
Finance Committee

HB 1867

Brief Description: Allowing counties or cities to impose a real estate excise tax for the purpose of developing affordable housing, subject to the will of the voters.

Sponsors: Representatives Ramel, Lekanoff, Doglio, Duerr, Parshley, Reed, Scott, Simmons, Macri, Fosse, Pollet and Zahn.

Brief Summary of Bill

- Expands eligibility to impose a Real Estate Excise Tax for affordable housing to all counties.
- Expands eligibility to impose a Real Estate Excise Tax for affordable housing to all cities if a county has not imposed such tax by January 1, 2027.

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;

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- 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
- 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.

Additionally, there are several other local REET options for local governments:

- a local government not levying the optional 0.5 percent sales tax under RCW 82.14.030 may levy an additional local REET of up to 0.5 percent;
- a county may impose an additional local REET of up to 1 percent for the acquisition and maintenance of conservation areas; and
- a county that imposed the full 1 percent for conservation areas prior to January 1, 2003, may also impose a local REET of up to 0.5 percent for affordable housing.

Affordable Housing REET.

The REET option that is available to a county that imposed the full 1 percent for conservation areas prior to January 1, 2003 may only be imposed if approved by a majority of the voters and it is for a specified period. The tax is an obligation on both the buyer and the seller. The county legislative authority determines the obligation terms, with at least 50 percent being the obligation of the buyer.

Revenues from the tax must be used exclusively for development of affordable housing, including acquisition, building, rehabilitation, and maintenance and operation of housing for very low-, low-, and moderate-income people and those with special needs. Revenues must be placed in an affordable housing account, and disbursements from the account must be made via a competitive grant and loan process.

Summary of Bill:

The requirement that a county must have imposed a 1 percent tax for conservation areas in order to establish an affordable housing REET is eliminated. All counties are given the ability to impose an affordable housing REET option.

If a county has not imposed the affordable housing REET by January 1, 2027, then the authority to do so goes to any city.

Appropriation: None.

Fiscal Note: Requested on February 6, 2025.

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