
Local Government Committee

HB 1044

Brief Description: Concerning county fees for administration of the real estate excise tax.

Sponsors: Representative Wylie.

Brief Summary of Bill

- Replaces a current \$5 fee on the filing of a real estate excise tax affidavit with a county treasurer with a new \$20 fee, to be increased every four years based on inflation, with revenue from the fee used to fund the statutory duties of the county assessor and county treasurer.

Hearing Date: 1/22/25

Staff: Kellen Wright (786-7134).

Background:

County Assessors and Treasurers.

County assessors determine the value of real and personal property within the county for the purpose of assessing property taxes and calculating the property tax levies for taxing districts within the county. The county treasurer is responsible for receiving, maintaining, and dispersing county and other local government funds, and collecting various taxes, including property taxes, on behalf of the county and other local governments within the county.

Real Estate Excise Tax.

Excise taxes are taxes imposed on a specific good or activity. Cigarettes, syrup, and aircraft are all subject to excise taxes in Washington.

So, too, are real estate sales and transfers for valuable consideration (sales). Timberland and

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agricultural land sales are taxed at a flat rate of 1.28 percent. The excise tax rate on other real estate sales is graduated, and depends on the selling price of the real estate. The portion of the selling price up to \$525,000 is taxed at 1.1 percent; the portion that is more than \$525,000 but less than or equal to \$1.525 million is taxed at 1.28 percent; the portion that is more than \$1.525 million but less than \$3.025 million is taxed at 2.75 percent; and any portion of the selling price over \$3.025 million is taxed at 3 percent.

The Department of Revenue is required to adjust these price thresholds every four years by the lesser of the growth in the Consumer Price Index for shelter or 5 percent, rounded to the nearest thousand dollars. The Consumer Price Index is a measure of the change over time in prices for certain goods, and is often used as a measure of inflation.

Not all real estate transfers are subject to real estate excise tax. For example, transfers by gift, inheritance, marriage dissolution, and foreclosure proceeding are among those exempt from the tax.

If real estate excise tax is due, it must be paid at the time of sale, and is also collected by the county treasurer, who acts as an agent for the state in collecting the tax. Once payment has been made, the treasurer must affix a verification of the payment to the instrument of sale or conveyance, or to the real estate excise tax affidavit.

The real estate excise tax affidavit must be filed with the county treasurer of the county in which the transfer occurred, whether or not the transfer is exempt from the tax. This affidavit includes, among other things, the address and legal description of the property, identifies and is signed by the parties involved in the transfer, provides the selling price, if any, and identifies any exemptions claimed for the transfer.

When a real estate excise tax affidavit is filed with the treasurer, if no tax is due, or if the tax is less than \$5, the treasurer will collect a \$5 fee. This fee, along with 1.3 percent of the real estate excise tax collected, remain with the county treasurer to defray the cost of collection.

The treasurer also collects an additional \$5 on all real estate excise tax affidavit filings, regardless of whether, or how much, tax is due. Ultimately, revenue derived from this fee must be put into a special county Real Estate and Property Tax Assistance Account (Account) and only spent on either maintenance and operation of an annual property tax revaluation system or on an electronic processing and reporting system for real estate excise tax affidavits. However, not all the revenue from the fee goes directly into the Account. Half does, and is put directly into the Account of the county collecting the fee. The other half is sent to the Department of Revenue (Department). The Department then divides this amount in half, with one of the halves divided equally among all counties, and the final half divided among the counties based on population. Once received by the counties, these portions of the fee must also be placed into the special county's Account.

Summary of Bill:

County treasurers collect the \$5 fee for the special county Real Estate and Property Tax Assistance Account until September 1, 2025.

Beginning September 1, 2025, instead of the \$5 fee, county treasurers instead collect a \$20 fee on the filing of all real estate excise tax affidavits, regardless of whether, and how much, real estate excise tax is due on the transaction. The amount of the fee must be adjusted by the Department of Revenue by September 1, 2029, and then every four years thereafter, based upon the growth in the Consumer Price Index for shelter. After being adjusted, the new fee amount goes into effect the following January 1. If there is no growth, or negative growth, in the Consumer Price Index for shelter, then the current amount of the fee is not changed. Revenue from the fee must be placed into two accounts: 65 percent of the fee must go into a county Assessor Administrative Assistance Fund, and must be used only on the statutory responsibilities of the county assessor, with the remainder deposited into a county Treasurer Administrative Assistance Fund, and used only for the statutory obligations of the county treasurer.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on September 1, 2025.