

# SENATE BILL REPORT

## SB 5998

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As of April 8, 2019

**Title:** An act relating to establishing a graduated real estate excise tax.

**Brief Description:** Establishing a graduated real estate excise tax.

**Sponsors:** Senators Nguyen, Lovelett, Hasegawa, Salomon and Hunt.

**Brief History:**

**Committee Activity:** Ways & Means: 4/08/19.

**Brief Summary of Bill**

- Imposes a graduated real estate excise tax beginning July 1, 2019.
- Eliminates real estate excise tax distributions to the Education Legacy Trust Account.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Real Estate Excise Tax. The sale of real estate is subject to the 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. A transfer of controlling interests in entities that own property in Washington is also subject to REET.

The state REET rate is a flat 1.28 percent. 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 (ELTA);
- 1.6 percent to the City/County Assistance Fund, and
- the remainder to the state general fund.

After June 30, 2023, distributions to ELTA 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 0.5 percent to finance the acquisition, construction, and operation of affordable housing for low to moderate income persons, or persons with special needs.

Education Legacy Trust Account. ELTA was created in 2005. Money in ELTA can only be used for K-12 and higher education. Revenues deposited into ELTA are not considered general state revenues for purposes of the budget stabilization account.

**Summary of Bill:** Beginning July 1, 2019, 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.

Beginning July 1, 2019, through June 30, 2023, REET distributions are as follows:

- 2 percent to the Public Works Assistance Account;
- 1.6 percent to the City/County Assistance Fund, and
- the remainder to the state general fund.

Beginning July 1, 2023, and thereafter, REET distributions are as follows:

- 6.1 percent to the Public Works Assistance Account;
- 1.6 percent to the City/County Assistance Fund, and
- the remainder to the state general fund.

REET distributions to ELTA cease on July 1, 2019, rather than July 1, 2023.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2019.