
Finance Committee

HB 1921

Brief Description: Addressing the regressive nature of the Washington state housing market.

Sponsors: Representatives Frame, Macri, Tarleton, Ryu, Appleton, Jinkins, Gregerson, Wylie, Valdez, Sells, Doglio, Stonier, Pollet, Dolan, Stanford, Morris, Cody, Peterson, Slatter, Kloba, Walen and Lekanoff.

Brief Summary of Bill

- Modifies the State Real Estate Excise Tax (REET) rate structure.
- Distributes the new REET revenue that is attributable to the rate structure modification to the Housing Trust Fund and the State General Fund.

Hearing Date: 2/19/19

Staff: Richelle Geiger (786-7139).

Background:

State REET.

REET is due on the sale of real estate and transfer of controlling interest in an entity that owns real property in the state. The tax base is the selling price of real estate, including the amount of any liens, mortgages, and other debts. In the case of the transfer of controlling interest, the tax base is the true and fair value, or selling price, of the real property transferred. The tax is typically paid by the seller of the property, although the buyer is liable for the tax if it is not paid.

The state REET rate is 1.28 percent.

The state REET revenue are distributed as follows:

- 2 percent to the Public Works Assistance Account (PWAA) through June 30, 2023. After that date, 6.1 percent to the PWAA;
- 4.1 percent to the Education Legacy Trust Account through June 30, 2023. After that date, no revenue distribution to the Education Legacy Trust Account;

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- 1.6 percent to the City-County Assistance Account; and
- The remainder to the State General Fund.

Any penalties assessed for delinquent REET payments are deposited into the Housing Trust Fund.

Counties collect the state REET on behalf of the state and retain 1.3 percent of the collections to offset administrative costs.

Summary of Bill:

The state REET rate structure is modified. Until January 1, 2023, the rate is:

- 0.75 percent if the selling price is equal to or less than \$500,000;
- 1.28 percent if the selling price is greater than \$500,000 but equal to or less than \$1,500,000;
- 2 percent if the selling price is greater than \$1,500,000 but equal to or less than \$7,000,000; and
- 3 percent if the selling price is greater than \$7,000,000.

Beginning on January 1, 2023 and every four years thereafter the selling price thresholds are adjusted to reflect the lesser of the growth in the Consumer Price Index for Shelter (CPI-Shelter) over the past four years or five percent. The Department of Revenue is directed to:

- Calculate the updated thresholds on July 1, immediately prior to the effective date of the new thresholds;
- Publish the updated thresholds on September 1, immediately prior to the effective date of the new thresholds; and
- Report the updated thresholds to the fiscal committees of the Legislature within six months of the effective date of the new thresholds.

If the growth in CPI-Shelter is less than 0 percent, the current selling price thresholds will continue to apply.

Seventy percent of the new REET revenue that is attributable to the rate structure modification is distributed to the Housing Trust Fund. The remaining 30 percent of the new revenue is distributed to the State General Fund. The distribution schedule of the remaining REET revenue is unchanged.

Appropriation: None.

Fiscal Note: Available on proposed substitute bill.

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