Department of Revenue Fiscal Note

Bill Number: 1495 S 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	(1,239,000)	(1,619,000)	(2,858,000)	(2,555,000)	
Publ Works Assist-State 01 - Taxes 57 - Real Estate Excise	(82,000)	(107,000)	(189,000)	(169,000)	
City County Asst-State 01 - Taxes 57 - Real Estate Excise	(21,000)	(28,000)	(49,000)	(44,000)	
Total $	(1,342,000)	(1,754,000)	(3,096,000)	(2,768,000)	

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.2	0.1	0.2	0.1	
Fund					
GF-STATE-State 001-1	16,700	6,100	22,800	6,100	
Total $	16,700	6,100	22,800	6,100	

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.

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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 language in SSB 1495.

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 state REET and the possibility for a local REET exemption. If the city or county imposing REET has adopted a resolution or ordinance authorizing the exemptions. The exemptions cannot be claimed for sales occurring on or after January 1, 2013.

When the total amount of exempted state REET for all of these exemptions exceeds $750,000 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 $750,000 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 first exemption exempts REET on a sale of a qualifying residential housing unit (unit) to a 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 organization must be exempt from REET.

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 single-family home, condominium, or townhouse that has been foreclosed and is unoccupied due to the foreclosure

A qualifying buyer or buyer is an individual acquiring the home through a fixed-rate mortgage and whom the Washington State Housing Finance Commission or a housing counseling agency certified by the Department of Housing and Urban Development has certified that:

(1) The buyer and the buyer's spouse or domestic partner have not owned a home in the last three years.
(2) The buyer has completed a home buyer education seminar.
(3) The buyer is part of a low-income household.

A low-income household is an individual and his or her spouse or domestic partner whose adjusted income is at or below 80 percent of the median family income , adjusted for household size for the county where the project is located.

A qualifying organization means a nonprofit organization that is:

(1) tax exempt under Title 26 U.S.C. Section 501(c) (3) of the Federal Internal Revenue Code.
(2) is primarily engaged in the business of developing, 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 $750,000 cap can be exceeded by those sales exempted between when the cap is determined and when the exemption is disallowed; as well as any exemptions which were granted before the cap was established, but had not reached the Department.

This estimate assumes that 1/4 of the qualifying residential housing units would be bought by qualifying buyers. 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 this bill becomes effective 90 days after the end of the session, resulting in 10 months of collections in Fiscal Year 2010.

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.

These exemptions are estimated to reach the $750,000 cap the first month the exemption is available for each year between Fiscal Year 2010 and Fiscal Year 2015; however it will take another month before the exemptions are disallowed. Therefore, state revenues would be reduced by an estimated $1.34 million for the ten months in Fiscal Year 2010 and $1.75 million in Fiscal Year 2011, the first full fiscal year.

It is unknown how many cities or counties would authorize these exemptions from locally imposed REET. Therefore, the local impacts cannot be determined.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2010 - $ (1,342)
FY 2011 - $ (1,754)
FY 2012 - $ (1,821)

FY 2013 - $ (947)
FY 2014 - $ 0
FY 2015 - $ 0

Local Government, if applicable (cash basis, $000): Indeterminate.

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 $16,700 in Fiscal Year 2010. These costs are for tracking 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 .21 FTE.

The Department will incur costs of approximately $6,100 in Fiscal Year 2011. These costs are for tracking the annual exemption accumulation and notifying county treasurers. Time and effort equates to approximately .11 FTE.

The Department will incur costs of approximately $6,100 in Fiscal Year 2012. These costs are for tracking the annual exemption accumulation and notifying county treasurers. Time and effort equates to approximately .05 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.2	0.1	0.2	0.1	
A-Salaries and Wages	9,400	3,700	13,100	3,700	
B-Employee Benefits	2,300	900	3,200	900	
E-Goods and Services	3,600	1,400	5,000	1,400	
J-Capital Outlays	1,400	100	1,500	100	
Total $	$16,700	$6,100	$22,800	$6,100	

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
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		
TAX SERV REP 2	34,260	0.1	0.1	0.1	0.1	
WMS BAND 3	88,546	0.0		0.0		
Total FTE's	286,878	0.2	0.1	0.2	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.