

# SENATE BILL REPORT

## SB 6366

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As of January 21, 2020

**Title:** An act relating to exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax.

**Brief Description:** Exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax.

**Sponsors:** Senators Mullet, Rivers, Kuderer, Zeiger, Saldaña, Lovelett and Nguyen.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 1/20/20.

**Brief Summary of Bill**

- Exempts the sale of property used for rental housing for low-income households from the real estate excise tax.

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**SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY**

**Staff:** Jeff Olsen (786-7428)

**Background:** The sale of real estate is subject to the real estate excise tax (REET). REET is assessed on the selling price and is typically paid by the seller of the property. REET is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$500,000;
- 1.28 percent on the portion of the selling price greater than \$500,000, but equal to or less than \$1,500,000;
- 2.75 percent on the portion of the selling price greater than \$1,500,000, but equal to or less than \$3,000,000; and
- 3 percent on the portion of the selling price greater than \$3,000,000.

A rate of 1.28 percent is imposed on the sale of undeveloped land, timberland, agricultural land, and water or mineral rights, regardless of selling price.

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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.*

Certain types of real estate transactions are statutorily exempt from paying REET, including a qualified sale of a mobile home community, low-income housing transfers, transfers to a qualified entity providing housing for developmentally disabled persons, and transfers to a qualified low-income household from an affordable home ownership facilitator. Low-income household means household income may not exceed 80 percent of county median household income, adjusted for family size.

**Summary of Bill:** Property sold to a qualifying grantee used for rental housing for low-income households is exempt from REET. A qualifying grantee includes nonprofit housing providers, housing authority, or public corporation intending to use the property for rental housing. If a qualifying grantee intends to receive or operate existing housing on the property as affordable housing, they must certify by affidavit their intent to qualify the property within one year. If a qualifying grantee intends to develop new affordable housing on the site, they must certify by affidavit their intent to qualify the property within five years. If a qualifying grantee intends to substantially rehabilitate the premises, they certify by affidavit their intent to qualify the property within three years.

If a qualifying grantee fails to receive, or otherwise qualify the property for an exemption within the prescribed timeline, REET must be paid, plus interest. If the property is transferred to another qualifying grantee, REET is not due if the property is operated or developed for the intended purpose within the exemption period of the initial transfer. There is no limit on the number of transfers between qualifying grantees.

**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:** PRO: Washington has a shortage of affordable housing and needs an incentive to maintain or increase its existing stock of affordable housing. In many areas there is a lack of available and affordable land. By exempting the REET on the sale to nonprofit low-income housing providers, there is an incentive to sell property that will be used for affordable housing to an affordable housing provider. Washington is in danger of losing USDA housing, and this tool may help address that issue. It is much cheaper to preserve or rehabilitate affordable housing than it is to build new affordable housing, and this tool will help preserve affordable housing.

**Persons Testifying:** PRO: Senator Mark Mullet, Prime Sponsor; Andrew Calkins, King County Housing Authority and Association of Washington Housing Authorities; Michele Thomas, Washington Low Income Housing Alliance; Ana Bonilla, Enterprise Community Partners; Lisa Vatske, Washington State Housing Finance Commission.

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