H-1218.2

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**HOUSE BILL 1921**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Representatives Frame, Macri, Tarleton, Ryu, Appleton, Jinkins, Gregerson, Wylie, Valdez, Sells, Doglio, Stonier, Pollet, Dolan, Stanford, Morris, Cody, Peterson, Slatter, Kloba, Walen, and Lekanoff

AN ACT Relating to addressing the regressive nature of the Washington state housing market; amending RCW 82.45.060; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) The legislature finds that Washington faces an unprecedented housing crisis. The legislature further finds that families find it harder than ever to enter the housing market in our state because of the skyrocketing home prices. The legislature further finds the stock of affordable housing is not sufficient to meet demand, amplifying our growing homelessness epidemic. The legislature further finds that part of the solution to these issues is by both increasing the stock of affordable housing while making purchasing affordable housing more attainable. Therefore, it is the intent of the legislature to change the real estate excise tax from a flat rate to a progressive rate structure and invest the resulting additional revenue in affordable housing throughout the state.

(2) The legislature finds that the flat real estate excise tax rate structure disproportionately impacts the long-term financial well-being of households with low to middle income and communities of color. The legislature further finds that home equity constitutes the largest share of household net worth for the average American. The legislature further finds that many senior citizens rely on the profits from the sale of their owned home to support themselves in retirement. The legislature concludes that asking for the same rate of real estate excise tax from those who depend on the sale of their home for long-term economic security, and those who do not, is regressive. Therefore, it is the intent of the legislature to make the real estate excise tax structure progressive and address inequity by reducing the tax rate for taxpayers who purchase their property for half a million dollars or less. The legislature estimates seventy-five percent of taxpayers will keep more of the revenue from the sale of their investment.

(3) The legislature finds that the housing trust fund supports affordable housing projects in low-income areas. The legislature further finds that the housing trust fund has been effective in developing affordable housing where Washingtonians need it most since 1986. The legislature further finds that the housing trust fund has awarded almost one billion dollars to develop affordable housing and helped build or preserve nearly forty-seven thousand units of affordable housing, statewide. Therefore, it is the intent of the legislature to increase the housing trust fund's capacity to be part of the solution to the housing crisis by directing the majority of the new real estate excise tax revenue to the housing trust fund.

**Sec.**  RCW 82.45.060 and 2017 3rd sp.s. c 10 s 13 are each amended to read as follows:

(1) There is imposed an excise tax upon each sale of real property at the ((~~rate of one and twenty-eight one-hundredths percent of the selling price.~~)) following rates multiplied by the selling price:

(a) Three-quarters percent if the selling price is equal to or less than five hundred thousand dollars, or if the selling price threshold has been adjusted under subsection (3) of this section, the adjusted selling price threshold;

(b) One and twenty-eight one-hundredths percent if the selling price is greater than five hundred thousand dollars but equal to or less than one million five hundred thousand dollars, or if the selling price threshold has been adjusted under subsection (3) of this section, the adjusted selling price threshold;

(c) Two percent if the selling price is greater than one million five hundred thousand dollars but equal to or less than seven million dollars, or if the selling price threshold has been adjusted under subsection (3) of this section, the adjusted selling price threshold; or

(d) Three percent if the selling price is greater than seven million dollars, or if the selling price threshold has been adjusted under subsection (3) of this section, the adjusted selling price threshold.

(2)(a) By December 1st of each year, the department must calculate:

(i) The proceeds of this tax generated during the most recently completed fiscal year; and

(ii) The estimated amount of proceeds this tax would have generated during the most recently completed fiscal year, if the rate of this tax had been one and twenty-eight one-hundredths percent for all taxable transactions during the most recently completed fiscal year.

(b) By December 31st of each year, the department must notify the state treasurer of the calculations under this subsection (2).

(c)(i) For the amount of proceeds calculated in (a)(ii) of this subsection, beginning July 1, 2013, and ending June 30, 2023, an amount equal to two percent of the proceeds of this tax must be deposited in the public works assistance account created in RCW 43.155.050, and an amount equal to four and one‑tenth percent must be deposited in the education legacy trust account created in RCW 83.100.230. Thereafter, an amount equal to six and one-tenth percent of the proceeds of this tax to the state treasurer must be deposited in the public works assistance account created in RCW 43.155.050. Except as otherwise provided in this section, an amount equal to one and six-tenths percent of the proceeds of this tax to the state treasurer must be deposited in the city-county assistance account created in RCW 43.08.290.

(ii) The remaining proceeds that were not distributed in (c)(i) of this subsection must be deposited as follows:

(A) Seventy percent must be deposited into the housing trust fund created in RCW 43.185.030; and

(B) The remainder must be deposited into the general fund.

(3) Beginning July 1, 2022, and every fourth year thereafter:

(a) The department must adjust the selling price threshold in subsection (1)(a) of this section to reflect the lesser of the growth of the consumer price index for shelter or five percent. If the growth is less than zero percent, the current selling price threshold continues to apply.

(b) The department must adjust the selling price thresholds in subsection (1)(b), (c), and (d) of this section by the dollar amount the selling price threshold in subsection (1)(a) of this section is increased under (a) of this subsection (3).

(c) The department must publish updated selling price thresholds by September 1st of every fourth year, beginning September 1, 2022. Updated selling price thresholds will apply beginning January 1st of every fourth year, beginning January 1, 2023. Adjusted selling price thresholds must be rounded to the nearest one thousand dollars.

(d) The most recent selling price threshold becomes the base for adjustments in subsequent four-year periods.

(e) The department must report the updated selling price thresholds to the fiscal committees of the legislature within six months of publication.

(f) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(i) "Consumer price index for shelter" means the most current seasonally adjusted index for the shelter expenditure category of the consumer price index for all urban consumers (CPI-U) as published in July by the bureau of labor statistics of the United States department of labor.

(ii) "Growth of the consumer price index for shelter" means the percentage increase in the consumer price index for shelter as measured from data published by the bureau of labor statistics of the United States department of labor in July of every fourth year beginning in July 2019 as compared to July of every fourth year beginning in July 2022.

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