

HOUSE BILL REPORT

SSB 6851

As Reported by House Committee On:
Finance

Title: An act relating to the documentation required in order to obtain a real estate excise tax exemption at the time of inheritance.

Brief Description: Concerning the documentation required in order to obtain a real estate excise tax exemption at the time of inheritance.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Prentice and Haugen).

Brief History:

Committee Activity:

Finance: 2/22/08, 2/27/08 [DPA].

Brief Summary of Substitute Bill
(As Amended by House Committee)

- Concerning the documentation required in order to obtain a real estate excise tax exemption at the time of inheritance.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Don Taylor (786-7388).

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. Additional local rates are allowed. The combined state and local rate in most areas is 1.78 percent or less.

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.

There are several exemptions allowable from the REET. One exemption is for individuals that inherit real property. Under current Washington Administrative Code, the exemption from the REET is allowed for inherited property when the following documentation is provided along with a certified copy of the death certificate:

- (1) a community property agreement;
- (2) a trust agreement;
- (3) if transferred under the terms of probate, a certified copy of the letters testamentary or letter of administration;
- (4) in the case of joint tenants with right of survivorship a certified copy of the death certificate; or
- (5) a copy of a court order requiring the transfer.

Summary of Amended Bill:

The documentation currently required by administrative rule to establish eligibility for real estate excise tax exemption for property conveyed by gift, devise, or inheritance is added to the statute. In addition, the law allows a surviving spouse or domestic partner to claim the exemption by providing a certified copy of the death certificate and a signed affidavit affirming that the surviving spouse or domestic partner is the sole and rightful heir to the property.

Amended Bill Compared to Substitute Bill:

The substitute bill provided the new affidavit procedure only for a surviving spouse. The bill as passed by the committee adds domestic partner as also being eligible to provide a signed affidavit.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Although Washington is a community property state, not all transfers of real property from a decedent to a surviving spouse are automatically covered. If there is not a written community property agreement, the real property must often go through probate to accomplish the transfer to the surviving spouse. This involves time and legal costs and comes at a time when the survivor is most vulnerable. Allowing a spouse to sign an affidavit stating he/she is the sole and rightful heir will alleviate a lot of emotional turmoil and legal hassles.

(Opposed) None.

Persons Testifying: Christine Bridsten, Washington Association of County Officials and Washington State Association of County Treasurers; and Drew Shirk, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.