

# HOUSE BILL REPORT

## HB 2298

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### As Reported by House Committee On: Local Government

**Title:** An act relating to changing the definition of capital projects to include technology infrastructure.

**Brief Description:** Changing the definition of capital projects to include technology infrastructure.

**Sponsors:** Representatives Pike, Takko, Vick, Harris, Blake, Rodne and Farrell.

#### **Brief History:**

##### **Committee Activity:**

Local Government: 1/27/14, 2/3/14 [DPS].

#### **Brief Summary of Substitute Bill**

- Expands the list of capital projects upon which specific, locally-imposed real estate excise tax proceeds can be used to include technology infrastructure that is integral to the capital project, and technology infrastructure that specifically fosters or supports the transfer of real properties.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Takko, Chair; Gregerson, Vice Chair; Kochmar, Assistant Ranking Minority Member; Farrell, Fitzgibbon, Pike and Springer.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Overstreet, Ranking Minority Member; Taylor.

**Staff:** Ethan Moreno (786-7386).

#### **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

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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, which are intended to be in addition to other funds that may be reasonably available for the capital projects, must be used for financing qualifying capital purposes and improvements in smaller counties and cities, and in cities that do not plan under the Growth Management Act (GMA). In counties and cities with more than 5,000 residents, and that do plan under the GMA, the REET revenues must, with limited exceptions, be used solely for capital projects and for housing relocation assistance for low-income tenants.

"Capital project," for purposes of these REET provisions, means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of specific facilities and infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems;
- storm and sanitary sewer systems;
- parks; and
- law enforcement and fire protection facilities.

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#### **Summary of Substitute Bill:**

The definition of "capital project" for purposes of specific, locally-imposed REET provisions, is expanded to allow REET proceeds to be used for technology infrastructure that is integral to the capital project, and technology infrastructure that specifically fosters or supports the transfer of real properties.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill modifies the list of capital projects for which specific real estate tax proceeds can be used (authorizing uses for technology infrastructure, including hardware and software, as provided in the underlying bill), to authorizing expenditures for technology infrastructure that is integral to the capital project, and technology infrastructure that specifically fosters or supports the transfer of real properties.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Staff Summary of Public Testimony:**

(In support) This bill is at the request of a Cowlitz County commissioner. It would be hard to imagine building a new house without the wiring and electronic systems, and this bill will allow capital monies to be spent on the technology infrastructure of fire and police stations. Alternative language proposals and amendments that differ from those of the underlying bill would be welcomed.

When counties receive REET proceeds, it can be a windfall and an opportunity to look at potential capital projects. A substantial portion of capital project costs relate to technology infrastructure – this is especially true for jails. Perhaps this bill could be expanded to allow REET proceeds to be used for technology that supports real estate transfers.

(Opposed) As written, it appears as though you could spend REET proceeds, which should go to capital projects, for new computers and software, expenses that are operating costs. Technology wiring related to a new facility is an appropriate use of REET proceeds. Realtors will work with the sponsor to find an approach that keeps capital dollars for capital projects.

**Persons Testifying:** (In support) Representative Pike; and Jim Misner, Cowlitz County Commissioners Office.

(Opposed) Bill Clarke, Washington Realtors.

**Persons Signed In To Testify But Not Testifying:** None.