

HOUSE BILL REPORT

HB 2754

As Reported by House Committee On: Housing

Title: An act relating to exempting certain housing developers from the real estate excise tax requirement.

Brief Description: Exempting certain housing developers from the real estate excise tax requirement.

Sponsors: Representatives Pettigrew, Ericks and Santos.

Brief History:

Committee Activity:

Housing: 1/24/08, 1/28/08 [DPS].

Brief Summary of Substitute Bill

- Provides for a state and local Real Estate Excise Tax exemption for nonprofit housing developers who sell new housing units to low-income first-time homebuyers.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Miloscia, Chair; Springer, Vice Chair; Liias and Ormsby.

Minority Report: Do not pass. Signed by 3 members: Representatives Armstrong, Ranking Minority Member; McCune and Schindler.

Staff: Robyn Dupuis (786-7166).

Background:

The Real Estate Excise Tax (REET) is imposed on each sale of real property, which includes both the transfer of ownership and the transfer of controlling interests. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent of the selling price. Additional local rates are allowed. The combined state and local rate in most areas is

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1.78 percent or less. Administration of the tax is both at the county and state levels. County treasurers are designated as agents of the state, cities, and counties in processing the REET.

Summary of Substitute Bill:

A state and local REET exemption is provided to nonprofit housing developers who sell new housing units to low-income first-time homebuyers. The amount of revenue exempted statewide from REET annually may not exceed \$1 million.

Definitions

Non-Profit Housing Developer: Any nonprofit organization that has amongst its purposes, activities related to the provision of housing affordable to low-income households.

Low-Income Households: Households whose adjusted income is at or below 80 percent of the area median income for the county where the project is located.

First-Time Homebuyer: Households where one of the legal homebuyers has not owned and occupied a primary residence at any time in the previous three years.

Substitute Bill Compared to Original Bill:

The amount of revenue exempted statewide from REET is limited to \$1 million per calendar year. Only nonprofit housing developers selling new construction units to low-income households qualify for the exemption.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony to Original Bill:

(In support) Considering the high price of housing, it is difficult for developers to make housing affordable to low and moderate income households, even if it is their mission to do so. A REET exemption for developers will not completely solve the problem, however, it is one more tool in the developer's toolbox to try and develop units that can be sold at prices low and moderate households can afford. It is the hope that efforts such as this REET exemption will help develop housing near places of employment which has proven benefits for the workers' quality of life, the environment, and the state's transportation systems. Many people are priced out of the market, in fact, only 17 out of 39 counties are designated "affordable." Furthermore, people who do find homes are "cost burdened," paying more than 30 percent of their income on those homes, which creates a precarious situation. The state needs many tools and creative ideas to increase the affordable housing stock.

(Opposed) Local REET revenue is largely dedicated to fulfilling a local government's infrastructure needs. Counties are experiencing a deficit now and this will compound the problem. There is no mechanism within this bill to compensate for the loss of revenue to counties. There is nothing in the bill, furthermore, to guarantee that developers' savings from the REET exemption will be passed along to the buyers. The administration of this program by county treasurers will be burdensome given the number of factors the treasurers have to verify including income of homebuyers, first-time homebuyer status, and even whether or not a developer-applicant is eligible under this legislation. This program doesn't make a big enough impact in the market to be worth all of the effort that will be involved in its implementation.

Persons Testifying: (In support) Representative Pettigrew, prime sponsor; David Mosely, Middle Income Housing Alliance of Seattle; Velma Veloria, HomeSight, a member of the Low Income Housing Alliance; and Ben Gitenstein, Washington Low Income Housing Alliance.

(Opposed) Julie Murray, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.