

SENATE BILL REPORT

SHB 2634

As Passed Senate, March 10, 2020

Title: An act relating to exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax.

Brief Description: Exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax.

Sponsors: House Committee on Finance (originally sponsored by Representatives Walen, Barkis, Stokesbary, Macri, Chapman, Gildon, Chopp, Robinson, Senn, Leavitt and Tharinger).

Brief History: Passed House: 2/17/20, 94-4.

Committee Activity: Housing Stability & Affordability: 2/24/20, 2/26/20 [DP-WM].
Ways & Means: 3/02/20, 3/09/20 [DP, w/oRec].

Floor Activity:

Passed Senate: 3/10/20, 46-2.

Brief Summary of First Substitute Bill

- Exempts the sale of property used for rental housing for low-income households from the real estate excise tax.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Fortunato, Assistant Ranking Member; Darneille, Saldaña and Warnick.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Billig, Carlyle, Conway, Darneille, Dhingra, Hunt, Keiser, Liias, Pedersen and Van De Wege.

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.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Hasegawa, Muzzall, Schoesler, Wagoner, Warnick and Wilson, L..

Staff: Alia Kennedy (786-7405)

Background: The sale of real estate is subject to the real estate excise tax (REET). REET is assessed on the selling price and is typically paid by the seller of the property. REET is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$500,000;
- 1.28 percent on the portion of the selling price greater than \$500,000, but equal to or less than \$1,500,000;
- 2.75 percent on the portion of the selling price greater than \$1,500,000, but equal to or less than \$3,000,000; and
- 3 percent on the portion of the selling price greater than \$3,000,000.

Certain types of real estate transactions are statutorily exempt from paying REET, including a qualified sale of a mobile home community, low-income housing transfers, transfers to a qualified entity providing housing for developmentally disabled persons, and transfers to a qualified low-income household from an affordable home ownership facilitator. Low-income household means household income may not exceed 80 percent of county median household income, adjusted for family size.

Summary of First Substitute Bill: Property sold to a qualifying grantee used for rental housing for low-income households is exempt from REET. A qualifying grantee includes nonprofit housing providers, housing authority, or public corporation intending to use the property for rental housing for low-income persons. If a qualifying grantee intends to receive or operate existing housing on the property as affordable housing, they must certify by affidavit their intent to qualify the property within one year. If a qualifying grantee intends to develop new affordable housing on the site, they must certify by affidavit their intent to qualify the property within five years. If a qualifying grantee intends to substantially rehabilitate the premises, they must certify by affidavit their intent to qualify the property within three years.

If a qualifying grantee fails to receive, or otherwise qualify the property for an exemption within the prescribed timeline, REET must be paid, plus interest. If the property is transferred to another qualifying grantee, REET is not due if the property is operated or developed for the intended purpose within the exemption period of the initial transfer. There is no limit on the number of transfers between qualifying grantees.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony (Housing Stability & Affordability): PRO: Changes in the bill remove barriers for the development of affordable housing. The Legislature recently authorized the use of REET for affordable housing, and it does not make sense to charge REET to affordable housing providers. The exemption allows affordable housing providers to compete for acquisition of scarce properties and makes it attractive for both buyers and sellers. There are already similar exemptions in statute for other types of facilities, and this will help preserve property for affordable housing.

Persons Testifying (Housing Stability & Affordability): PRO: Representative Amy Walen, Prime Sponsor; Michele Thomas, Washington Low Income Housing Alliance; Andrew Calkins, King County Housing Authority, Association of Washington Housing Authorities.

Persons Signed In To Testify But Not Testifying (Housing Stability & Affordability): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: The focus of this bill is to reduce costs associated with affordable housing developments. It gives nonprofits a new tool through the creation of a real estate excise tax exemption. The bill could be impactful as communities seek to retain their dwindling supply of affordable housing. The REET exemption would create an incentive for private sellers to sell their property to a nonprofit for use as affordable housing. An acquisition incentive can be a power tool for communities to expand affordable housing properties. The REET exemption would lower the overall cost of the housing transaction which could ultimately be rolled into a lower rent to tenants. The fiscal impact of this bill is quite modest as compared to its benefits.

Persons Testifying (Ways & Means): PRO: Kurt Wiest, Bremerton Housing Authority; Andrew Calkins, King County Housing Authority, Association of Washington Housing Authorities; Michele Thomas, Washington Low Income Housing Alliance.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.