

# SENATE BILL REPORT

## SB 6074

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As Reported by Senate Committee On:  
Local Government, January 30, 2018

**Title:** An act relating to recording documents related to the inheritance exemption for the real estate excise tax.

**Brief Description:** Concerning recording documents related to the inheritance exemption for the real estate excise tax.

**Sponsors:** Senator Takko.

**Brief History:**

**Committee Activity:** Local Government: 1/11/18, 1/30/18 [DPS].

**Brief Summary of First Substitute Bill**

- Exempts (1) supplemental documents presented to the county treasurer when property is transferred via probate will, and (2) other previously recorded documents from a requirement to record documents with the county auditor.

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### SENATE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** That Substitute Senate Bill No. 6074 be substituted therefor, and the substitute bill do pass.

Signed by Senators Takko, Chair; Short, Ranking Member; Angel and Liias.

**Staff:** Bonnie Kim (786-7316)

**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.

The state REET rate is a flat 1.28 percent. The state revenue is distributed, through June 30, 2019, as follows: 98 percent to the state General Fund, 2 percent to the Public Works

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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.*

Assistance Account, 4.1 percent to the Education Legacy Trust Account, and 1.6 percent to the City/County Assistance Fund.

Local governments are also authorized to 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 0.5 percent to finance the acquisition, construction, and operation of affordable housing for low to moderate income persons, or persons with special needs.

REET Exceptions. For REET purposes, "sale" means any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property. There are several statutory exclusions to the definition of "sale" for REET purposes, including transfers by gift, devise, and inheritance. If the property is transferred under the terms of a probated will, a certified copy of the letters testamentary or in the case of intestate administration, a certified copy of the letters of administration showing that the grantor is the court-appointed executor or administrator, must be provided to the county treasurer. All documents provided to the county treasurer must be recorded with the county treasurer.

**Summary of Bill (First Substitute):** Exempts the following from a requirement to record with the county auditor:

- supplemental documents presented to the county treasurer when property is transferred via probate will; and
- other previously recorded documents.

**EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT COMMITTEE (First Substitute):** Rather than removing a requirement to record supplemental documents with the county auditor entirely, the bill exempts (1) supplemental documents presented to the county treasurer when property is transferred via probate will, and (2) other previously recorded documents.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: The counties are inconsistent as to whether these supplemental documents are required to be recorded with county auditor's office. This issue may be resolved by educating attorneys and county employees.

**Persons Testifying:** PRO: Senator Dean Takko, Prime Sponsor.

**Persons Signed In To Testify But Not Testifying:** No one.