

# HOUSE BILL REPORT

## HB 2879

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**As Passed House:**

February 14, 2006

**Title:** An act relating to the electronic administration of the real estate excise tax.

**Brief Description:** Modifying the electronic administration of the real estate excise tax.

**Sponsors:** By Representative McIntire; by request of Department of Revenue.

**Brief History:**

**Committee Activity:**

Finance: 1/18/06, 1/24/06 [DP].

**Floor Activity:**

Passed House: 2/14/06, 97-0.

**Brief Summary of Bill**

- Revises fees imposed for filing real estate transaction documents with the county.
- Prohibits state grants for real estate excise tax affidavit electronic processing to counties with funds from a \$5 fee imposed for processing real estate transaction documents.
- Requires county treasurers to forward state real estate excise tax revenue to the State Treasurer by noon on the last working day of each month.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

**Staff:** Bob Longman (786-7139).

**Background:**

The state imposes an excise tax of 1.28 percent on each sale of real property. The tax is usually collected by the treasurer of the county within which the property is located, or in some circumstances by the Department of Revenue. Both the buyer and the seller are required to sign a real estate excise tax (REET) affidavit when a taxable transaction occurs. The

affidavit must contain the names and addresses of the buyer and seller, a legal description of the property, a parcel number, and the property selling price.

The county treasurer collects fees when real estate transaction documents are filed with the county. These fees were increased by legislation enacted in 2005. When REET liability is zero or less than \$5, a combined tax and fee of \$5 is collected by the county treasurer. The fee portion of this charge is used to defray the costs of processing tax affidavits. In addition, if the REET is zero or less than \$5, another \$5 fee is collected and deposited in the County Electronic Technology Account.

If the amount of REET due is greater than zero, an additional fee of \$5 is collected by the county treasurer and remitted to the State Treasurer for deposit in the state Real Estate Excise Tax Electronic Technology Account. The State Treasurer must distribute the moneys in the state account to county treasurers each month. Three-quarters of the money must be equally distributed among all counties, and the rest must be distributed to each county on a pro rata basis based on a county's population. The money received by the county treasurer must be used exclusively for the development and implementation of an electronic processing and reporting system for REET affidavits.

The two \$5 technology fees going into the local and state REET technology accounts expire as of June 30, 2010. Any money remaining in the account on July 1, 2015, reverts to the County Capital Improvements Fund.

To the extent of moneys appropriated for the purpose, the Department of Revenue administers a grant program for counties to assist in the development, implementation, and maintenance of an electronic processing and reporting system for real estate excise tax affidavits. The grants may be used for new or improved computer hardware and software. No county is eligible for grants totaling more than \$100,000.

County treasurers are required to pay state REET revenue to the State Treasurer by 5 pm on the last working day of each month.

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### **Summary of Bill:**

Fees collected by the county treasurer for real estate transaction documents are revised. When REET liability is zero or less than \$5, a combined tax and fee of \$5 is collected by the county treasurer. The fee portion of this charge is used to defray the costs of processing tax affidavits. An additional fee of \$5 is imposed on all real estate transactions, whether tax is due or not, and remitted to the State Treasurer for deposit in the State Real Estate Excise Tax Electronic Technology Account. Distributions and use of money from this state account are not changed. The separate \$5 fee for the county treasurer's real estate excise tax electronic technology account is eliminated.

The Department of Revenue shall not award grants for expenditures made by a county with funds from the \$5 fee for real estate excise tax affidavit electronic processing and reporting that is distributed to the counties by the State Treasurer.

County treasurers are required to pay state REET revenue to the State Treasurer by noon on the last working day of each month.

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**Appropriation:** None.

**Fiscal Note:** Requested on 1/16/06.

**Effective Date:** The bill has an emergency clause and takes effect immediately.

**Testimony For:** This bill makes technical corrections in legislation enacted last year. The fee structure in last year's legislation could be interpreted in many ways. This bill restores the original intent that there will be one \$5 fee on each transaction to fund electronic administration of real estate excise taxes.

**Testimony Against:** None.

**Persons Testifying:** Cindi Holmstrom, Department of Revenue; and Ron Strabbing, Washington State Association of County Treasurers.

**Persons Signed In To Testify But Not Testifying:** None.