
Finance Committee

HB 2448

Brief Description: Increasing the availability of housing for developmentally disabled persons.

Sponsors: Representatives Senn, Tharinger, Chapman, Kilduff, Macri, Robinson, Appleton, Kloba, Pollet, Santos and Tarleton.

Brief Summary of Bill

- Exempts the qualified transfers of residential property by the legal representative of a person with developmental disabilities from the Real Estate Excise Tax.
- Requires the Washington State Developmental Disabilities Council to develop a model transfer agreement.
- Makes remodeling and improvements required to meet building code, meet licensing requirements, or provide functionality to the transferred residential properties eligible for Housing Trust Fund monies.

Hearing Date: 1/12/18

Staff: Tracey O'Brien (786-7152).

Background:

Real Estate Excise Tax.

The sale of real property is subject to the real estate excise tax (REET). The tax base is the selling price of the real property, without any deduction for mortgages, liens, or other debts. The tax is typically paid by the seller. A transfer of controlling interests in entities that own property in Washington is also subject to the REET. Certain types of real estate conveyances are exempt from REET. These include transfers through the execution of a will, transfers that are part of the dissolution of a marriage or domestic partnership, and mortgages to secure a debt.

The state REET rate is a flat 1.28 percent. Local governments may also impose a REET. Cities and counties are authorized to impose a 0.25 percent REET to finance capital improvements or capital projects specified in a comprehensive plan. A city or county may also impose a 0.5

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percent REET for general purposes, so long as the city or county does not impose the optional 0.5 percent retail sales tax. In addition, a county may impose a 1 percent REET to finance the acquisition and maintenance of conservation areas, and a 0.5 percent REET to finance the acquisition, construction, and operation of affordable housing for low- to moderate-income persons or persons with special needs.

Housing Trust Fund.

The Housing Trust Fund makes funds available for affordable housing projects through a competitive application process. Since 1986, the Housing Trust Fund has awarded almost \$1 billion in funding and helped build or preserve nearly 47,000 units of affordable housing statewide.

Summary of Bill:

An exemption to the REET is authorized for the transfer of a residential property by a legal representative of a person with developmental disabilities to a nonprofit that provides residential supported living for persons with developmental disabilities. The adult child of the transferor retains a life estate in the property and may live at the residence so long as it is safe and appropriate. The transferor must submit an affidavit, as well as any other documentation required by the Department of Revenue, in order to claim the exemption.

The property, a successor property, must remain in continuous use as a residence for residential supported living for persons with developmental disabilities for 50 years. If the Department of Social and Health Services determines the property is no longer being used for this purpose, or if the property no longer meets health and safety requirements, the REET based on the value of the property at the time of the original transfer becomes immediately due and must be paid by the nonprofit.

The Washington State Developmental Disabilities Council must develop and make available model transfer agreements.

A tax preference performance statement is included and the exemption is subject to the 10-year expiration.

The remodeling and improvements required to meet building code, meet licensing requirements, or provide functionality to the transferred residential properties are eligible for Housing Trust Fund monies.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.