

# HOUSE BILL REPORT

## HB 1421

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*As Reported By House Committee on:  
Housing*

**Title:** An act relating to sales of affordable housing.

**Brief Description:** Authorizing "affordable housing projects."

**Sponsor(s):** Representatives Ogden, Nelson, Mitchell, Franklin, Ferguson, Haugen, Cooper, Rayburn, Roland, Wood, Edmondson, Wynne, Nealey, Zellinsky, Ballard, Winsley, Paris, R. King, R. Meyers, Dellwo, Scott, Tate, Van Luven, Forner, Betrozoff, Wineberry, Leonard and Anderson.

**Brief History:**

Reported by House Committee on:  
Housing, March 1, 1991, DPS.

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**HOUSE COMMITTEE ON  
HOUSING**

**Majority Report:** *That Substitute House Bill No. 1421 be substituted therefor, and the substitute bill do pass.*

Signed by 7 members: Representatives Nelson, Chair; Franklin, Vice Chair; Mitchell, Ranking Minority Member; Winsley, Assistant Ranking Minority Member; Ballard; Leonard; and Ogden.

**Staff:** Kenny Pittman (786-7392).

**Background:** All property sold or transferred is subject to real estate excise taxes. The real estate excise tax is applied at both the state and local level. The state's portion of the excise tax is applied at a rate of 1.28 percent of the property's gross sale price. The law provides an exemption from the real estate excise tax on certain sales, transfers, assignments, or sales by or to governmental agencies.

All counties are required to note on the real estate excise tax affidavit form: 1) the identification of the seller and purchaser; 2) the description of the property being sold; 3) the date and type of sale; 4) the gross sale price; and 5) the classification or designation of the property.

**Summary of Substitute Bill:** Sales of real estate by or to a nonprofit organization that is eligible to receive

assistance through the Washington housing trust fund and used for affordable housing is exempt from the state's portion of the real estate excise tax. The current real estate excise tax rate is 1.28 percent of the property's gross sale price.

An "affordable housing project" is defined as residential rental housing in which either: (a) 20 percent or more of the dwelling units are occupied by households with incomes at or below 50 percent of median income; or (b) 40 percent or more of the dwelling units are occupied by households with incomes at or below 60 percent of median income. The median income figures are adjusted for household size and location of the housing project.

All counties are required to note on the real estate excise tax affidavit form if the property being sold is classified as an affordable housing project.

**Substitute Bill Compared to Original Bill:** The substitute bill removes the requirement that the nonprofit organization has to be community or neighborhood-based. The occupancy requirement that 51 percent of the dwelling units must be occupied by households with incomes at or below 80 percent of median income is replaced with occupancy requirements that are consistent with federal tax laws for affordable housing developments.

**Fiscal Note:** Available.

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

**Testimony For:** This will help offset the loss of federal funds for low-income housing. The nonprofit organizations will be able to lower operating costs by the amount of real estate excise tax for the project. The reduced operating cost means lower rents for tenants. This also reduces the amount of subsidy needed by the nonprofit organization to operate the housing project.

**Testimony Against:** None.

**Witnesses:** Mike Ryherd, Low Income Housing Congress (in favor of bill); and Robert Jacobson, Senior Lobby (in favor of bill).