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## Transportation Committee

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### HB 1228

**Brief Description:** Increasing transportation revenues to help fund state fish barrier removal.

**Sponsors:** Representatives Chapman, Doglio and Appleton; by request of Office of Financial Management.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Imposes a graduated real estate excise tax beginning July 1, 2019.</li><li>• Moves up the effective date of certain vehicle weight fees.</li></ul>
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**Hearing Date:** 4/5/19

**Staff:** Patricia Hasan (786-7292).

**Background:**

Real Estate Excise Tax.

The sale of real property in Washington is subject to a real estate excise tax (REET). The tax base is the selling price of the real estate, without any deduction for mortgages, liens, or other debts. The tax is typically paid by the seller of the real estate. A transfer of controlling interests in entities that own property in Washington is also subject to the REET.

The state REET rate is a flat 1.28 percent of the selling price of the real estate. The revenue is distributed, through June 30, 2023, as follows:

- 2 percent to the Public Works Assistance Account;
- 4.1 percent to the Education Legacy Trust Account;
- 1.6 percent to the City/County Assistance Fund; and
- the remainder to the State General Fund.

After June 30, 2023, distributions to the Education Legacy Trust Account cease, and distributions to the Public Works Assistance Account increase to 6.1 percent.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Any penalties assessed for delinquent tax payments are deposited into the Housing Trust Fund. In addition, counties retain 1.3 percent of the state tax collected to cover administrative costs.

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 and county may also impose a 0.5 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.

#### Vehicle Weight Fees.

Motor vehicles used on public highways must generally be registered annually with the Department of Licensing. Most vehicles, such as passenger cars, motorcycles, vans, and cabs, are subject to:

- a \$30 license tab fee;
- a weight fee of \$25-\$72 based on the scale weight of the vehicle; and
- other fees totaling \$8.75.

The proceeds from vehicle weight fees are deposited in the Multimodal Transportation Account. Funds in that account are used for transportation purposes, including public transportation and rail.

Beginning July 1, 2022, an additional \$10 weight fee is added to the amounts collected at the time of vehicle registration and will be deposited into the Multimodal Transportation Fund, unless prior to July 1, 2023, a clean fuel standard policy is initiated or adopted by rule, in which case the weight fee is deposited into the Connecting Washington Account.

#### License Fee by Weight.

In lieu of the vehicle license fee and weight fees, trucks, buses, and for-hire vehicles are subject to a license fee based on gross vehicle weight. The license fee by weight ranges from \$53 for a 4,000-pound vehicle to \$3,400 for a 105,000-pound vehicle. Proceeds from the license fee by weight are deposited into various accounts within the Motor Vehicle Fund. A freight project fee of 15 percent of the license fee by weight applies to vehicles that have a gross vehicle weight of more than 10,000 pounds. Proceeds from the freight project fee are deposited into the Connecting Washington Account.

Beginning July 1, 2022, an additional \$10 fee is added on vehicles with a gross vehicle weight of less than or equal to 12,000 pounds, which is distributed to various accounts within the Motor Vehicle Fund, consistent with the distribution of other license fees by weight.

#### **Summary of Bill:**

Beginning July 1, 2019, a graduated REET is imposed on the sale price of real property at the following rates:

- 0.75 percent if the selling price is less than \$250,000;

- 1.28 percent if the selling price is equal to or greater than \$250,000 but less than \$1 million;
- 2 percent if the selling price is equal to or greater than \$1 million but less than \$5 million;  
or
- 2.5 percent if the selling price is equal to or greater than \$5 million.

The Motor Vehicle Fund must receive 16.7 percent of REET revenue receipts in addition to the current distributions to other accounts.

The effective dates of the additional \$10 motor vehicle weight fee and license fee by weight are changed to August 1, 2019, rather than July 1, 2022.

The tax preference performance requirements do not apply to this act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** This bill takes effect on August 1, 2019, except for section 101, relating to implementing a graduated real estate excise tax, which takes effect July 1, 2019.