brief Summary of Substitute Bill

- Transfers of real property are exempt from the state portion of the real estate excise tax if the transfers are: (1) between a private entity and the U.S. Department of Agriculture; (2) have been approved by Congress; and (3) involve parcels that are equal or equalized in value.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Carrell, Republican Vice Chair; Reardon, Democratic Vice Chair; Cairnes; Conway; Cox; Pennington; Santos; Van Luven and Veloria.

Minority Report: Do not pass. Signed by 1 member: Representative Dickerson.

Staff: Linda Brooks (786-7153).

Background:

The real estate excise tax is imposed on each sale of real property. The state tax rate is 1.28 percent. Additional local rates are allowed. Cities and counties may impose

an additional 0.25 percent rate for capital improvements. Cities and counties may also impose a second 0.25 percent rate for capital projects specified in a city or county's comprehensive plan. An additional rate of 0.5 percent is available for cities and counties not imposing the second 0.5 percent of the local sales tax. A county may impose an additional 1 percent rate for acquisition and maintenance of conservation areas if this rate is approved by voters.

The tax is applied when a sale occurs. A sale is defined as any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property.

A seller pays real estate excise taxes. The only exception is the 1 percent county conservation rate which is paid by buyers.

Sales of real property by a governmental entity are exempt from the real estate excise tax. However, sales of real property to a governmental entity are taxable.

Summary of Substitute Bill:

Transfers of real property are exempt from the state portion of the real estate excise tax, if the transfers consist of an equivalent exchange of real property between a private entity and the U.S. Department of Agriculture. Additionally, these equivalent transfers (real property exchanges) must have been approved by Congress. Real property exchanges are equivalent if the exchanged parcels of real property are equal in value or Congress has otherwise provided a means for equalizing value.

Local real estate excise tax rates continue to apply to equivalent exchanges of real property between a private entity and the U.S. Department of Agriculture.

Substitute Bill Compared to Original Bill: An emergency clause making the bill take effect immediately is added.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: (Original bill) This land exchange has taken about 10 years of concentrated activity to complete. The exchange will end much of the checkerboard pattern of public and private landownership that presently exists. There has been extensive public involvement, and last year the Legislature passed a memorial

resolution supporting the exchange. Congress also approved the exchange as one of its last acts completed in 1998. The real winners in the exchange are the citizens of this state. Washington's citizens will gain from this exchange the following: 20,000 acres of roadless lands, 283 miles of streams, 14 miles of the Pacific Crest Trail, 13,000 acres of old growth forest, 28,000 acres of spotted owl habitat, and 7,000 acres of riparian zones.

Testimony Against: (Original bill) This bill is drafted too narrowly. To qualify for the tax exemption, the land exchange must be approved by Congress, and there are not many land exchanges that are approved at the congressional level. Essentially, this bill is a \$750,000 gift bill for Plum Creek. If we're going to have tax breaks for land exchanges, then let's make the tax breaks apply anytime that private lands are exchanged for public lands for the purpose of adding to national parks, riparian corridors, or wilderness areas.

(Concerns) (Original bill) We do not oppose this land exchange per se, but the tax exemption being granted to Plum Creek should be granted to anyone who exchanges private lands for public lands. There are miners, farmers, and other private citizens who sometimes engage in land exchanges with various state and federal agencies.

Testified: (In support) Representative Thomas, prime sponsor; and Steve Gano and Bob Jirsa, Plum Creek.

(Opposed) Eric Espenhorst, Friends of Earth.

(With concerns) Mike Alberg, Washington Cattlemen's Association and Northwest Mining Association.