

HOUSE BILL REPORT

HB 1744

As Reported by House Committee On:
Local Government & Housing

Title: An act relating to real estate excise tax expenditures for parks and capital projects.

Brief Description: Concerning real estate excise tax expenditures for parks and capital projects.

Sponsors: Representatives Ericks, Springer and Clibborn.

Brief History:

Committee Activity:

Local Government & Housing: 2/9/09, 2/16/09 [DPS]; 2/1/10 [DP2S].

Finance: 2/24/09, 3/2/09 [DPS(LGH)].

Brief Summary of Second Substitute Bill

- Allows, until June 30, 2012, proceeds from a locally-imposed real estate excise tax (REET) to be used for park maintenance and operation expenditures.
- Prohibits, with some exceptions, jurisdictions that are using proceeds from a locally-imposed REET for park and maintenance operation expenditures from using REET proceeds for the acquisition of capital projects.
- Modifies, subject to expiration provisions, the list of capital projects for which certain REET proceeds may be used.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 6 members: Representatives Simpson, Chair; Nelson, Vice Chair; Miloscia, Springer, White and Williams.

Minority Report: Do not pass. Signed by 4 members: Representatives Angel, Ranking Minority Member; Fagan, Short and Upthegrove.

Staff: Ethan Moreno (786-7386).

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.

Background:

County legislative authorities may impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city and town legislative authorities also may impose an excise tax on each sale of real property within their corporate limits. The rate of these real estate excise taxes (REETs) may not exceed 0.25 percent of the selling price. Revenues generated from this tax must be used for financing qualifying capital projects, as that term is defined in statute, and for housing relocation assistance.

Counties, cities, and towns that fully plan under the Growth Management Act (GMA) may impose an additional REET on each sale of real property that may not exceed 0.25 percent of the selling price. Counties that opted to fully plan under the GMA, and the cities and towns within, may impose the additional REET with voter approval.

With some exceptions, revenues generated from this additional REET may only be used for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA.

Summary of Second Substitute Bill:

Revenues generated from the additional REET that may be imposed by counties, cities, and towns that fully plan under the GMA may, until June 30, 2012, be used for park maintenance and operation expenditures. Revenues from this tax may not be used to supplant existing sources of funding for park maintenance and operation expenditures. Counties, cities, and towns using REET proceeds for park maintenance and operation expenditures may not use these proceeds for the acquisition of capital projects specified in a capital facilities plan element of a comprehensive plan. This limitation does not apply to capital projects that are necessary for the health and safety of residents within the county, city, or town imposing the tax.

The definition of "capital project," for purposes of the additional REET, is modified to allow proceeds from the tax, until June 30, 2012, to be used for additional purposes, including:

- recreational facilities;
- law enforcement facilities;
- trails; and
- administrative and/or judicial facilities.

Until June 30, 2012, "capital projects" do not include local government expenditures for the planning, construction, reconstruction, repair, rehabilitation, or improvement of parks. "Capital projects" after June 30, 2012, include expenditures for the planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

Second Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill: (1) specifies that, except as provided otherwise, counties and cities using locally-imposed REET revenues for park maintenance and operation expenditures may not use these revenues for the acquisition of capital projects specified in a capital facilities plan element of a comprehensive plan; (2) includes allowances for spending REET revenues on capital projects that are necessary for the health and safety of residents within the jurisdiction imposing the tax; (3) specifies projects that do and do not qualify as "capital projects" after June 30, 2012; and (4) includes generally identical amendments to separate versions of the same statute, with technical deletions made for provisions scheduled to take effect after an applicable expiration date.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except section 2, which reinstates prior law related to real estate excise tax expenditures after a scheduled expiration, and takes effect June 30, 2012.

Staff Summary of Public Testimony:

(In support) This session local governments are advocating for increased flexibility with regard to revenue streams, and this bill grants that request. Cities are facing a fiscal crisis: hiring freezes and layoffs occurred in 2009 and city managers are expecting 2010 to be worse. This bill provides discretion and allows local governments to use REET revenues for the maintenance and operation of parks. This bill will be especially helpful for small jurisdictions.

(Opposed) Despite the fiscal crisis, REET revenues should continue to be dedicated to base infrastructure needs. Maintenance and operation needs are operational needs, not capital needs. Better sources of funding are available for meeting maintenance and operation needs.

Persons Testifying: (In support) Jim Justin, Association of Washington Cities.

(Opposed) Bill Clarke, Washington Realtors.

Persons Signed In To Testify But Not Testifying: None.