

Multiple Agency Fiscal Note Summary

Bill Number: 2276 S HB	Title: Housing/taxes
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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
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	0	0	0	1,000,000	1,200,000	133,600,000	3,400,000	4,000,000	256,900,000
Total \$	0	0	0	1,000,000	1,200,000	133,600,000	3,400,000	4,000,000	256,900,000

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
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	1.9	721,400	721,400	721,400	1.3	306,300	306,300	306,300	.6	117,000	117,000	117,000
Total \$	1.9	721,400	721,400	721,400	1.3	306,300	306,300	306,300	0.6	117,000	117,000	117,000

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.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

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Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 2/26/2024
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Individual State Agency Fiscal Note

Bill Number: 2276 S HB	Title: Housing/taxes	Agency: 090-Office of State Treasurer
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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:	Phone:	Date: 02/24/2024
Agency Preparation: Mandy Kaplan	Phone: (360) 902-8977	Date: 02/26/2024
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 02/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/26/2024

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.

SHB 2276 creates the developmental disabilities housing and services account & the housing stability account, coupled with the general fund as the recipient of the earnings from investments from both accounts under RCW 43.84.092(4).

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.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

There may be an impact on the debt service limitation calculation. Changes to the earnings credited to the general fund impacts, by an equal amount, general state revenues.

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.

Department of Revenue Fiscal Note

Bill Number: 2276 S HB	Title: Housing/taxes	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				1,000,000	3,400,000
Public Works Assistance Account-State 01 - Taxes 57 - Real Estate Excise				100,000	200,000
Education Legacy Trust Account-State 01 - Taxes 57 - Real Estate Excise				200,000	600,000
Affordable Housing for All-State 01 - Taxes 57 - Real Estate Excise				33,100,000	63,200,000
Apple Health and Homes-State 01 - Taxes 57 - Real Estate Excise				33,100,000	63,200,000
Washington Housing Trust Fund Account-State 01 - Taxes 57 - Real Estate Excise				33,100,000	63,200,000
NEW2-State 01 - Taxes 57 - Real Estate Excise				13,200,000	25,200,000
NEW-State 01 - Taxes 57 - Real Estate Excise				19,800,000	37,900,000
Total \$				133,600,000	256,900,000

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.8	1.9	1.3	0.6
GF-STATE-State 001-1		721,400	721,400	306,300	117,000
Total \$		721,400	721,400	306,300	117,000

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:	Phone:	Date: 02/24/2024
Agency Preparation: Beth Leech	Phone: (360) 534-1513	Date: 02/26/2024
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 02/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/26/2024

Request # 2276-2-1

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 language in SHB 2276, 2024 Legislative Session.

COMPARISON OF SUBSTITUTE BILL TO THE ORIGINAL BILL:

The substitute bill makes the following effective January 1, 2026:

- The change to the first tier of graduated real estate excise tax (REET).
- The real estate transfer tax.
- The new REET exemption.

The substitute bill also requires the Department of Revenue (department) to study the requirements needed to implement and administer a local option graduated REET tax and submit a report to the legislature by January 13, 2025.

CURRENT LAW:

The state REET is a tax on the sale of real property. REET also applies to transfers of controlling interest (50% or more) in entities that own real property in the state. The rate is 1.28% for real property sales of property with a predominate use of:

- Farm and agricultural land or farm and agricultural conservation land (must be in the current use property tax program)
- Timberland (must be in either the current use or designated forest land property tax programs) including any structures on the land and any standing timber on or sold apart from the land.

For all other types of property, the following graduated rates apply as of January 1, 2023, to the following selling price thresholds:

- 1.10% for the portion of the selling price less than or equal to \$525,000.
- 1.28% for the portion of the selling price greater than \$525,000 and less than or equal to \$1.525 million.
- 2.75% for the portion of the selling price greater than \$1.525 million and less than or equal to \$3.025 million.
- 3.00% for the portion of the selling price greater than \$3.025 million.

Beginning July 1, 2022, and every fourth year thereafter, the department:

- Adjusts the selling price threshold of the first tier to reflect the lesser of the growth of the consumer price index for shelter or 5%. If the growth is less than 0%, the selling price threshold does not change.
- Adjusts the selling price threshold of the remaining tiers by any dollar increase in the first tier.
- The updated selling price thresholds apply beginning January 1 of every fourth year, beginning January 1, 2023.

State REET revenue distributions occur as follows:

- 5.2% deposited in the Public Works Assistance Account.
- 1.4% deposited in the City-County Assistance Account.
- 79.4% deposited in the General Fund.
- Remainder deposited in the Education Legacy Trust Account.

PROPOSAL:

STATE REAL ESTATE EXCISE TAX AND REAL ESTATE TRANSFER TAX (Sections 2, 3 and 4)

Beginning January 1, 2026, the graduated rates for state REET are as follows:

Request # 2276-2-1

- 1.10% for the portion of the selling price less than or equal to \$750,000.
- 1.28% for the portion of the selling price greater than \$750,000 and less than or equal to \$1.525 million.
- 2.75% for the portion of the selling price greater than \$1.525 million and less than or equal to \$3.025 million.
- 3.00% for the portion of the selling price greater than \$3.025 million.

Beginning January 1, 2026, this bill also imposes a new state real estate transfer tax (RETT) on the sale of real property in which the seller must pay REET at a rate of 3% on the portion of the selling price greater than \$3.025 million. The RETT is 1% of the portion of the selling price greater than \$3.025 million and is in addition to the REET paid. The amounts collected from the RETT must be distributed as follows:

- 93.2% must be distributed to the following accounts:
 - 5.2% deposited in the Public Works Assistance Account.
 - 1.4% deposited in the City-County Assistance Account.
 - 79.4% deposited in the General Fund.
 - Remainder deposited in the Education Legacy Trust Account.
- The remaining 6.8% must be distributed as follows:
 - 25% deposited in the Washington Housing Trust Fund.
 - 25% deposited in the Apple Health and Homes Account.
 - 25% deposited in the Affordable Housing For All Account.
 - 15% to the new Developmental Disabilities Housing and Services Account.
 - 10% to the new Housing Stability Account.

ACCOUNT CREATION FOR STATE REAL ESTATE TRANSFER TAX (Sections 5 and 6)

This bill creates the Developmental Disabilities Housing and Services Account in the State Treasury. Money in this account may only be spent after appropriation and must be grants or forgivable loans only used for:

- Housing programs to support people with developmental disabilities.
- Preservation, operations, and housing maintenance costs for people with developmental disabilities.
- Housing-related services for individuals with developmental disabilities.
- Rental subsidies.
- Technical assistance to nonprofit organizations serving individuals with intellectual and developmental disabilities.

This bill also creates the Housing Stability Account in the State Treasury. Money in this account may only be spent after appropriation and must be used for housing operations, maintenance, and service costs for low-income households or extremely low-income households where covering ongoing operating expenses requires a supplement to rent income.

NEW EXEMPTION ON SALES OF REAL ESTATE (Sections 7 and 8)

These sections create an exemption for the sale of qualified space in a development that qualifies for certain property tax exemptions to a nonprofit organization, a housing authority, or a public corporation for use for an exempt community purpose.

The bill defines a qualified space as a portion of an affordable housing development accessible to tenants or the public that constitutes a separate legal parcel of property.

Affordable housing development means subsidized housing provided to low-income households.

Exempt community purpose means any use that provides a service that benefits affordable housing development tenants or the public such as health clinics, senior day care, food banks, community centers, or early learning facilities.

Low-income means household income that does not exceed 80% of the median household income at initial occupancy, adjusted for household size, for the county where the dwelling is located.

The bill defines a nonprofit organization as an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

STUDY LOCAL OPTION GRADUATED REET (Section 9):

This bill requires the department to study the requirements needed to implement and administer a local option graduated REET tax and submit a report to the legislature by January 13, 2025. The study must include administrative recommendations and estimated expenditures required for the department to successfully implement and administer a local option graduated REET.

EFFECTIVE DATE:

The changes to the real estate excise tax, the new state real estate transfer tax, and the new exemption (sections 2 through 7) take effect on January 1, 2026.

The study (section 9) takes effect 90 days after the final adjournment of the session.

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

- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- 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 \$38,000 beginning January 1, 2027.
- Growth mirrors the REET growth reflected in the Economic and Revenue Forecast Council's November 2023 forecast.
- Property sales price growth mirrors the 5-year compound annual growth for existing property values by county.
- The NEW account is the developmental disabilities trust account.
- The NEW2 account is the housing stability account.
- The local government revenue increases below are due to the increase in the county administrative fees.
- This legislation takes effect January 1, 2026, and impacts five months of collections in fiscal year 2026.

DATA SOURCES

- Department of Revenue, Real estate excise tax administration system, fiscal year 2023 data
- Department of Revenue, Property tax data
- County Assessor, Property rolls
- Economic and Revenue Forecast Council, November 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2023
- Bureau of Labor Statistics, CPI for all urban consumers

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$32.3 million in the five months of impacted collections in fiscal year

2026, and by \$101.3 million in fiscal year 2027, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$400,000 in the five months of impacted collections in fiscal year 2026, and by \$1.3 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	\$ 32,300
FY 2027 -	\$ 101,300
FY 2028 -	\$ 122,300
FY 2029 -	\$ 134,600

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

FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	\$ 400
FY 2027 -	\$ 1,300
FY 2028 -	\$ 1,600
FY 2029 -	\$ 1,800

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.

ASSUMPTIONS:

This bill affects buyers and sellers of real estate.

FIRST YEAR COSTS:

The department will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$721,400 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 3.8 FTEs.

- Set up, program, and test computer system changes.
- Gather system requirements, implementation meetings, and documentation.
- Update affidavits and identify website publications and information the department may need to create or update.
- Update systems and reports for changes in distribution and revenue accounting.
- Test, review, and adjust accounting reports.
- Conduct study for local option graduated REET and report to legislature.

Object Costs - \$227,200.

- Computer system changes, including contract programming.
- Training and travel.
- Software.

THIRD YEAR COSTS:

The department will incur total costs of \$234,000 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 1.9 FTEs.

- Adopt two administrative rules.
- Amend three administrative rules.
- Test and verify computer system changes.
- Maintain affidavits and tax returns.
- Support and educate counties on the new rates and calculation methods.
- Create special notice and update relevant information on the department’s website.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Review and audit real estate excise tax transactions.
- Conduct additional administrative reviews of notices and assessments.

FOURTH YEAR COSTS:

The department will incur total costs of \$72,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.7 FTE.

- Continued computer system testing, monitoring, and maintenance.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Review and audit real estate excise tax transactions.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$117,000 and include similar activities described in the fourth-year costs. Time and effort equate to 0.6 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.8	1.9	1.3	0.6
A-Salaries and Wages		296,700	296,700	193,800	74,400
B-Employee Benefits		97,700	97,700	63,900	24,400
C-Professional Service Contracts		226,000	226,000		
E-Goods and Other Services		61,500	61,500	33,500	12,400
G-Travel		9,100	9,100	2,200	2,200
J-Capital Outlays		30,400	30,400	12,900	3,600
Total \$		\$721,400	\$721,400	\$306,300	\$117,000

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	
EMS BAND 5	153,836				0.0	
EXCISE TAX EX 2	58,104				0.2	0.2
EXCISE TAX EX 3	64,092		1.4	0.7	0.5	0.4
EXCISE TAX EX 4	70,800		0.7	0.4		
IT B A-JOURNEY	91,968		0.5	0.3	0.2	
IT QA-JOURNEY	91,968		0.3	0.2		
IT SYS ADM-JOURNEY	96,552		0.4	0.2		
MGMT ANALYST4	76,188				0.1	
TAX POLICY SP 2	78,120				0.1	
TAX POLICY SP 3	88,416		0.4	0.2	0.2	
TAX POLICY SP 4	95,184				0.1	
WMS BAND 2	98,456		0.1	0.1	0.0	
WMS BAND 3	111,992				0.0	
Total FTEs			3.8	1.9	1.3	0.6

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 standard process to amend the following rules:

WAC 458-61A-100, titled: "Real estate excise tax-Overview."

WAC 458-61A-1001, titled: "Graduated real estate excise tax rates-Exceptions to graduated rates-Tax avoidance arrangements."

WAC 458-61A-102, titled: "Definitions."

Should this legislation become law, the department will use the standard process to adopt the following rules:

WAC 458-61A-NEW, titled: "Real estate transfer tax."

WAC 458-61A-NEW, titled: "Exemption - Qualified Space."

Persons affected by this rulemaking would include buyers and sellers of real estate, county assessors, and nonprofit

organizations.



Multiple Agency Ten-Year Analysis Summary

Bill Number 2276 S HB	Title Housing/taxes
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Office of State Treasurer	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	0	32,300,000	101,300,000	122,300,000	134,600,000	148,300,000	165,000,000	184,800,000	203,800,000	1,092,400,000
Total	0	0	32,300,000	101,300,000	122,300,000	134,600,000	148,300,000	165,000,000	184,800,000	203,800,000	1,092,400,000



Ten-Year Analysis

Bill Number 2276 S HB	Title Housing/taxes	Agency 090 Office of State Treasurer
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts **Partially Indeterminate Cash Receipts** **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code												
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Agency Preparation: Mandy Kaplan	Phone: (360) 902-8977	Date: 2/26/2024 2:04:57 pm
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 2/26/2024 2:04:57 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 2276 S HB	Title Housing/taxes	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Real estate excise tax	001				1,000,000	1,600,000	1,800,000	1,900,000	5,300,000	11,400,000	12,600,000	35,600,000
Real estate excise tax	058				100,000	100,000	100,000	100,000	300,000	700,000	800,000	2,200,000
Real estate excise tax	08A				200,000	300,000	300,000	300,000	900,000	2,000,000	2,200,000	6,200,000
Real estate excise tax	09p								100,000	200,000	200,000	500,000
Real estate excise tax	12C			8,100,000	25,000,000	30,100,000	33,100,000	36,500,000	39,600,000	42,600,000	47,000,000	262,000,000
Real estate excise tax	26u			8,100,000	25,000,000	30,100,000	33,100,000	36,500,000	39,600,000	42,600,000	47,000,000	262,000,000
Real estate excise tax	532			8,100,000	25,000,000	30,100,000	33,100,000	36,500,000	39,600,000	42,600,000	47,000,000	262,000,000
Real estate excise tax	N01			4,800,000	15,000,000	18,000,000	19,900,000	21,900,000	23,800,000	25,600,000	28,200,000	157,200,000
Real estate excise tax	N02			3,200,000	10,000,000	12,000,000	13,200,000	14,600,000	15,800,000	17,100,000	18,800,000	104,700,000
Total				32,300,000	101,300,000	122,300,000	134,600,000	148,300,000	165,000,000	184,800,000	203,800,000	1,092,400,000
Biennial Totals				133,600,000	256,900,000	313,300,000	388,600,000	1,092,400,000				

Narrative Explanation (Required for Indeterminate Cash Receipts)

Note: This fiscal note reflects language in SHB 2276, 2024 Legislative Session.

COMPARISON OF SUBSTITUTE BILL TO THE ORIGINAL BILL:

The substitute bill makes the following effective January 1, 2026:

- The change to the first tier of graduated real estate excise tax (REET).



Ten-Year Analysis

Bill Number	Title	Agency
2276 S HB	Housing/taxes	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

- The real estate transfer tax.
- The new REET exemption.

The substitute bill also requires the Department of Revenue (department) to study the requirements needed to implement and administer a local option graduated REET and submit a report to the legislature by January 13, 2025.

CURRENT LAW:

The state REET is a tax on the sale of real property. REET also applies to transfers of controlling interest (50% or more) in entities that own real property in the state. The rate is 1.28% for real property sales of property with a predominate use of:

- Farm and agricultural land or farm and agricultural conservation land (must be in the current use property tax program)
- Timberland (must be in either the current use or designated forest land property tax programs) including any structures on the land and any standing timber on or sold a from the land.

For all other types of property, the following graduated rates apply as of January 1, 2023, to the following selling price thresholds:

- 1.10% for the portion of the selling price less than or equal to \$525,000.
- 1.28% for the portion of the selling price greater than \$525,000 and less than or equal to \$1.525 million.
- 2.75% for the portion of the selling price greater than \$1.525 million and less than or equal to \$3.025 million.
- 3.00% for the portion of the selling price greater than \$3.025 million.

Beginning July 1, 2022, and every fourth year thereafter, the department:

- Adjusts the selling price threshold of the first tier to reflect the lesser of the growth of the consumer price index for shelter or 5%. If the growth is less than 0%, the selling price threshold does not change.
- Adjusts the selling price threshold of the remaining tiers by any dollar increase in the first tier.
- The updated selling price thresholds apply beginning January 1 of every fourth year, beginning January 1, 2023.

State REET revenue distributions occur as follows:

- 5.2% deposited in the Public Works Assistance Account.
- 1.4% deposited in the City-County Assistance Account.



Ten-Year Analysis

Bill Number	Title	Agency
2276 S HB	Housing/taxes	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

- 79.4% deposited in the General Fund.
- Remainder deposited in the Education Legacy Trust Account.

PROPOSAL:

STATE REAL ESTATE EXCISE TAX AND REAL ESTATE TRANSFER TAX (Sections 2, 3 and 4)

Beginning January 1, 2026, the graduated rates for state REET are as follows:

- 1.10% for the portion of the selling price less than or equal to \$750,000.
- 1.28% for the portion of the selling price greater than \$750,000 and less than or equal to \$1.525 million.
- 2.75% for the portion of the selling price greater than \$1.525 million and less than or equal to \$3.025 million.
- 3.00% for the portion of the selling price greater than \$3.025 million.

Beginning January 1, 2026, this bill also imposes a new state real estate transfer tax (RETT) on the sale of real property in which the seller must pay REET at a rate of 3% on the portion of the selling price greater than \$3.025 million. The RETT is 1% of the portion of the selling price greater than \$3.025 million and is in addition to the REET paid. The amounts collected from the RETT must be distributed as follows:

- 93.2% must be distributed to the following accounts:
 - 5.2% deposited in the Public Works Assistance Account.
 - 1.4% deposited in the City-County Assistance Account.
 - 79.4% deposited in the General Fund.
 - Remainder deposited in the Education Legacy Trust Account.
- The remaining 6.8% must be distributed as follows:
 - 25% deposited in the Washington Housing Trust Fund.
 - 25% deposited in the Apple Health and Homes Account.
 - 25% deposited in the Affordable Housing For All Account.
 - 15% to the new Developmental Disabilities Housing and Services Account.
 - 10% to the new Housing Stability Account.

ACCOUNT CREATION FOR STATE REAL ESTATE TRANSFER TAX (Sections 5 and 6)

This bill creates the Developmental Disabilities Housing and Services Account in the State Treasury. Money in this account may only be spent after appropriation and mu:



Ten-Year Analysis

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Narrative Explanation (Required for Indeterminate Cash Receipts)

be grants or forgivable loans only used for:

- Housing programs to support people with developmental disabilities.
- Preservation, operations, and housing maintenance costs for people with developmental disabilities.
- Housing-related services for individuals with developmental disabilities.
- Rental subsidies.
- Technical assistance to nonprofit organizations serving individuals with intellectual and developmental disabilities.

This bill also creates the Housing Stability Account in the State Treasury. Money in this account may only be spent after appropriation and must be used for housing operations, maintenance, and service costs for low-income households or extremely low-income households where covering ongoing operating expenses requires a supplement to rent income.

NEW EXEMPTION ON SALES OF REAL ESTATE (Sections 7 and 8)

These sections create an exemption for the sale of qualified space in a development that qualifies for certain property tax exemptions to a nonprofit organization, a housing authority, or a public corporation for use for an exempt community purpose.

The bill defines a qualified space as a portion of an affordable housing development accessible to tenants or the public that constitutes a separate legal parcel of property

Affordable housing development means subsidized housing provided to low-income households.

Exempt community purpose means any use that provides a service that benefits affordable housing development tenants or the public such as health clinics, senior day care, food banks, community centers, or early learning facilities.

Low-income means household income that does not exceed 80% of the median household income at initial occupancy, adjusted for household size, for the county where the dwelling is located.

The bill defines a nonprofit organization as an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

STUDY LOCAL OPTION GRADUATED REET (Section 9):

This bill requires the department to study the requirements needed to implement and administer a local option graduated REET tax and submit a report to the legislature by January 13, 2025. The study must include administrative recommendations and estimated expenditures required for the department to successfully implement and



Ten-Year Analysis

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Narrative Explanation (Required for Indeterminate Cash Receipts)

administer a local option graduated REET.

EFFECTIVE DATE:

The changes to the real estate excise tax, the new state real estate transfer tax, and the new exemption (sections 2 through 7) take effect on January 1, 2026.

The study (section 9) takes effect 90 days after the final adjournment of the session.

ASSUMPTIONS

- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- 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 \$38,000 beginning January 1, 2027.
- Growth mirrors the REET growth reflected in the Economic and Revenue Forecast Council's November 2023 forecast.
- Property sales price growth mirrors the 5-year compound annual growth for existing property values by county.
- The NEW account is the developmental disabilities trust account.
- The NEW2 account is the housing stability account.
- The local government revenue increases below are due to the increase in the county administrative fees.
- This legislation takes effect January 1, 2026, and impacts five months of collections in fiscal year 2026.

DATA SOURCES

- Department of Revenue, Real estate excise tax administration system, fiscal year 2023 data
- Department of Revenue, Property tax data
- County Assessor, Property rolls
- Economic and Revenue Forecast Council, November 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2023
- Bureau of Labor Statistics, CPI for all urban consumers

REVENUE ESTIMATES



Ten-Year Analysis

Bill Number 2276 S HB	Title Housing/taxes	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

This bill increases state revenues by an estimated \$32.3 million in the five months of impacted collections in fiscal year 2026, and by \$101.3 million in fiscal year 2027, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$400,000 in the five months of impacted collections in fiscal year 2026, and by \$1.3 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	\$	32,300
FY 2027 -	\$	101,300
FY 2028 -	\$	122,300
FY 2029 -	\$	134,600

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

FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	\$	400
FY 2027 -	\$	1,300
FY 2028 -	\$	1,600
FY 2029 -	\$	1,800

Agency Preparation: Beth Leech	Phone: 360-534-1513	Date: 2/26/2024 11:17:04 an
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 2/26/2024 11:17:04 an
OFM Review:	Phone:	Date: