

SENATE BILL REPORT

SB 6490

As Reported by Senate Committee On:
Local Government, January 25, 2018

Title: An act relating to authorizing cities planning under the growth management act to impose certain real estate excise taxes by councilmatic action.

Brief Description: Authorizing cities planning under the growth management act to impose certain real estate excise taxes by councilmatic action.

Sponsors: Senators Takko and Walsh.

Brief History:

Committee Activity: Local Government: 1/23/18, 1/25/18 [DPS, DNP].

Brief Summary of First Substitute Bill

- Removes a provision requiring voter approval before a county choosing to plan under the Growth Management Act (GMA) and cities within those counties may impose additional real estate excise taxes (REET II).
- Allows initiatives and referenda to repeal REET II imposed by counties and cities choosing to plan under the GMA.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 6490 be substituted therefor, and the substitute bill do pass.

Signed by Senators Takko, Chair; Short, Ranking Member; Angel and Liias.

Minority Report: Do not pass.

Signed by Senator Palumbo, Vice Chair.

Staff: Bonnie Kim (786-7316)

Background: REET I. County legislative authorities may impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city and town (city) legislative authorities may impose an excise tax on each sale of real property within their corporate limits. The rate of REET I may not exceed 0.25 percent of the selling price.

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.

REET II. Counties and cities required to plan under the GMA may impose an additional excise tax (REET II) on each sale of real property within their jurisdiction that may not exceed 0.25 percent of the selling price. Counties that choose to plan under the GMA, and the cities and towns within those counties, may impose the REET II with voter approval.

With some exceptions, REET II revenue may be used only for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA. "Capital project," as defined in REET II provisions, means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of specific infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems;
- storm and sanitary sewer systems; and
- planning, constructing, reconstructing, repairing, rehabilitating, or improving parks.

Summary of Bill (First Substitute): In lieu of requiring REET II voter approval for counties and cities choosing to plan under the GMA, a referendum and initiative procedure is created.

EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT COMMITTEE (First Substitute):

- Amends the brief description to add counties and corrects the spelling of councilmanic.
- Allows initiatives and referenda to repeal REET II imposed by counties and cities choosing to plan under the GMA.

Appropriation: None.

Fiscal Note: Not requested.

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 on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill levels the playing field for jurisdictions that are choosing to plan under GMA. This bill needs two amendments in the title. This bill brings equity to small rural jurisdictions. The section amended in this bill is the only section that treats cities opting in to plan under the GMA differently from those required to plan under the GMA.

CON: Washington has the third or fourth highest excise tax in the country. This bill makes it easier for a local jurisdiction to tax housing and appears to run counter to the other tax policy bills being heard this session.

Persons Testifying: PRO: Senator Dean Takko, Prime Sponsor; Jerry Cummins, Walla Walla City Council; Mara Machulsky, City of Walla Walla.

CON: Bill Clarke, Washington Realtors.

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