

# HOUSE BILL REPORT

## HB 1900

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**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to the use of real estate excise tax revenue.

**Brief Description:** Expanding the uses of the local government real estate excise tax.

**Sponsors:** Representatives Santos, Jarrett and Kirby.

**Brief History:**

**Committee Activity:**

Local Government: 2/26/03, 3/5/03 [DPS].

**Brief Summary of Substitute Bill**

- Expands the definition of capital projects that may be constructed using real estate excise taxes to include law enforcement facilities, fire protection facilities, and judicial facilities.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Romero, Chair; Upthegrove, Vice Chair; Jarrett, Assistant Ranking Minority Member; Berkey, Clibborn and Moeller.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Schindler, Ranking Minority Member; Ahern, Ericksen and Mielke.

**Staff:** Amy Wood (786-7127).

**Background:**

The legislative authority of a county or city that is required to plan under the Growth Management Act (GMA) may impose an additional excise tax on each sale of real property at a rate not to exceed 0.25 percent of the selling price. The legislative authority of a county or city that chooses to plan under the GMA may adopt an ordinance imposing the additional excise tax only if authorized by a proposition approved by a majority of the voters of the taxing district.

Proceeds generated from the excise tax must be used solely for financing capital projects that are identified in the capital facilities plan element of a comprehensive plan and that meet the definition of "capital project." "Capital project" is defined as a public works project for:

"(a) planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, recreational facilities, law enforcement facilities, fire protection facilities, river or waterway flood control projects, and housing projects; and (b) planning, construction, reconstruction, repair, rehabilitation, or improvement of parks."

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**Summary of Substitute Bill:**

The definition of "capital project" is expanded to include law enforcement facilities, fire protection facilities, and judicial facilities.

**Substitute Bill Compared to Original Bill:**

Language authorizing a local government to use proceeds generated by the real estate excise tax for any local government capital project is removed. The original language of the act is restored which provides that revenues generated by the real estate excise tax may only be used for capital projects specified in a capital facilities plan element of a comprehensive plan. Recreational facilities, trails, libraries, administrative, river or waterway flood control projects, and housing projects are removed from the definition of "capital project."

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** Local governments are facing severe fiscal challenges. This bill will provide some flexibility in the use of excise taxes so that local governments can meet the needs of their communities. It does not impose new taxes, but merely provides additional tools for local governments to use existing taxes.

This bill is one component of the tri-association which includes the cities, counties, and county officials. The purpose of the bill is to provide some new revenue streams and allow for flexibility in how these existing revenue streams may be used. We are trying in

effect to use funds we currently have more efficiently. It also puts the decisions regarding capital priorities in the hands of the city councils.

Two hundred and forty-eight cities that plan under the Growth Management Act are authorized to use this second quarter excise real estate tax. Approximately half of the cities use them. We just simply want to expand the uses of those taxes.

**Testimony Against:** Second quarter excise taxes were limited in scope by the Legislature in 1992. The list of uses for these taxes was intended to be more limited to essential high priority capital projects. This is not good public policy to remove this restriction right now.

**Testified:** (In support) Representative Santos, prime sponsor; Paul Parker, Washington State Association of Counties; Bob Jean, City of University Place; and Jim Justin, Association of Washington Cities.

(Opposed) Bryan Wahl and Sam Pace, Washington Association of Realtors.