

# SENATE BILL REPORT

## SB 5763

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As of February 16, 1995

**Title:** An act relating to application of the real estate excise tax to sales to public entities.

**Brief Description:** Exempting sales to public entities from the real estate excise tax.

**Sponsors:** Senators Loveland, Strannigan, Rinehart, Winsley, Fraser and Haugen.

**Brief History:**

**Committee Activity:** Ways & Means: 2/14/95.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7715)

**Background:** The real estate excise tax is imposed on the sale of real property. The tax is applied to the selling price and is collected when the sale document is recorded with the county. The tax also applies to the transfer or acquisition for a valuable consideration within any 12-month period of a controlling interest in any entity with an interest in real property in this state. This tax is applied to the value of the real estate transferred.

The state tax is 1.28 percent. Cities and counties may levy a tax of 0.25 percent for capital improvements. Cities and counties may impose an additional 0.5 percent if they do not impose the second 0.5 percent of the local sales tax, but this tax is subject to referendum. Cities and counties may levy additional taxes of up to 0.25 percent for growth management programs. Cities and counties not required to plan under the Growth Management Act must obtain voter approval before imposing the tax. Finally, counties may impose a tax of up to 1.0 percent to finance the acquisition of conservation areas, subject to voter approval. City taxes are imposed in the city and county taxes are imposed in the unincorporated areas of the county, except the tax for conservation areas is countywide. The taxes are paid by the seller except the conservation area tax is paid by the buyer. The typical state and local combined rate is 1.53 percent.

Sales of property by a governmental entity, and property acquired by gift, inheritance, or a similar transfer, are exempt from tax. Prior to 1993, sales of property to a governmental entity were also exempt from tax.

The state tax is deposited in the general fund and earmarked for education programs, except 7.7 percent of the revenues are dedicated to local public works projects.

**Summary of Bill:** Sales to the United States, this state or any political subdivision thereof, or a municipal corporation of this state are exempt from the real estate excise tax.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which the bill passed.

**Testimony For:** This adds to the cost for governmental entities to purchase property. The seller will reduce the purchase price by the amount of tax or will negotiate an amount.

**Testimony Against:** None.

**Testified:** Mike Ryherd, Wildlife & Recreation Assn, Evergreen Alliance Assn, WA Housing Authorities (pro).