

Multiple Agency Fiscal Note Summary

Bill Number: 2064 HB	Title: Homebuyers/REET exemption
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	160,000	190,000	200,000	1,000,000	1,170,000	1,250,000	1,260,000	1,480,000	1,580,000
Total \$	160,000	190,000	200,000	1,000,000	1,170,000	1,250,000	1,260,000	1,480,000	1,580,000

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.7	183,300	183,300	183,300	.0	0	0	0	.0	0	0	0
Housing Finance Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.7	183,300	183,300	183,300	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Housing Finance Commission	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/16/2024
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Department of Revenue Fiscal Note

Bill Number: 2064 HB	Title: Homebuyers/REET exemption	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 57 - Real Estate Excise		160,000	160,000	1,000,000	1,260,000
Public Works Assistance Account-State 01 - Taxes 57 - Real Estate Excise		10,000	10,000	60,000	80,000
Education Legacy Trust Account-State 01 - Taxes 57 - Real Estate Excise		30,000	30,000	170,000	220,000
City County Assistance Account-State 01 - Taxes 57 - Real Estate Excise				20,000	20,000
Total \$		200,000	200,000	1,250,000	1,580,000

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.4	0.7		
GF-STATE-State 001-1		183,300	183,300		
Total \$		183,300	183,300		

Estimated Capital Budget Impact:

NONE

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: Tracey Taylor	Phone: 60-786-7152	Date: 01/08/2024
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 01/15/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/16/2024

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Part II: Narrative Explanation

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

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

Note: This fiscal note reflects a revision to the revenue impact, and replaces fiscal note number 2064-1.

CURRENT LAW:

Real estate excise tax (REET) applies to the sale or transfer of real property unless the transaction qualifies for a specific tax exemption.

The sale of self-help housing by an affordable homeownership facilitator to a low-income household is exempt from REET.

PROPOSAL:

This bill exempts from REET the sale by an affordable homeownership facilitator of ownership housing to a person who is a first-time homebuyer, meets the eligibility requirements for the first-time homebuyer program offered by the Washington State Housing Finance Commission, and is receiving publicly funded down payment assistance.

This bill also removes the exemption of the sale of self-help housing by an affordable homeownership facilitator to a low-income household.

Ownership housing means dwelling residences provided for ownership by low-income individuals and families.

EFFECTIVE DATE:

This bill takes effect on July 1, 2024; however, due to the time it will take to program this bill's changes, the Department of Revenue (department) is unable to implement the bill until January 1, 2025.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- Removing the current REET exemption on the sale of self-help housing by an affordable homeownership facilitator to a low-income household results in a positive impact on state and local revenues.
- All sales to qualified first time homebuyers will fall under the first and second graduated REET tiers with a state rate of 1.10% and 1.28%.
- The percent change in the CPI-U for shelter between July 2022 and July 2026 is 11.2%, so the first threshold grows by 5%, and the remaining thresholds grow by \$26,000 beginning January 1, 2027.
- Property sales price growth mirrors the 5-year compound annual growth for existing property values by county.
- Annual growth mirrors the Economic and Revenue Forecast Council November 2023 forecast for state and local REET.
- This legislation will be implemented on January 1, 2025, and will impact five months of collections in fiscal year 2025.

DATA SOURCES

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Property tax data
- County property rolls
- Economic and Revenue Forecast Council, November 2023 forecast
- Bureau of Labor Statistics, CPI for all urban consumers

REVENUE ESTIMATES

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Bill # 2064 HB

This bill increases state revenues by an estimated \$200,000 in the five months of impacted collections in fiscal year 2025 and by \$590,000 in fiscal year 2026, the first full year of impacted collections. This bill also increases local revenues by an estimated \$60,000 in the five months of impacted collections in fiscal year 2025 and by \$170,000 in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - \$ 0
FY 2025 - \$ 200
FY 2026 - \$ 590
FY 2027 - \$ 660
FY 2028 - \$ 750
FY 2029 - \$ 830

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

FY 2024 - \$ 0
FY 2025 - \$ 60
FY 2026 - \$ 170
FY 2027 - \$ 180
FY 2028 - \$ 200
FY 2029 - \$ 220

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$183,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 1.35 FTEs.

- Reconfigure the REET affidavit and create a new attestation form.
- Provide training and policy support to county staff.
- Perform field audits.
 - Create a Special Notice and identify publications and information the department may need to create or update on the department’s website.
 - Update web pages, publications, and forms for the reporting change.
 - Amend one administrative rule.
 - Create one new rule.

Object Costs - \$4,500.

- Contract computer system programming.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.4	0.7		
A-Salaries and Wages		107,300	107,300		
B-Employee Benefits		35,400	35,400		
C-Professional Service Contracts		4,500	4,500		
E-Goods and Other Services		21,300	21,300		
G-Travel		3,900	3,900		
J-Capital Outlays		10,900	10,900		
Total \$		\$183,300	\$183,300		

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
EXCISE TAX EX 3	64,092		0.3	0.2		
EXCISE TAX EX 4	70,800		0.3	0.2		
IT B A-SR/SPEC	101,376		0.2	0.1		
IT QA-JOURNEY	91,968		0.3	0.2		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.1	0.0		
TAX POLICY SP 3	88,416		0.1	0.1		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			1.4	0.7		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to adopt WAC 458-61A-1001, titled: "Graduated REET - Exceptions to graduated rates - Tax avoidance arrangements." and WAC 458-61A-NEW, titled: "New

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rule on a new REET exemption."

Persons affected by this rulemaking would include first time homebuyers.

Individual State Agency Fiscal Note

Bill Number: 2064 HB	Title: Homebuyers/REET exemption	Agency: 148-Housing Finance Commission
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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: Tracey Taylor	Phone: 360-786-7152	Date: 01/08/2024
Agency Preparation: Lucas Loranger	Phone: 206-254-5368	Date: 01/11/2024
Agency Approval: Lucas Loranger	Phone: 206-254-5368	Date: 01/11/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/11/2024

Part II: Narrative Explanation

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

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

No Fiscal Impact: Because the Commission is a non-appropriated, non-allocated agency, all the costs associated with the contemplated legislation connected to the Commission will flow through the Commission's operating funds, therefore the Commission believes it has no fiscal impact on the state's budget.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.