Multiple Agency Fiscal Note Summary

Bill Number: 1495 HB	**Title:** Neighborhood stabilization

Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(3,816,000)	(4,135,000)	(3,381,000)	(3,663,000)	0	0
Total $	**(3,816,000)**	**(4,135,000)**	**(3,381,000)**	**(3,663,000)**	**0**	**0**

Local Gov. Courts *						
Local Gov. Other **		(1,694,000)		(1,850,000)		
Local Gov. Total		(1,694,000)		(1,850,000)		

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.3	46,700	46,700	.1	9,400	9,400	.0	0	0
Total	**0.3**	**$46,700**	**$46,700**	**0.1**	**$9,400**	**$9,400**	**0.0**	**$0**	**$0**

Local Gov. Courts *									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Prepared by: Ryan Black, OFM	**Phone:** 360-902-0417	**Date Published:** Final

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 21835

Department of Revenue Fiscal Note

Bill Number: 1495 HB	Title: Neighborhood stabilization	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
GF-State-State 01 - Taxes 57 - Real Estate Excise	(1,674,000)	(2,142,000)	(3,816,000)	(3,381,000)	
Publ Works Assist-State 01 - Taxes 57 - Real Estate Excise	(111,000)	(142,000)	(253,000)	(223,000)	
City County Asst-State 01 - Taxes 57 - Real Estate Excise	(29,000)	(37,000)	(66,000)	(59,000)	
Total $	(1,814,000)	(2,321,000)	(4,135,000)	(3,663,000)	

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.4	0.1	0.3	0.1	
Fund					
GF-STATE-State 001-1	37,300	9,400	46,700	9,400	
Total $	37,300	9,400	46,700	9,400	

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Aaron Eisenbarth	Phone: 360-786-7258	Date: 01/29/2009
Agency Preparation:	Valerie Torres	Phone: 360-5706084	Date: 02/04/2009
Agency Approval:	Don Gutmann	Phone: 360-570-6073	Date: 02/04/2009
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 02/04/2009

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects a revision to the revenue impact section, and supercedes fiscal note number 1495-1.

Under current law, county treasurers collect the Real Estate Excise Taxes (REET), except when the tax applies to the acquisition of controlling interests which are reported directly to the Department of Revenue (Department). The tax is paid with the filing of an affidavit which is signed by the seller and the buyer.

This proposal creates three exemptions from REET. The exemptions cannot be claimed for sales occurring on or after January 1, 2013.

The first exemption exempts REET on a sale of a qualifying residential housing unit by a qualifying seller to a qualifying buyer. The buyer must submit a copy of his or her federal tax return and any other documentation the Department may require and the property must be acquired through a 30-year fixed-rate mortgage. When the amount of exempted taxes exceeds $1 million in any fiscal year, the Department must notify all County Treasurers that this exemption is disallowed beginning on the first day of the second month following the transmittal month to the State Treasurer where the $1 million limit was determined by the Department to be exceeded. The disallowance is in effect until the end of the fiscal year, except when the disallowance effective date is in the following fiscal year. The Department must provide on its website the income limits by county and family size to qualify as a qualifying buyer.

The second exemption exempts REET on a sale to a qualifying organization where the organization is exercising an option to repurchase a property.

The third exemption exempts REET on a sale to a qualifying buyer by a qualifying organization.

A qualifying residential housing unit means any of the following and includes the land on which the home, condominium or townhouse is located.
-- a new single-family home, condominium, or townhouse
-- a rescued single-family home, condominium, or townhouse
-- a single-family home, condominium, or townhouse that has been foreclosed and is unoccupied due to the foreclosure

A qualifying seller means a person registered with the Department who is primarily engaged in the business of building or rehabilitating residential housing units.

A qualifying buyer is an individual or his or her spouse or domestic partner meeting the following requirements:

-- who has not owned a home during the three-year period prior to the purchase of a home
-- who has a combined disposable income for the prior calendar year at or below 80 percent of the median family income for the prior year in the county where the project is located (the median family income in the county is as adjusted for family size and reported by the United States Department of Housing and Urban Development)
-- where the individual and his or her spouse or domestic partner has completed a financial education class consistent with standards adopted by the Washington State Housing Finance Commission.

Combined disposable income is defined as the disposable income of the person claiming the exemption plus the disposable income of his or her spouse or domestic partner plus the disposable income of each cotenant occupying the residence for the assessment year.

Disposable income is defined as the adjusted gross income as defined in the Federal Internal Revenue Code as amended prior to January 1, 2009, or such date as the director may provide by rule.

A qualifying organization means a nonprofit organization registered with the Department that is primarily engaged in the business of building or rehabilitating residential housing units.

The sections describing the exemptions expire on July 1, 2013.

This bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Economic and Revenue Forecast Council's November Forecast
U.S. Census Bureau's Housing and Mortgage Statistical Abstracts
Washington Center for Real Estate Research Annual and Quarterly Reports
Department of Revenue real estate excise tax information
Office of Financial Management's 2008 State Population Survey

This estimate assumes the definitions for qualifying buyer and the requirement of a 30-year fixed rate mortgage apply to both the first REET exemption on a sale of a qualifying residential housing unit by a qualifying seller to a qualifying buyer and the third REET exemptions on a sale to a qualifying buyer by a qualifying organization.

This estimate assumes the $1 million cap can be exceeded by those sales exempted between when the cap is established and when the exemption is disallowed. This estimate assumes the $1 million cap only applies to the first REET exemption on a sale of a qualifying residential housing unit by a qualifying seller to a qualifying buyer.

This estimate assumes that 1/4 of the qualifying residential housing units would be bought by qualifying buyers from qualifying sellers. If the number of qualifying residential housing units is more than 1/4, the impacts of this proposal could be greater.

This estimate assumes a qualifying residential housing unit would cost 60 percent of the median sale price for homes in Washington State in quarter 3, 2008.

This estimate assumes a rescued residential housing unit is a housing unit in poor condition which was fixed up by a registered general contractor and resold in a short amount of time.

This estimate assumes sales exempt from the state real estate excise taxes are also exempt from local real estate excise taxes because local real estate excise taxes are tied to the state taxable sales (RCW 82.46.010(4)).

REVENUE ESTIMATES

There are an estimated 5,000 residential housing units which would qualify for the first exemption, 10 housing units which would qualify for the second exemption and 150 housing units which would qualify for the third exemption.

The statewide median home sale prices for Quarter 3, 2008, was $281,500, so this estimate assumes a median home sale prices of $168,900.

The first exemption is estimated to reach the $1 million cap for each year between Fiscal Year 2010 and Fiscal Year 2015. Thus reducing state revenues by an estimated $1.8 million for Fiscal Year 2010 and $2.3 million in Fiscal Year 2011, the first full fiscal year.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2010 - $ (1,814)
FY 2011 - $ (2,321)
FY 2012 - $ (2,410)
FY 2013 - $ (1,253)
FY 2014 - $ 0
FY 2015 - $ 0

Local Government, if applicable (cash basis, $000):
FY 2010 - $ (820)
FY 2011 - $ (874)
FY 2012 - $ (907)
FY 2013 - $ (943)
FY 2014 - $ 0
FY 2015 - $ 0

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing

To implement this legislation, the Department will incur costs of approximately $37,300 in Fiscal Year 2010. These costs are for administering the application process for this exemption, monitoring the accumulation of taxes exempted, and notifying county treasurers to disallow further exemptions. Costs also include adoption of one new rule. Time and effort equates to approximately .4 FTE.

The Department will incur costs of approximately $9,400 in Fiscal Year 2011. These costs are for administering this exemption program. Time and effort equates to approximately .1 FTE

The Department will incur costs of approximately $9,400 in the 2011-13 Biennium. These costs are for administering this exemption program. Time and effort equates to approximately .1 FTE in Fiscal Year 2012.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.4	0.1	0.3	0.1	
A-Salaries and Wages	21,600	5,400	27,000	5,400	
B-Employee Benefits	5,400	1,400	6,800	1,400	
E-Goods and Services	7,700	2,500	10,200	2,500	
J-Capital Outlays	2,600	100	2,700	100	
Total $	$37,300	$9,400	$46,700	$9,400	

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
EXCISE TAX EX 3	50,563	0.2	0.1	0.2	0.1	
EXCISE TAX EX 4	55,839	0.1		0.1		
HEARINGS SCHEDULER	32,688	0.0		0.0		
TAX POLICY SP 2	61,628	0.0		0.0		
TAX POLICY SP 3	69,756	0.1		0.0		
WMS BAND 3	88,546	0.0		0.0		
Total FTE's		0.4	0.1	0.3	0.1	

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the standard process to adopt one new rule in WAC 458-61A. Persons affected by this rule-making would be housing developers, purchasers of affordable housing and county treasurers.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1495 HB	**Title:** Neighborhood stabilization

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Loss of local REET revenue
- [X] Counties: Loss of local REET revenue and expenditure impacts to county treasurers' offices
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: Specific details on administration of the exemption

Estimated revenue impacts to:

Jurisdiction	FY 2010	FY 2011	2009-11	2011-13	2013-15
City	(510,504)	(544,123)	(1,054,627)	(1,151,747)	
County	(309,496)	(329,877)	(639,373)	(698,253)	
Special District					
TOTAL $	(820,000)	(874,000)	(1,694,000)	(1,850,000)	
GRAND TOTAL $					(3,544,000)

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Darleen Muhly	Phone: (360) 725 5030	Date: 02/02/2009
Leg. Committee Contact: Aaron Eisenbarth	Phone: 360-786-7258	Date: 01/29/2009
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/02/2009
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/03/2009

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill would create three exemptions from the real estate excise tax (REET) on sales prior to January 2013 of residential units that are unoccupied due to foreclosure, new, or rescued.

The first exemption applies to sales by a qualifying seller to a qualifying buyer. The buyer must submit a copy of his or her federal tax return and any other documentation the Department of Revenue (DOR) may require and the property must be acquired through a 30-year fixed-rate mortgage. When the amount of exempted taxes exceeds $1 million in any fiscal year, DOR must notify all county treasurers that this exemption is disallowed beginning on the first day of the second month following the transmittal month to the state treasurer where the $1 million limit was determined by DOR to be exceeded. The disallowance is in effect until the end of the fiscal year, except when the disallowance effective date is in the following fiscal year. DOR must provide on its website the income limits by county and family size to qualify as a qualifying buyer.

The second exemption applies to sales to a qualifying organization where the organization is exercising an option to repurchase a property.

The third exemption applies to sales to a qualifying buyer by a qualifying organization.

A qualifying seller means a person registered with DOR who is primarily engaged in the business of building or rehabilitating residential housing units.

A qualifying buyer is an individual or his or her spouse or domestic partner meeting the following requirements:
-- who has not owned a home during the three-year period prior to the purchase of a home
-- who has a combined disposable income for the prior calendar year at or below 80 percent of the median family income for the prior year in the county where the project is located (the median family income in the county is as adjusted for family size and reported by the United States Department of Housing and Urban Development)
-- where the individual and his or her spouse or domestic partner has completed a financial education class consistent with standards adopted by the Washington State Housing Finance Commission.

Combined disposable income is defined as the disposable income of the person claiming the exemption plus the disposable income of his or her spouse or domestic partner plus the disposable income of each cotenant occupying the residence for the assessment year.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

Real estate excise tax collection is administered by county treasurers. This bill does not clarify how the exemptions would be administered. However, for the purposes of this note, local government fiscal note staff assume that the applications for exemptions would be processed by DOR and an exemption addendum would be provided to the buyer for submittal to the county treasurers' offices. If this is the case, county expenditures should be minimal.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

DOR assumes that these exemptions would also apply to local real estate excise taxes because local real estate excise taxes are tied to the state taxable sales. DOR also assumes that the $1 million cap can be exceeded by those sales exempted between when the cap is established and when the exemption is disallowed. A significant additional revenue impact could result. In addition, DOR assumes the $1 million cap only applies to the first REET exemption on a sale of a qualifying residential housing unit by a qualifying seller to a qualifying buyer. According to the DOR fiscal note, this would decrease local government revenue as follows:

FY 2010: ($820,000)
FY 2011: ($874,000)
FY 2012: ($907,000)
FY 2013: ($943,000)

In 2007, 235 cities and all 39 counties reported local REET collections. LGFN assumes, based on these collections, that 62.26 percent of the revenue loss would be cities' and 37.74 percent would be counties'.

SOURCES:
Department of Revenue fiscal note
Department of Revenue, 2007 Tax Reference Manual, Real Estate Excise Taxes
Washington State Association of County Treasurers