
Finance Committee

HB 1694

Brief Description: Concerning revenues from the excise tax on real estate transactions imposed by cities and counties under RCW 82.46.035.

Sponsors: Representatives Thai, Zahn, Parshley, Street, Peterson, Duerr, Kloba, Hill, Macri and Ryu.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Allows certain local Real Estate Excise Tax revenues to be used for facilities for those experiencing homelessness and affordable housing projects.

Hearing Date: 2/13/25

Staff: Rachelle Harris (786-7137).

Background:

Real Estate Excise Tax.

Real Estate Excise Tax (REET) applies to real estate transactions including the sale of property and the transfer of controlling interest in property. The rate applies to the selling price and is usually paid by the seller. The REET is due and payable to the county treasurer in which the property is located on the date of the sale, regardless of the date of recording, except in a controlling interest transfer. The REET is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$525,000;
- 1.28 percent on the portion of the selling price that is greater than \$525,000 but equal to or less than \$1.525 million;
- 2.75 percent on the portion of the selling price that is greater than \$1.525 million but equal to or less than \$3.025 million; and

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- 3 percent on the portion of the selling price that is greater than \$3.025 million.

Local governments are authorized to impose a local REET in addition to the state rate. The two main local REET options are:

- REET 1: A local government may levy a 0.25 percent REET. The revenues from REET 1 are primarily to be used for capital projects and limited maintenance.
- REET 2: An additional 0.25 percent REET may be imposed by cities and counties that are fully planning under the Growth Management Act.

Local REET capital projects are local government public works projects for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of:

- streets, roads, highways, and sidewalks;
- street and road lighting systems and traffic signals;
- bridges, domestic water systems, storm and sanitary sewer systems;
- judicial, parks and recreational, administrative, law enforcement, and fire protection facilities;
- trails and libraries;
- certain housing projects;
- river flood control projects and certain other waterway flood control projects; and
- technology infrastructure that is integral to the capital project.

The ability to use REET 2 revenues for facilities for those experiencing homelessness and affordable housing projects specified in comprehensive plan ends January 1, 2026.

Summary of Bill:

The time restriction on ability to use REET 2 revenues for facilities for those experiencing homelessness and affordable housing projects specified in a comprehensive plan is eliminated.

Separate from capital projects that are specified in a comprehensive plan, revenues generated by a local REET 2 may be used towards planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for those experiencing homelessness and affordable housing projects supported through an interlocal housing collaboration.

Appropriation: None.

Fiscal Note: Requested on February 5, 2025.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.