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**SUBSTITUTE HOUSE BILL 2276**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** House Finance (originally sponsored by Representatives Berg, Macri, Chopp, Street, Slatter, Reed, Ramel, Farivar, Alvarado, Kloba, Mena, Ormsby, Riccelli, Senn, Davis, Tharinger, Cortes, Stonier, Ortiz-Self, Fitzgibbon, Thai, Peterson, Fosse, Gregerson, Simmons, Taylor, Doglio, Pollet, Bateman, Lekanoff, Goodman, Berry, Santos, Wylie, Bergquist, Fey, Duerr, Ryu, Morgan, and Nance)

AN ACT Relating to increasing the supply of affordable and workforce housing by reducing taxes on real property sales under $3,025,000, modifying the state and local real estate excise tax, and imposing a surcharge on the transfer of multimillion dollar properties; amending RCW 82.45.060, 82.45.230, 82.45.010, and 82.45.010; adding new sections to chapter 82.45 RCW; creating new sections; providing effective dates; and providing an expiration date.

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

NEW SECTION. **Sec.**  The legislature finds that the lack of housing affordability and related instances of homelessness are issues that affect every community in Washington. The legislature also finds that increased homelessness is overwhelmingly caused by rising rents, which push people living at the margins into homelessness, erode public confidence, and undermine the shared values that have driven our state's prosperity. The legislature further finds that problems caused by rent increases are exacerbated by the associated issue of very low vacancy rates, which make it difficult for people to find a unit even when they have sufficient income or rental assistance to pay market rates. The legislature finds that low housing vacancy rates, the growth in population, and limited housing supply have created a housing shortage in which existing inventory is priced at a premium. The legislature also finds that although household incomes have grown along with the economy, income increase for those with moderate and lower incomes have not kept pace with rent and purchase price increases. This problem is especially impacting lower and fixed income households, including seniors, veterans, farmworkers, and people with disabilities. Indeed, these trends, in combination with other market factors, have created a deficit of housing that is affordable and available, particularly for Washingtonians within the low to middle income range who are increasingly more vulnerable to homelessness. Moreover, the legislature finds that these households have the fewest options available in the private housing market. In strong housing markets, builders seek the highest achievable price to offset higher development costs, which means new production does not create more housing that is affordable.

The legislature further finds that having a home is a basic need and fundamental for Washington residents, and that all Washingtonians should be able to afford safe and dependable housing with access to opportunities such as education, employment, transit, and amenities. The legislature finds that housing that is affordable is an essential part of every community's infrastructure, serving as a platform for individuals and families to stabilize, build their economic futures, and thrive. Housing serves as a platform for better health and creates jobs and attracts investment, making it a prerequisite to economic growth and stronger communities. In addition, the legislature finds that a variety of housing types are needed to provide affordable options for families of all sizes and stages of life. Furthermore, the legislature finds that increasing the supply of permanently affordable housing, getting residents back into housing, and reducing homelessness is a priority of the people of Washington state and that reducing homelessness lessens fiscal impact to the state and improves the economic vitality of our businesses.

Moreover, the legislature finds that the private real estate market does not provide adequate housing options affordable for all economic segments, and therefore government assistance is needed to offer the full range of affordable housing options.

The legislature further finds that Washington has the most regressive tax code in the nation, with low-income families paying four times more in taxes, as a share of their income, than the wealthiest individuals in the state. This means lower-income and middle-income families shoulder an inequitable amount of the responsibility of funding critical community investments and resources.

Therefore, it is the intent of the legislature to increase the supply of housing that is affordable through a permanent, dedicated investment in the Washington housing trust fund, and related housing programs, for Washington residents in the low-income to middle-income range while reducing their tax burden and ensuring Washington's most wealthy share more equitably in the responsibility of funding the essential need of affordable housing in our communities.

**Sec.**  RCW 82.45.060 and 2019 c 424 s 1 are each amended to read as follows:

(1) There is imposed an excise tax upon each sale of real property.

(a) Through December 31, 2019, the rate of the tax imposed under this section is 1.28 percent of the selling price.

(b) Beginning January 1, 2020, through December 31, 2025, and except as provided in (c) of this subsection, the rate of the tax imposed under this section is as follows:

(i) 1.1 percent of the portion of the selling price that is less than or equal to ((~~five hundred thousand dollars~~)) $500,000;

(ii) 1.28 percent of the portion of the selling price that is greater than ((~~five hundred thousand dollars~~)) $500,000 and equal to or less than ((~~one million five hundred thousand dollars~~)) $1,500,000;

(iii) 2.75 percent of the portion of the selling price that is greater than ((~~one million five hundred thousand dollars~~)) $1,500,000 and equal to or less than ((~~three million dollars~~)) $3,000,000; and

(iv) Three percent of the portion of the selling price that is greater than ((~~three million dollars~~)) $3,000,000.

(c) The sale of real property that is classified as timberland or agricultural land is subject to the tax imposed under this section at a rate of 1.28 percent of the selling price.

(d) Beginning January 1, 2026, and except as provided in (c) of this subsection, the rate of the tax imposed under this section is as follows:

(i) 1.1 percent of the portion of the selling price that is less than or equal to $750,000;

(ii) 1.28 percent of the portion of the selling price that is greater than $750,000 and equal to or less than $1,525,000;

(iii) 2.75 percent of the portion of the selling price that is greater than $1,525,000 and equal to or less than $3,025,000; and

(iv) 3.0 percent of the portion of the selling price that is greater than $3,025,000.

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

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

(b) The department must adjust the applicable selling price thresholds in subsection (1)(b)(ii) through (iv) or (d)(ii) through (iv) of this section by the dollar amount of any increase in the applicable selling price threshold in subsection (1)(b)(i) or (d)(i) of this section.

(c) The department must publish updated selling price thresholds by September 1, 2022, and September 1st of every fourth year thereafter. Updated selling price thresholds ((~~will~~)) apply beginning January 1, 2023, and January 1st every fourth year thereafter. Adjusted selling price thresholds must be rounded to the nearest ((~~one thousand dollars~~)) $1,000. No changes may be made to adjusted selling price thresholds once such adjustments take effect.

(d) The most recent selling price threshold becomes the base for subsequent adjustments.

(e) The department must report adjustments to the selling price thresholds to the fiscal committees of the legislature, beginning December 1, 2022, and December 1st every fourth year thereafter.

(3)(a) The department must publish guidance to assist sellers in properly classifying real property on the real estate excise tax affidavit for purposes of determining the proper amount of tax due under this section. Real property with multiple uses must be classified according to the property's predominant use. The department's guidance must include factors for use in determining the predominant use of real property.

(b) County treasurers are not responsible for verifying that the seller has properly classified real property reported on a real estate excise tax affidavit. The department is solely responsible for such verification as part of its audit responsibilities under RCW 82.45.150.

(4)(a) Beginning July 1, 2013, and ending December 31, 2019, 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, an amount equal to ((~~four and one-tenth~~)) 4.1 percent must be deposited in the education legacy trust account created in RCW 83.100.230, an amount equal to ((~~one and six-tenths~~)) 1.6 percent must be deposited in the city-county assistance account created in RCW 43.08.290, and the remainder must be deposited in the general fund.

(b) Beginning January 1, 2020, amounts collected from the tax imposed under this section must be deposited as provided in RCW 82.45.230.

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

(a) "Agricultural land" means farm and agricultural land and farm and agricultural conservation land, as those terms are defined in RCW 84.34.020, including any structures on such land.

(b) "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 by July 31st by the bureau of labor statistics of the United States department of labor.

(c) "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 by July 31st for the most recent three-year period for the selling price threshold adjustment in 2022, and the most recent four-year period for subsequent selling price threshold adjustments.

(d) "Timberland" means land classified under chapter 84.34 RCW or designated under chapter 84.33 RCW, including any structures and standing timber on such land, and standing timber sold apart from the land upon which it sits.

NEW SECTION. **Sec.**  A new section is added to chapter 82.45 RCW to read as follows:

(1) Beginning January 1, 2026, and in addition to the tax imposed in RCW 82.45.060, a real estate transfer tax is imposed on the sale of real property in which the seller is required to pay real estate excise tax under RCW 82.45.060(1)(b)(iv). This tax must be paid by the seller and imposed and collected in the same manner as the real estate excise tax imposed under this chapter. The real estate transfer tax must be one percent of the selling price greater than the amount listed in RCW 82.45.060(1)(b)(iv).

(2) The selling price threshold in subsection (1) of this section must be adjusted by the department in accordance with RCW 82.45.060(2).

(3) The amounts collected from the tax imposed under this section must be deposited as provided in RCW 82.45.230.

**Sec.**  RCW 82.45.230 and 2019 c 424 s 2 are each amended to read as follows:

(1) ((~~Beginning January 1, 2020, and ending June 30, 2023, the amounts received for the tax imposed on each sale of real property under RCW 82.45.060 must be deposited as follows:~~

~~(a) 1.7 percent must be deposited into the public works assistance account created in RCW 43.155.050;~~

~~(b) 1.4 percent must be deposited into the city-county assistance account created in RCW 43.08.290;~~

~~(c) 79.4 percent must be deposited into the general fund; and~~

~~(d) The remainder must be deposited into the educational legacy trust account created in RCW 83.100.230.~~

~~(2)~~)) Beginning July 1, 2023, and ((~~thereafter~~)) ending December 31, 2025, the amounts received for the tax imposed on each sale of real property under RCW 82.45.060 must be deposited as follows:

(a) 5.2 percent must be deposited into the public works assistance account created in RCW 43.155.050;

(b) 1.4 percent must be deposited into the city-county assistance account created in RCW 43.08.290;

(c) 79.4 percent must be deposited into the general fund; and

(d) The remainder must be deposited into the education legacy trust account created in RCW 83.100.230.

(2) Beginning January 1, 2026, and thereafter, the amounts received for the real estate excise tax imposed on each sale of real property under RCW 82.45.060 and the real estate transfer tax imposed on the sale of real property pursuant to section 3 of this act must be deposited according to this subsection (2):

(a) 93.2 percent of the amounts from the real estate excise tax and the real estate transfer tax must be distributed as follows:

(i) 5.2 percent must be deposited into the public works assistance account created in RCW 43.155.050;

(ii) 1.4 percent must be deposited into the city-county assistance account created in RCW 43.08.290;

(iii) 79.4 percent must be deposited into the general fund; and

(iv) The remainder must be deposited into the education legacy trust account created in RCW 83.100.230.

(b) 6.8 percent of the amounts from the real estate excise tax and the real estate transfer tax must be distributed as follows:

(i) 25 percent must be deposited into the Washington housing trust fund created in RCW 43.185A.130 and five percent must be used solely for housing facilities in rural communities that prioritize serving low-income farmworker households;

(ii) 25 percent must be deposited into the apple health and homes account created in RCW 43.330.184;

(iii) 25 percent must be deposited into the affordable housing for all account created in RCW 43.185C.190 for operations, maintenance, and service costs for permanent supportive housing as defined in RCW 36.70A.030;

(iv) 15 percent must be deposited into the developmental disabilities housing and services account created in section 5 of this act; and

(v) 10 percent must be deposited into the housing stability account created in section 6 of this act.

NEW SECTION. **Sec.**  A new section is added to chapter 82.45 RCW to read as follows:

(1) The developmental disabilities housing and services account is created in the state treasury. Receipts from the real estate transfer tax directed to this account pursuant to RCW 82.45.230 must be deposited into the account. Moneys in the account may only be spent after appropriation.

(2) Expenditures from the account may be used only for:

(a)(i) Housing to support people with developmental disabilities, including acquisition, development, or construction of permanent housing, housing developments, or units, including new units in existing structures;

(ii) Up to 15 percent of the total cost of a housing project that qualifies under (a) of this subsection may include acquisition, development, or construction of nonresident spaces that are integral to the overall design and support successful community living;

(b) Preservation, operations, and maintenance costs of housing for people with developmental disabilities;

(c) Housing-related services for individuals with developmental disabilities;

(d) Rental subsidies; and

(e) Technical assistance to support nonprofit organizations in applying for this funding through the account in order to expand the pool of eligible developers for construction and long-term sustainable maintenance for housing that meets the needs of people with developmental disabilities.

(3) Expenditures from the account must be grants or forgivable loans. For applications under this section, the department of commerce must use an application form and evaluation criteria separate from the application form and criteria for the Washington housing trust fund created in RCW 43.185A.130. The department of commerce must coordinate with the department of social and health services regarding any needed supportive services and make efforts to enact the recommendations of the housing needs study for individuals with intellectual and developmental disabilities, as provided in section 1068(6), chapter 332, Laws of 2021.

(4) For the purposes of this section, the following definitions apply unless the context clearly requires otherwise.

(a) "Forgivable loans" means a noninterest-bearing financial award that is forgiven in its entirety provided the borrower project continues to serve the original target group as described in subsection (2)(a) of this section for a period of at least 25 years.

(b) "Grants" means a financial award that does not require payback, provided the grantee project continues to serve the original target group as described in subsection (2)(a) of this section for a period of at least 25 years.

(c) "Housing-related services" means services that are provided to eligible households as described in subsection (2)(c) of this section, which have the purpose of helping the household gain, maintain, or increase housing stability. Housing-related services may include, but are not limited to: Case management; tenant education and supports; financial assistance for essential costs of housing; services to identify, locate, and secure housing; landlord mitigation; landlord or tenant dispute mediation; services to prevent eviction or loss of housing; assistance securing financial housing assistance, such as a voucher or subsidy; or assistance with tenant applications.

(d) "Nonresidential spaces" means any space used to provide a service that benefits affordable housing development tenants as described in subsection (2)(a)(i) of this section, or the public including, but not limited to, health clinics, food banks, community centers, and early learning facilities.

NEW SECTION. **Sec.**  A new section is added to chapter 82.45 RCW to read as follows:

(1) The housing stability account is created in the state treasury. Receipts from the real estate transfer tax directed to this account pursuant to RCW 82.45.230 must be deposited into the account. Moneys in the account may only be spent after appropriation.

(2) Expenditures from the account may be used only for housing operations, maintenance, and service costs for low-income households or extremely low-income households where a supplement to rent income is required to cover ongoing operating expenses.

(3) For the purposes of this section, "operations, maintenance, and service costs" means grants for building operations, maintenance, or supportive service costs for housing projects that have received or will receive funding from the state housing trust fund, or other public capital funding programs, are affordable to low-income households or extremely low-income households with incomes at or below 60 percent of the area median income, and require a supplement to rent income to cover ongoing operating expenses.

(4)(a) Grants provided under this section must fund overall developments and may be used to fund new or existing housing projects. Priority for use must be given to projects intended to house seniors, individuals with disabilities, or populations with prior experience of homelessness, including families with children.

(b) Grantees may use these funds in partnership with permanent supportive housing programs administered by the office of apple health and homes created in RCW 43.330.181.

**Sec.**  RCW 82.45.010 and 2022 c 199 s 3 are each amended to read as follows:

(1) As used in this chapter, the term "sale" has its ordinary meaning and includes any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property, including standing timber, or any estate or interest therein for a valuable consideration, and any contract for such conveyance, grant, assignment, quitclaim, or transfer, and any lease with an option to purchase real property, including standing timber, or any estate or interest therein or other contract under which possession of the property is given to the purchaser, or any other person at the purchaser's direction, and title to the property is retained by the vendor as security for the payment of the purchase price. The term also includes the grant, assignment, quitclaim, sale, or transfer of improvements constructed upon leased land.

(2)(a) The term "sale" also includes the transfer or acquisition within any ((~~thirty-six~~)) 36 month period of a controlling interest in any entity with an interest in real property located in this state for a valuable consideration.

(b) For the sole purpose of determining whether, pursuant to the exercise of an option, a controlling interest was transferred or acquired within a ((~~thirty-six~~)) 36 month period, the date that the option agreement was executed is the date on which the transfer or acquisition of the controlling interest is deemed to occur. For all other purposes under this chapter, the date upon which the option is exercised is the date of the transfer or acquisition of the controlling interest.

(c) For purposes of this subsection, all acquisitions of persons acting in concert must be aggregated for purposes of determining whether a transfer or acquisition of a controlling interest has taken place. The department must adopt standards by rule to determine when persons are acting in concert. In adopting a rule for this purpose, the department must consider the following:

(i) Persons must be treated as acting in concert when they have a relationship with each other such that one person influences or controls the actions of another through common ownership; and

(ii) When persons are not commonly owned or controlled, they must be treated as acting in concert only when the unity with which the purchasers have negotiated and will consummate the transfer of ownership interests supports a finding that they are acting as a single entity. If the acquisitions are completely independent, with each purchaser buying without regard to the identity of the other purchasers, then the acquisitions are considered separate acquisitions.

(3) The term "sale" does not include:

(a) A transfer by gift, devise, or inheritance.

(b) A transfer by transfer on death deed, to the extent that it is not in satisfaction of a contractual obligation of the decedent owed to the recipient of the property.

(c) A transfer of any leasehold interest other than of the type mentioned above.

(d) A cancellation or forfeiture of a vendee's interest in a contract for the sale of real property, whether or not such contract contains a forfeiture clause, or deed in lieu of foreclosure of a mortgage.

(e) The partition of property by tenants in common by agreement or as the result of a court decree.

(f) The assignment of property or interest in property from one spouse or one domestic partner to the other spouse or other domestic partner in accordance with the terms of a decree of dissolution of marriage or state registered domestic partnership or in fulfillment of a property settlement agreement.

(g) The assignment or other transfer of a vendor's interest in a contract for the sale of real property, even though accompanied by a conveyance of the vendor's interest in the real property involved.

(h) Transfers by appropriation or decree in condemnation proceedings brought by the United States, the state or any political subdivision thereof, or a municipal corporation.

(i) A mortgage or other transfer of an interest in real property merely to secure a debt, or the assignment thereof.

(j) Any transfer or conveyance made pursuant to a deed of trust or an order of sale by the court in any mortgage, deed of trust, or lien foreclosure proceeding or upon execution of a judgment, or deed in lieu of foreclosure to satisfy a mortgage or deed of trust.

(k) A conveyance to the federal housing administration or veterans administration by an authorized mortgagee made pursuant to a contract of insurance or guaranty with the federal housing administration or veterans administration.

(l) A transfer in compliance with the terms of any lease or contract upon which the tax as imposed by this chapter has been paid or where the lease or contract was entered into prior to the date this tax was first imposed.

(m) The sale of any grave or lot in an established cemetery.

(n) A sale by the United States, this state or any political subdivision thereof, or a municipal corporation of this state.

(o) A sale to a regional transit authority or public corporation under RCW 81.112.320 under a sale/leaseback agreement under RCW 81.112.300.

(p) A transfer of real property, however effected, if it consists of a mere change in identity or form of ownership of an entity where there is no change in the beneficial ownership. These include transfers to a corporation or partnership which is wholly owned by the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner. However, if thereafter such transferee corporation or partnership voluntarily transfers such real property, or such transferor, spouse or domestic partner, or children of the transferor or the transferor's spouse or domestic partner voluntarily transfer stock in the transferee corporation or interest in the transferee partnership capital, as the case may be, to other than (i) the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, (ii) a trust having the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner as the only beneficiaries at the time of the transfer to the trust, or (iii) a corporation or partnership wholly owned by the original transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, within three years of the original transfer to which this exemption applies, and the tax on the subsequent transfer has not been paid within ((~~sixty~~)) 60 days of becoming due, excise taxes become due and payable on the original transfer as otherwise provided by law.

(q)(i) A transfer that for federal income tax purposes does not involve the recognition of gain or loss for entity formation, liquidation or dissolution, and reorganization, including but not limited to nonrecognition of gain or loss because of application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal revenue code of 1986, as amended.

(ii) However, the transfer described in (q)(i) of this subsection cannot be preceded or followed within a ((~~thirty-six~~)) 36 month period by another transfer or series of transfers, that, when combined with the otherwise exempt transfer or transfers described in (q)(i) of this subsection, results in the transfer of a controlling interest in the entity for valuable consideration, and in which one or more persons previously holding a controlling interest in the entity receive cash or property in exchange for any interest the person or persons acting in concert hold in the entity. This subsection (3)(q)(ii) does not apply to that part of the transfer involving property received that is the real property interest that the person or persons originally contributed to the entity or when one or more persons who did not contribute real property or belong to the entity at a time when real property was purchased receive cash or personal property in exchange for that person or persons' interest in the entity. The real estate excise tax under this subsection (3)(q)(ii) is imposed upon the person or persons who previously held a controlling interest in the entity.

(r) A qualified sale of a manufactured/mobile home community, as defined in RCW 59.20.030.

(s)(i) A transfer of a qualified low-income housing development or controlling interest in a qualified low-income housing development, unless, due to noncompliance with federal statutory requirements, the seller is subject to recapture, in whole or in part, of its allocated federal low-income housing tax credits within the four years prior to the date of transfer.

(ii) For purposes of this subsection (3)(s), "qualified low-income housing development" means real property and improvements in respect to which the seller or, in the case of a transfer of a controlling interest, the owner or beneficial owner, was allocated federal low-income housing tax credits authorized under 26 U.S.C. Sec. 42 or successor statute, by the Washington state housing finance commission or successor state-authorized tax credit allocating agency.

(iii) This subsection (3)(s) does not apply to transfers of a qualified low-income housing development or controlling interest in a qualified low-income housing development occurring on or after July 1, 2035.

(iv) The Washington state housing finance commission, in consultation with the department, must gather data on: (A) The fiscal savings, if any, accruing to transferees as a result of the exemption provided in this subsection (3)(s); (B) the extent to which transferors of qualified low-income housing developments receive consideration, including any assumption of debt, as part of a transfer subject to the exemption provided in this subsection (3)(s); and (C) the continued use of the property for low-income housing. The Washington state housing finance commission must provide this information to the joint legislative audit and review committee. The committee must conduct a review of the tax preference created under this subsection (3)(s) in calendar year 2033, as required under chapter 43.136 RCW.

(t)(i) A qualified transfer of residential property by a legal representative of a person with developmental disabilities to a qualified entity subject to the following conditions:

(A) The adult child with developmental disabilities of the transferor of the residential property must be allowed to reside in the residence or successor property so long as the placement is safe and appropriate as determined by the department of social and health services;

(B) The title to the residential property is conveyed without the receipt of consideration by the legal representative of a person with developmental disabilities to a qualified entity;

(C) The residential property must have no more than four living units located on it; and

(D) The residential property transferred must remain in continued use for ((~~fifty~~)) 50 years by the qualified entity as supported living for persons with developmental disabilities by the qualified entity or successor entity. If the qualified entity sells or otherwise conveys ownership of the residential property the proceeds of the sale or conveyance must be used to acquire similar residential property and such similar residential property must be considered the successor for continued use. The property will not be considered in continued use if the department of social and health services finds that the property has failed, after a reasonable time to remedy, to meet any health and safety statutory or regulatory requirements. If the department of social and health services determines that the property fails to meet the requirements for continued use, the department of social and health services must notify the department and the real estate excise tax based on the value of the property at the time of the transfer into use as residential property for persons with developmental disabilities becomes immediately due and payable by the qualified entity. The tax due is not subject to penalties, fees, or interest under this title.

(ii) For the purposes of this subsection (3)(t) the definitions in RCW 71A.10.020 apply.

(iii) A "qualified entity" is:

(A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code of 1986, as amended, as of June 7, 2018, or a subsidiary under the same taxpayer identification number that provides residential supported living for persons with developmental disabilities; or

(B) A nonprofit adult family home, as defined in RCW 70.128.010, that exclusively serves persons with developmental disabilities.

(iv) In order to receive an exemption under this subsection (3)(t) an affidavit must be submitted by the transferor of the residential property and must include a copy of the transfer agreement and any other documentation as required by the department.

(u)(i) The sale by an affordable homeownership facilitator of self-help housing to a low-income household.

(ii) The definitions in this subsection (3)(u) apply to this subsection (3)(u) unless the context clearly requires otherwise.

(A) "Affordable homeownership facilitator" means a nonprofit community or neighborhood-based organization that is exempt from income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue code of 1986, as amended, as of October 1, 2019, and that is the developer of self-help housing.

(B) "Low-income" means household income as defined by the department, provided that the definition may not exceed ((~~eighty~~)) 80 percent of median household income, adjusted for household size, for the county in which the dwelling is located.

(C) "Self-help housing" means dwelling residences provided for ownership by low-income individuals and families whose ownership requirement includes labor participation. "Self-help housing" does not include residential rental housing provided on a commercial basis to the general public.

(v)(i) A sale or transfer of real property to a qualifying grantee that uses the property for housing for low-income persons and receives or otherwise qualifies the property for an exemption from real and personal property taxes under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection (3)(v), "qualifying grantee" means a nonprofit entity as defined in RCW 84.36.560, a nonprofit entity or qualified cooperative association as defined in RCW 84.36.049, a housing authority created under RCW 35.82.030 or 35.82.300, a public corporation established under RCW 35.21.660 or 35.21.730, or a county or municipal corporation. A qualifying grantee that is a county or municipal corporation must record a covenant at the time of transfer that prohibits using the property for any purpose other than for low-income housing for a period of at least 10 years. At a minimum, the covenant must address price restrictions and household income limits for the low-income housing. A qualifying grantee must comply with the requirements described in (v)(i)(A), (B), or (C) of this subsection and must also certify, by affidavit at the time of sale or transfer, that it intends to comply with those requirements.

(A) If the qualifying grantee intends to operate existing housing on the property, within one year of the sale or transfer:

(I) The qualifying grantee must receive or qualify the property for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010; and

(II) The property must be used as housing for low-income persons.

(B) If the qualifying grantee intends to develop new housing on the site, within five years of the sale or transfer:

(I) The qualifying grantee must receive or qualify the property for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010; and

(II) The property must be used as housing for low-income persons.

(C) If the qualifying grantee intends to substantially rehabilitate the premises as defined in RCW 59.18.200, within three years:

(I) The qualifying grantee must receive or qualify the property for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010; and

(II) The property must be used as housing for low-income persons.

(ii) If the qualifying grantee fails to satisfy the requirements described in (v)(i)(A), (B), or (C) of this subsection, within the timelines described in (v)(i)(A), (B), or (C) of this subsection, the qualifying grantee must pay the tax that would have otherwise been due at the time of initial transfer, plus interest calculated from the date of initial transfer pursuant to RCW 82.32.050.

(iii) If a qualifying grantee transfers the property to a different qualifying grantee within the original timelines described in (v)(i)(A), (B), or (C) of this subsection, neither the original qualifying grantee nor the new qualifying grantee is required to pay the tax, so long as the new qualifying grantee satisfies the requirements as described in (v)(i)(A), (B), or (C) of this subsection within the exemption period of the initial transfer. If the new qualifying grantee fails to satisfy the requirements described in (v)(i)(A), (B), or (C) of this subsection, only the new qualifying grantee is liable for the payment of taxes required by (v)(ii) of this subsection. There is no limit on the number of transfers between qualifying grantees within the original timelines.

(iv) Each affidavit must be filed with the department upon completion of the sale or transfer of property, including transfers from a qualifying grantee to a different qualifying grantee. The qualifying grantee must provide proof to the department as required by the department once the requirements as described in (v)(i)(A), (B), or (C) of this subsection have been satisfied.

(v) For the purposes of this subsection (3)(v), "low-income" has the same meaning as in (u) of this subsection.

(w)(i) The sale of qualified space in a development that qualifies for a property tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010 to a nonprofit organization, a housing authority, or public corporation for use for an exempt community purpose.

(ii) For the purposes of this subsection (3)(w), the following definitions apply:

(A) "Affordable housing development" means subsidized housing provided to low-income households.

(B) "Exempt community purpose" means any use to provide a service that benefits affordable housing development tenants or the public including, but not limited to, health clinics, senior day care, food banks, community centers, and early learning facilities.

(C) "Low-income" means household income that does not exceed 80 percent of median household income at initial occupancy, adjusted for household size, for the county in which the dwelling is located.

(D) "Qualified space" means any portion of an affordable housing development that is accessible to tenants or the public that constitutes a separate legal parcel of property under chapter 64.32, 64.34, or 64.90 RCW.

(E) "Nonprofit organization" means an organization exempt from taxation under section 501(c)(3) of the internal revenue code of 1986 (26 U.S.C. Sec. 501(c)(3)), as amended.

**Sec.**  RCW 82.45.010 and 2022 c 199 s 4 are each amended to read as follows:

(1) As used in this chapter, the term "sale" has its ordinary meaning and includes any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property, including standing timber, or any estate or interest therein for a valuable consideration, and any contract for such conveyance, grant, assignment, quitclaim, or transfer, and any lease with an option to purchase real property, including standing timber, or any estate or interest therein or other contract under which possession of the property is given to the purchaser, or any other person at the purchaser's direction, and title to the property is retained by the vendor as security for the payment of the purchase price. The term also includes the grant, assignment, quitclaim, sale, or transfer of improvements constructed upon leased land.

(2)(a) The term "sale" also includes the transfer or acquisition within any ((~~thirty-six~~)) 36 month period of a controlling interest in any entity with an interest in real property located in this state for a valuable consideration.

(b) For the sole purpose of determining whether, pursuant to the exercise of an option, a controlling interest was transferred or acquired within a ((~~thirty-six~~)) 36 month period, the date that the option agreement was executed is the date on which the transfer or acquisition of the controlling interest is deemed to occur. For all other purposes under this chapter, the date upon which the option is exercised is the date of the transfer or acquisition of the controlling interest.

(c) For purposes of this subsection, all acquisitions of persons acting in concert must be aggregated for purposes of determining whether a transfer or acquisition of a controlling interest has taken place. The department must adopt standards by rule to determine when persons are acting in concert. In adopting a rule for this purpose, the department must consider the following:

(i) Persons must be treated as acting in concert when they have a relationship with each other such that one person influences or controls the actions of another through common ownership; and

(ii) When persons are not commonly owned or controlled, they must be treated as acting in concert only when the unity with which the purchasers have negotiated and will consummate the transfer of ownership interests supports a finding that they are acting as a single entity. If the acquisitions are completely independent, with each purchaser buying without regard to the identity of the other purchasers, then the acquisitions are considered separate acquisitions.

(3) The term "sale" does not include:

(a) A transfer by gift, devise, or inheritance.

(b) A transfer by transfer on death deed, to the extent that it is not in satisfaction of a contractual obligation of the decedent owed to the recipient of the property.

(c) A transfer of any leasehold interest other than of the type mentioned above.

(d) A cancellation or forfeiture of a vendee's interest in a contract for the sale of real property, whether or not such contract contains a forfeiture clause, or deed in lieu of foreclosure of a mortgage.

(e) The partition of property by tenants in common by agreement or as the result of a court decree.

(f) The assignment of property or interest in property from one spouse or one domestic partner to the other spouse or other domestic partner in accordance with the terms of a decree of dissolution of marriage or state registered domestic partnership or in fulfillment of a property settlement agreement.

(g) The assignment or other transfer of a vendor's interest in a contract for the sale of real property, even though accompanied by a conveyance of the vendor's interest in the real property involved.

(h) Transfers by appropriation or decree in condemnation proceedings brought by the United States, the state or any political subdivision thereof, or a municipal corporation.

(i) A mortgage or other transfer of an interest in real property merely to secure a debt, or the assignment thereof.

(j) Any transfer or conveyance made pursuant to a deed of trust or an order of sale by the court in any mortgage, deed of trust, or lien foreclosure proceeding or upon execution of a judgment, or deed in lieu of foreclosure to satisfy a mortgage or deed of trust.

(k) A conveyance to the federal housing administration or veterans administration by an authorized mortgagee made pursuant to a contract of insurance or guaranty with the federal housing administration or veterans administration.

(l) A transfer in compliance with the terms of any lease or contract upon which the tax as imposed by this chapter has been paid or where the lease or contract was entered into prior to the date this tax was first imposed.

(m) The sale of any grave or lot in an established cemetery.

(n) A sale by the United States, this state or any political subdivision thereof, or a municipal corporation of this state.

(o) A sale to a regional transit authority or public corporation under RCW 81.112.320 under a sale/leaseback agreement under RCW 81.112.300.

(p) A transfer of real property, however effected, if it consists of a mere change in identity or form of ownership of an entity where there is no change in the beneficial ownership. These include transfers to a corporation or partnership which is wholly owned by the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner. However, if thereafter such transferee corporation or partnership voluntarily transfers such real property, or such transferor, spouse or domestic partner, or children of the transferor or the transferor's spouse or domestic partner voluntarily transfer stock in the transferee corporation or interest in the transferee partnership capital, as the case may be, to other than (i) the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, (ii) a trust having the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner as the only beneficiaries at the time of the transfer to the trust, or (iii) a corporation or partnership wholly owned by the original transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, within three years of the original transfer to which this exemption applies, and the tax on the subsequent transfer has not been paid within ((~~sixty~~)) 60 days of becoming due, excise taxes become due and payable on the original transfer as otherwise provided by law.

(q)(i) A transfer that for federal income tax purposes does not involve the recognition of gain or loss for entity formation, liquidation or dissolution, and reorganization, including but not limited to nonrecognition of gain or loss because of application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal revenue code of 1986, as amended.

(ii) However, the transfer described in (q)(i) of this subsection cannot be preceded or followed within a ((~~thirty-six~~)) 36 month period by another transfer or series of transfers, that, when combined with the otherwise exempt transfer or transfers described in (q)(i) of this subsection, results in the transfer of a controlling interest in the entity for valuable consideration, and in which one or more persons previously holding a controlling interest in the entity receive cash or property in exchange for any interest the person or persons acting in concert hold in the entity. This subsection (3)(q)(ii) does not apply to that part of the transfer involving property received that is the real property interest that the person or persons originally contributed to the entity or when one or more persons who did not contribute real property or belong to the entity at a time when real property was purchased receive cash or personal property in exchange for that person or persons' interest in the entity. The real estate excise tax under this subsection (3)(q)(ii) is imposed upon the person or persons who previously held a controlling interest in the entity.

(r) A qualified sale of a manufactured/mobile home community, as defined in RCW 59.20.030, that takes place on or after June 12, 2008, but before December 31, 2018.

(s)(i) A transfer of a qualified low-income housing development or controlling interest in a qualified low-income housing development, unless, due to noncompliance with federal statutory requirements, the seller is subject to recapture, in whole or in part, of its allocated federal low-income housing tax credits within the four years prior to the date of transfer.

(ii) For purposes of this subsection (3)(s), "qualified low-income housing development" means real property and improvements in respect to which the seller or, in the case of a transfer of a controlling interest, the owner or beneficial owner, was allocated federal low-income housing tax credits authorized under 26 U.S.C. Sec. 42 or successor statute, by the Washington state housing finance commission or successor state-authorized tax credit allocating agency.

(iii) This subsection (3)(s) does not apply to transfers of a qualified low-income housing development or controlling interest in a qualified low-income housing development occurring on or after July 1, 2035.

(iv) The Washington state housing finance commission, in consultation with the department, must gather data on: (A) The fiscal savings, if any, accruing to transferees as a result of the exemption provided in this subsection (3)(s); (B) the extent to which transferors of qualified low-income housing developments receive consideration, including any assumption of debt, as part of a transfer subject to the exemption provided in this subsection (3)(s); and (C) the continued use of the property for low-income housing. The Washington state housing finance commission must provide this information to the joint legislative audit and review committee. The committee must conduct a review of the tax preference created under this subsection (3)(s) in calendar year 2033, as required under chapter 43.136 RCW.

(t)(i) A qualified transfer of residential property by a legal representative of a person with developmental disabilities to a qualified entity subject to the following conditions:

(A) The adult child with developmental disabilities of the transferor of the residential property must be allowed to reside in the residence or successor property so long as the placement is safe and appropriate as determined by the department of social and health services;

(B) The title to the residential property is conveyed without the receipt of consideration by the legal representative of a person with developmental disabilities to a qualified entity;

(C) The residential property must have no more than four living units located on it; and

(D) The residential property transferred must remain in continued use for ((~~fifty~~)) 50 years by the qualified entity as supported living for persons with developmental disabilities by the qualified entity or successor entity. If the qualified entity sells or otherwise conveys ownership of the residential property the proceeds of the sale or conveyance must be used to acquire similar residential property and such similar residential property must be considered the successor for continued use. The property will not be considered in continued use if the department of social and health services finds that the property has failed, after a reasonable time to remedy, to meet any health and safety statutory or regulatory requirements. If the department of social and health services determines that the property fails to meet the requirements for continued use, the department of social and health services must notify the department and the real estate excise tax based on the value of the property at the time of the transfer into use as residential property for persons with developmental disabilities becomes immediately due and payable by the qualified entity. The tax due is not subject to penalties, fees, or interest under this title.

(ii) For the purposes of this subsection (3)(t) the definitions in RCW 71A.10.020 apply.

(iii) A "qualified entity" is:

(A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code of 1986, as amended, as of June 7, 2018, or a subsidiary under the same taxpayer identification number that provides residential supported living for persons with developmental disabilities; or

(B) A nonprofit adult family home, as defined in RCW 70.128.010, that exclusively serves persons with developmental disabilities.

(iv) In order to receive an exemption under this subsection (3)(t) an affidavit must be submitted by the transferor of the residential property and must include a copy of the transfer agreement and any other documentation as required by the department.

(u)(i) A sale or transfer of real property to a qualifying grantee that uses the property for housing for low-income persons and receives or otherwise qualifies the property for an exemption from real and personal property taxes under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection (3)(u), "qualifying grantee" means a nonprofit entity as defined in RCW 84.36.560, a nonprofit entity or qualified cooperative association as defined in RCW 84.36.049, a housing authority created under RCW 35.82.030 or 35.82.300, a public corporation established under RCW 35.21.660 or 35.21.730, or a county or municipal corporation. A qualifying grantee that is a county or municipal corporation must record a covenant at the time of transfer that prohibits using the property for any purpose other than for low-income housing for a period of at least 10 years. At a minimum, the covenant must address price restrictions and household income limits for the low-income housing. A qualifying grantee must comply with the requirements described in (u)(i)(A), (B), or (C) of this subsection and must also certify, by affidavit at the time of sale or transfer, that it intends to comply with those requirements.

(A) If the qualifying grantee intends to operate existing housing on the property, within one year of the sale or transfer:

(I) The qualifying grantee must receive or qualify the property for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010; and

(II) The property must be used as housing for low-income persons.

(B) If the qualifying grantee intends to develop new housing on the site, within five years of the sale or transfer:

(I) The qualifying grantee must receive or qualify the property for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010; and

(II) The property must be used as housing for low-income persons.

(C) If the qualifying grantee intends to substantially rehabilitate the premises as defined in RCW 59.18.200, within three years:

(I) The qualifying grantee must receive or qualify the property for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010; and

(II) The property must be used as housing for low-income persons.

(ii) If the qualifying grantee fails to satisfy the requirements described in (u)(i)(A), (B), or (C) of this subsection, within the timelines described in (u)(i)(A), (B), or (C) of this subsection, the qualifying grantee must pay the tax that would have otherwise been due at the time of initial transfer, plus interest calculated from the date of initial transfer pursuant to RCW 82.32.050.

(iii) If a qualifying grantee transfers the property to a different qualifying grantee within the original timelines described in (u)(i)(A), (B), or (C) of this subsection, neither the original qualifying grantee nor the new qualifying grantee is required to pay the tax, so long as the new qualifying grantee satisfies the requirements as described in (u)(i)(A), (B), or (C) of this subsection within the exemption period of the initial transfer. If the new qualifying grantee fails to satisfy the requirements described in (u)(i)(A), (B), or (C) of this subsection, only the new qualifying grantee is liable for the payment of taxes required by (u)(ii) of this subsection. There is no limit on the number of transfers between qualifying grantees within the original timelines.

(iv) Each affidavit must be filed with the department upon completion of the sale or transfer of property, including transfers from a qualifying grantee to a different qualifying grantee. The qualifying grantee must provide proof to the department as required by the department once the requirements as described in (u)(i)(A), (B), or (C) of this subsection have been satisfied.

(v) For the purposes of this subsection (3)(u), "low-income" means household income as defined by the department, provided that the definition may not exceed 80 percent of median household income, adjusted for household size, for the county in which the dwelling is located.

(v)(i) The sale of qualified space in a development that qualifies for a property tax exemption under RCW 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010 to a nonprofit organization, a housing authority, or public corporation for use for an exempt community purpose.

(ii) For the purposes of this subsection (3)(v), the following definitions apply:

(A) "Affordable housing development" means subsidized housing provided to low-income households.

(B) "Exempt community purpose" means any use to provide a service that benefits affordable housing development tenants or the public including, but not limited to, health clinics, senior day care, food banks, community centers, and early learning facilities.

(C) "Low-income" means household income that does not exceed 80 percent of median household income at initial occupancy, adjusted for household size, for the county in which the dwelling is located.

(D) "Qualified space" means any portion of an affordable housing development that is accessible to tenants or the public that constitutes a separate legal parcel of property under chapter 64.32, 64.34, or 64.90 RCW.

(E) "Nonprofit organization" means an organization exempt from taxation under section 501(c)(3) of the internal revenue code of 1986 (26 U.S.C. Sec. 501(c)(3)), as amended.

NEW SECTION. **Sec.**  (1) The department of revenue must study the requirements needed for the department to implement and administer a local option graduated real estate excise tax and submit a report to the legislature by January 13, 2025.

(2) The study must include administrative recommendations as well as an estimate of expenditures required for the department of revenue to successfully implement and administer a local option graduated real estate excise tax.

NEW SECTION. **Sec.**  This act may be known and cited as the affordable homes act.

NEW SECTION. **Sec.**  RCW 82.32.805 and 82.32.808 do not apply to this act.

NEW SECTION. **Sec.**  Sections 2 through 7 of this act take effect January 1, 2026.

NEW SECTION. **Sec.**  Section 7 of this act expires January 1, 2030.

NEW SECTION. **Sec.**  Section 8 of this act takes effect January 1, 2030.

**--- END ---**