

## **ESSB 5998 – Establishing a Graduated Real Estate Excise Tax: What does it mean for County Treasurers?**

### **Does this bill affect local REET or just the REET collected for the State?**

- ESSB did not amend RCW 82.46, county and city excise tax on real estate. The bill only applies to the state REET rate structure.

### **What are the new thresholds for graduated REET and when do they take affect? Can they change?**

- Through December 31, 2019 the State portion of REET continues to be 1.28% of selling price
- Beginning January 1, 2020, REET equals:
  - 1.1% on portion of selling price  $\leq$  \$500,00
  - 1.28% on portion of selling price  $>$  \$500,000 and  $\leq$  \$1.5 Million
  - 2.75% on portion of selling price  $>$  \$1.5 Million and  $\leq$  \$3 Million
  - 3% on portion of selling price  $>$  \$3 Million
- Regardless of selling price, the State portion of REET on sale of real property classified as timberland or agricultural land = 1.28% of the selling price
- Beginning July 1, 2022 and every four years after the Department of Revenue must adjust the selling price threshold accordingly:
  - For selling prices  $\leq$  500,000, to reflect the lesser of the growth of consumer price index for shelter or 5%. If growth is  $\leq$  current rate, current rate continues to apply.
  - For selling prices  $>$  500,000, adjust by the dollar among of any increase in price thresholds  $\leq$  \$500,000.
- DOR must publish updated thresholds by September 1, 2022 and September 1<sup>st</sup> every fourth year thereafter.
- Updated thresholds will apply beginning January 1, 2023 and January 1<sup>st</sup> every fourth year thereafter.

### **ESSB 5998 establishes different, fixed REET % for property classified timberland or agricultural land: How is that defined? Who will determine if the land fits that definition? What is land use changes from when assessed; will County Treasurers be held responsible?**

- ESSB 5998 uses definitions in existing law: for Agricultural Land, as defined in RCW 84.34.020 and for Timberland as defined in RCW 84.34 or 84.33.
- DOR is responsible for providing guidance to assist sellers on: 1) properly classifying real property and determining amount of tax due; and 2) determining predominate use in real property with multiple uses.

- County treasurers are not responsible for verifying that the seller appropriately classified the real property reported on a real estate excise tax affidavit. DOR is solely responsible.

**How will this affect the administrative fee Counties collect on the State REET?**

Per RCW [82.45.180](#) County Treasurers are authorized to collect an administrative fee of 1.3% of the taxes collected to defray costs. Because EHB 5998 will change the tax rate for the State REET from its current 1.28%, it will yield a higher amount of administrative fees on selling prices > \$1.5 Million with a REET of at least 2.75% and a lesser amount of administrative fees on selling prices ≤ \$500,000 at a REET of 1.1%.