SENATE BILL REPORT
SB 5630

As Reported by Senate Committee On:
Ways & Means, February 25, 2009

Title: An act relating to real estate excise tax expenditures for parks and capital projects.

Brief Description: Concerning real estate excise tax expenditures for parks and capital projects.

Sponsors: Senators Regala, Fairley, Jacobsen and Haugen.

Brief History:
Committee Activity: Ways & Means: 2/04/09, 2/25/09 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5630 be substituted therefor, and the substitute bill do pass.
Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Regala and Rockefeller.

Minority Report: Do not pass.
Signed by Senators Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Carrell, Honeyford and Pflug.

Minority Report: That it be referred without recommendation.
Signed by Senators Brandland, Parlette, Pridemore and Schoesler.

Staff: Dean Carlson (786-7305)

Background: Real estate excise taxes (REET) are taxes on the sale of real estate, measured by the full selling price of a property. The state levies a tax on real estate sales at the rate of 1.28 percent.

Statute also provides counties and cities several revenue options from REET. Counties and cities may impose an excise tax on each sale of real property at a rate not exceeding 0.25 percent of the selling price. This tax is known as REET 1. The revenues from this tax must be used to finance capital projects, which include public works projects relating to streets, water systems, buildings, recreational facilities and trails, and sewer systems. Approximately 20 counties and 154 cities have implemented this tax.

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.

Counties and cities planning under the Growth Management Act may impose an additional excise tax on each sale of real property at a rate not exceeding 0.25 percent of the selling price. This tax is known as REET 2. The revenues from this tax must be used for financing capital projects specified in a capital facilities plan element of a comprehensive plan. The Legislature authorized this tax in 1990, and approximately 19 counties and 132 cities have implemented the tax.

For purposes of REET 2 spending, eligible capital projects are streets, roads, highways, sidewalks, street lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and the planning, construction, or reconstruction of parks.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): The uses of monies received from REET 2 for cities and counties are expanded to include maintenance and operation of parks and recreational facilities, as well as capital expenditures for law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, and river and water flood control facilities.

The bill expires January 1, 2013.

Appropriation: None.

Fiscal Note: Requested on January 29, 2009.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is one of the cities' top priorities of the year. It makes REET 1 basically the same as REET 2. The city accountants have difficulty accounting for REET 1 versus REET 2 and facilities managers wonder why the uses of the funds are different. This is for existing real estate excise tax monies and is important to be more flexible with the monies. Things are different now than in 1992 when the uses of these monies were spelled out. Parks are really going to be hurting without the use of this money for maintenance and operation. Parks are reliant on property tax revenue streams which are not keeping up with the costs. Residents have not been happy with the maintenance of our parks. This year we will not be able to hire any seasonal employees or use boy scouts for the upkeep of our parks. Therefore the maintenance of the parks will not be kept up as needed. This bill will allow another tool to help with our maintenance of parks.

CON: We are opposed to this bill. The Department of Community, Trade and Economic Development completed a report that said that six-year capital facility plans have less then half of what they need to complete the necessary projects. Waste water and storm water have the biggest deficits in funding. When you divert money from REET 2 you divert monies that are used to accommodate growth. REET is a volatile revenue source and when you use it for maintenance and operations and build in those expenditures, it is not reliable. When we are short of funds, areas will be red-lined for development. This will hurt the public facility needs by using the funds on items that have other ways of getting funds. The second REET is supposed to support the backbone of the community. Other available tax sources should be used for these public facilities.

Persons Testifying: PRO: Doug Levy, John Keates, Washington Parks and Recreation Association; Ray Towry, Ephrata Parks; Ashley Probart, Association of Washington Cities.

CON: Mike Flynn, Realtors.