
HOUSE BILL 1791

State of Washington

69th Legislature

2025 Regular Session

By Representatives Paul and Low

1 AN ACT Relating to increasing the flexibility of existing funding
2 sources to fund public safety and other facilities by modifying the
3 local real estate excise tax; amending RCW 82.45.010, 82.45.010,
4 82.46.010, 82.46.015, 82.46.035, and 82.46.037; creating a new
5 section; providing an effective date; and providing an expiration
6 date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 82.45.010 and 2022 c 199 s 3 are each amended to
9 read as follows:

10 (1) As used in this chapter, the term "sale" has its ordinary
11 meaning and includes any conveyance, grant, assignment, quitclaim, or
12 transfer of the ownership of or title to real property, including
13 standing timber, or any estate or interest therein for a valuable
14 consideration, and any contract for such conveyance, grant,
15 assignment, quitclaim, or transfer, and any lease with an option to
16 purchase real property, including standing timber, or any estate or
17 interest therein or other contract under which possession of the
18 property is given to the purchaser, or any other person at the
19 purchaser's direction, and title to the property is retained by the
20 vendor as security for the payment of the purchase price. The term

1 also includes the grant, assignment, quitclaim, sale, or transfer of
2 improvements constructed upon leased land.

3 (2) (a) The term "sale" also includes the transfer or acquisition
4 within any (~~(thirty-six)~~) 36 month period of a controlling interest
5 in any entity with an interest in real property located in this state
6 for a valuable consideration.

7 (b) For the sole purpose of determining whether, pursuant to the
8 exercise of an option, a controlling interest was transferred or
9 acquired within a (~~(thirty-six)~~) 36 month period, the date that the
10 option agreement was executed is the date on which the transfer or
11 acquisition of the controlling interest is deemed to occur. For all
12 other purposes under this chapter, the date upon which the option is
13 exercised is the date of the transfer or acquisition of the
14 controlling interest.

15 (c) For purposes of this subsection, all acquisitions of persons
16 acting in concert must be aggregated for purposes of determining
17 whether a transfer or acquisition of a controlling interest has taken
18 place. The department must adopt standards by rule to determine when
19 persons are acting in concert. In adopting a rule for this purpose,
20 the department must consider the following:

21 (i) Persons must be treated as acting in concert when they have a
22 relationship with each other such that one person influences or
23 controls the actions of another through common ownership; and

24 (ii) When persons are not commonly owned or controlled, they must
25 be treated as acting in concert only when the unity with which the
26 purchasers have negotiated and will consummate the transfer of
27 ownership interests supports a finding that they are acting as a
28 single entity. If the acquisitions are completely independent, with
29 each purchaser buying without regard to the identity of the other
30 purchasers, then the acquisitions are considered separate
31 acquisitions.

32 (3) The term "sale" does not include:

33 (a) A transfer by gift, devise, or inheritance.

34 (b) A transfer by transfer on death deed, to the extent that it
35 is not in satisfaction of a contractual obligation of the decedent
36 owed to the recipient of the property.

37 (c) A transfer of any leasehold interest other than of the type
38 mentioned above.

39 (d) A cancellation or forfeiture of a vendee's interest in a
40 contract for the sale of real property, whether or not such contract

1 contains a forfeiture clause, or deed in lieu of foreclosure of a
2 mortgage.

3 (e) The partition of property by tenants in common by agreement
4 or as the result of a court decree.

5 (f) The assignment of property or interest in property from one
6 spouse or one domestic partner to the other spouse or other domestic
7 partner in accordance with the terms of a decree of dissolution of
8 marriage or state registered domestic partnership or in fulfillment
9 of a property settlement agreement.

10 (g) The assignment or other transfer of a vendor's interest in a
11 contract for the sale of real property, even though accompanied by a
12 conveyance of the vendor's interest in the real property involved.

13 (h) Transfers by appropriation or decree in condemnation
14 proceedings brought by the United States, the state or any political
15 subdivision thereof, or a municipal corporation.

16 (i) A mortgage or other transfer of an interest in real property
17 merely to secure a debt, or the assignment thereof.

18 (j) Any transfer or conveyance made pursuant to a deed of trust
19 or an order of sale by the court in any mortgage, deed of trust, or
20 lien foreclosure proceeding or upon execution of a judgment, or deed
21 in lieu of foreclosure to satisfy a mortgage or deed of trust.

22 (k) A conveyance to the federal housing administration or
23 veterans administration by an authorized mortgagee made pursuant to a
24 contract of insurance or guaranty with the federal housing
25 administration or veterans administration.

26 (l) A transfer in compliance with the terms of any lease or
27 contract upon which the tax as imposed by this chapter has been paid
28 or where the lease or contract was entered into prior to the date
29 this tax was first imposed.

30 (m) The sale of any grave or lot in an established cemetery.

31 (n) A sale by the United States, this state or any political
32 subdivision thereof, or a municipal corporation of this state.

33 (o) A sale to a regional transit authority or public corporation
34 under RCW 81.112.320 under a sale/leaseback agreement under RCW
35 81.112.300.

36 (p) A transfer of real property, however effected, if it consists
37 of a mere change in identity or form of ownership of an entity where
38 there is no change in the beneficial ownership. These include
39 transfers to a corporation or partnership which is wholly owned by
40 the transferor and/or the transferor's spouse or domestic partner or

1 children of the transferor or the transferor's spouse or domestic
2 partner. However, if thereafter such transferee corporation or
3 partnership voluntarily transfers such real property, or such
4 transferor, spouse or domestic partner, or children of the transferor
5 or the transferor's spouse or domestic partner voluntarily transfer
6 stock in the transferee corporation or interest in the transferee
7 partnership capital, as the case may be, to other than (i) the
8 transferor and/or the transferor's spouse or domestic partner or
9 children of the transferor or the transferor's spouse or domestic
10 partner, (ii) a trust having the transferor and/or the transferor's
11 spouse or domestic partner or children of the transferor or the
12 transferor's spouse or domestic partner as the only beneficiaries at
13 the time of the transfer to the trust, or (iii) a corporation or
14 partnership wholly owned by the original transferor and/or the
15 transferor's spouse or domestic partner or children of the transferor
16 or the transferor's spouse or domestic partner, within three years of
17 the original transfer to which this exemption applies, and the tax on
18 the subsequent transfer has not been paid within (~~sixty~~) 60 days of
19 becoming due, excise taxes become due and payable on the original
20 transfer as otherwise provided by law.

21 (q) (i) A transfer that for federal income tax purposes does not
22 involve the recognition of gain or loss for entity formation,
23 liquidation or dissolution, and reorganization, including but not
24 limited to nonrecognition of gain or loss because of application of
25 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal
26 revenue code of 1986, as amended.

27 (ii) However, the transfer described in (q) (i) of this subsection
28 cannot be preceded or followed within a (~~thirty-six~~) 36 month
29 period by another transfer or series of transfers, that, when
30 combined with the otherwise exempt transfer or transfers described in
31 (q) (i) of this subsection, results in the transfer of a controlling
32 interest in the entity for valuable consideration, and in which one
33 or more persons previously holding a controlling interest in the
34 entity receive cash or property in exchange for any interest the
35 person or persons acting in concert hold in the entity. This
36 subsection (3) (q) (ii) does not apply to that part of the transfer
37 involving property received that is the real property interest that
38 the person or persons originally contributed to the entity or when
39 one or more persons who did not contribute real property or belong to
40 the entity at a time when real property was purchased receive cash or

1 personal property in exchange for that person or persons' interest in
2 the entity. The real estate excise tax under this subsection
3 (3)(q)(ii) is imposed upon the person or persons who previously held
4 a controlling interest in the entity.

5 (r) A qualified sale of a manufactured/mobile home community, as
6 defined in RCW 59.20.030.

7 (s)(i) A transfer of a qualified low-income housing development
8 or controlling interest in a qualified low-income housing
9 development, unless, due to noncompliance with federal statutory
10 requirements, the seller is subject to recapture, in whole or in
11 part, of its allocated federal low-income housing tax credits within
12 the four years prior to the date of transfer.

13 (ii) For purposes of this subsection (3)(s), "qualified low-
14 income housing development" means real property and improvements in
15 respect to which the seller or, in the case of a transfer of a
16 controlling interest, the owner or beneficial owner, was allocated
17 federal low-income housing tax credits authorized under 26 U.S.C.
18 Sec. 42 or successor statute, by the Washington state housing finance
19 commission or successor state-authorized tax credit allocating
20 agency.

21 (iii) This subsection (3)(s) does not apply to transfers of a
22 qualified low-income housing development or controlling interest in a
23 qualified low-income housing development occurring on or after July
24 1, 2035.

25 (iv) The Washington state housing finance commission, in
26 consultation with the department, must gather data on: (A) The fiscal
27 savings, if any, accruing to transferees as a result of the exemption
28 provided in this subsection (3)(s); (B) the extent to which
29 transferors of qualified low-income housing developments receive
30 consideration, including any assumption of debt, as part of a
31 transfer subject to the exemption provided in this subsection (3)(s);
32 and (C) the continued use of the property for low-income housing. The
33 Washington state housing finance commission must provide this
34 information to the joint legislative audit and review committee. The
35 committee must conduct a review of the tax preference created under
36 this subsection (3)(s) in calendar year 2033, as required under
37 chapter 43.136 RCW.

38 (t)(i) A qualified transfer of residential property by a legal
39 representative of a person with developmental disabilities to a
40 qualified entity subject to the following conditions:

1 (A) The adult child with developmental disabilities of the
2 transferor of the residential property must be allowed to reside in
3 the residence or successor property so long as the placement is safe
4 and appropriate as determined by the department of social and health
5 services;

6 (B) The title to the residential property is conveyed without the
7 receipt of consideration by the legal representative of a person with
8 developmental disabilities to a qualified entity;

9 (C) The residential property must have no more than four living
10 units located on it; and

11 (D) The residential property transferred must remain in continued
12 use for (~~fifty~~) 50 years by the qualified entity as supported
13 living for persons with developmental disabilities by the qualified
14 entity or successor entity. If the qualified entity sells or
15 otherwise conveys ownership of the residential property the proceeds
16 of the sale or conveyance must be used to acquire similar residential
17 property and such similar residential property must be considered the
18 successor for continued use. The property will not be considered in
19 continued use if the department of social and health services finds
20 that the property has failed, after a reasonable time to remedy, to
21 meet any health and safety statutory or regulatory requirements. If
22 the department of social and health services determines that the
23 property fails to meet the requirements for continued use, the
24 department of social and health services must notify the department
25 and the real estate excise tax based on the value of the property at
26 the time of the transfer into use as residential property for persons
27 with developmental disabilities becomes immediately due and payable
28 by the qualified entity. The tax due is not subject to penalties,
29 fees, or interest under this title.

30 (ii) For the purposes of this subsection (3)(t) the definitions
31 in RCW 71A.10.020 apply.

32 (iii) A "qualified entity" is:

33 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
34 of the federal internal revenue code of 1986, as amended, as of June
35 7, 2018, or a subsidiary under the same taxpayer identification
36 number that provides residential supported living for persons with
37 developmental disabilities; or

38 (B) A nonprofit adult family home, as defined in RCW 70.128.010,
39 that exclusively serves persons with developmental disabilities.

1 (iv) In order to receive an exemption under this subsection
2 (3)(t) an affidavit must be submitted by the transferor of the
3 residential property and must include a copy of the transfer
4 agreement and any other documentation as required by the department.

5 (u)(i) The sale by an affordable homeownership facilitator of
6 self-help housing to a low-income household.

7 (ii) The definitions in this subsection (3)(u) apply to this
8 subsection (3)(u) unless the context clearly requires otherwise.

9 (A) "Affordable homeownership facilitator" means a nonprofit
10 community or neighborhood-based organization that is exempt from
11 income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue
12 code of 1986, as amended, as of October 1, 2019, and that is the
13 developer of self-help housing.

14 (B) "Low-income" means household income as defined by the
15 department, provided that the definition may not exceed (~~eighty~~) 80
16 percent of median household income, adjusted for household size, for
17 the county in which the dwelling is located.

18 (C) "Self-help housing" means dwelling residences provided for
19 ownership by low-income individuals and families whose ownership
20 requirement includes labor participation. "Self-help housing" does
21 not include residential rental housing provided on a commercial basis
22 to the general public.

23 (v)(i) A sale or transfer of real property to a qualifying
24 grantee that uses the property for housing for low-income persons and
25 receives or otherwise qualifies the property for an exemption from
26 real and personal property taxes under RCW 84.36.560, 84.36.049,
27 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection
28 (3)(v), "qualifying grantee" means a nonprofit entity as defined in
29 RCW 84.36.560, a nonprofit entity or qualified cooperative
30 association as defined in RCW 84.36.049, a housing authority created
31 under RCW 35.82.030 or 35.82.300, a public corporation established
32 under RCW 35.21.660 or 35.21.730, or a county or municipal
33 corporation. A qualifying grantee that is a county or municipal
34 corporation must record a covenant at the time of transfer that
35 prohibits using the property for any purpose other than for low-
36 income housing for a period of at least 10 years. At a minimum, the
37 covenant must address price restrictions and household income limits
38 for the low-income housing. A qualifying grantee must comply with the
39 requirements described in (v)(i)(A), (B), or (C) of this subsection

1 and must also certify, by affidavit at the time of sale or transfer,
2 that it intends to comply with those requirements.

3 (A) If the qualifying grantee intends to operate existing housing
4 on the property, within one year of the sale or transfer:

5 (I) The qualifying grantee must receive or qualify the property
6 for a tax exemption under RCW 84.36.560, 84.36.049,
7 35.82.210, 35.21.755, or 84.36.010; and

8 (II) The property must be used as housing for low-income persons.

9 (B) If the qualifying grantee intends to develop new housing on
10 the site, within five years of the sale or transfer:

11 (I) The qualifying grantee must receive or qualify the property
12 for a tax exemption under RCW 84.36.560, 84.36.049,
13 35.82.210, 35.21.755, or 84.36.010; and

14 (II) The property must be used as housing for low-income persons.

15 (C) If the qualifying grantee intends to substantially
16 rehabilitate the premises as defined in RCW 59.18.200, within three
17 years:

18 (I) The qualifying grantee must receive or qualify the property
19 for a tax exemption under RCW 84.36.560, 84.36.049,
20 35.82.210, 35.21.755, or 84.36.010; and

21 (II) The property must be used as housing for low-income persons.

22 (ii) If the qualifying grantee fails to satisfy the requirements
23 described in (v)(i)(A), (B), or (C) of this subsection, within the
24 timelines described in (v)(i)(A), (B), or (C) of this subsection, the
25 qualifying grantee must pay the tax that would have otherwise been
26 due at the time of initial transfer, plus interest calculated from
27 the date of initial transfer pursuant to RCW 82.32.050.

28 (iii) If a qualifying grantee transfers the property to a
29 different qualifying grantee within the original timelines described
30 in (v)(i)(A), (B), or (C) of this subsection, neither the original
31 qualifying grantee nor the new qualifying grantee is required to pay
32 the tax, so long as the new qualifying grantee satisfies the
33 requirements as described in (v)(i)(A), (B), or (C) of this
34 subsection within the exemption period of the initial transfer. If
35 the new qualifying grantee fails to satisfy the requirements
36 described in (v)(i)(A), (B), or (C) of this subsection, only the new
37 qualifying grantee is liable for the payment of taxes required by
38 (v)(ii) of this subsection. There is no limit on the number of
39 transfers between qualifying grantees within the original timelines.

1 (iv) Each affidavit must be filed with the department upon
2 completion of the sale or transfer of property, including transfers
3 from a qualifying grantee to a different qualifying grantee. The
4 qualifying grantee must provide proof to the department as required
5 by the department once the requirements as described in (v) (i) (A),
6 (B), or (C) of this subsection have been satisfied.

7 (v) For the purposes of this subsection (3) (v), "low-income" has
8 the same meaning as in (u) of this subsection.

9 (w) (i) The sale of qualified space in a development that
10 qualifies for a property tax exemption under RCW 84.36.560,
11 84.36.049, 35.82.210, 35.21.755, or 84.36.010 to a nonprofit
12 organization, a housing authority, or public corporation for use for
13 an exempt community purpose.

14 (ii) For the purposes of this subsection (3) (w), the following
15 definitions apply:

16 (A) "Affordable housing development" means a development with
17 housing provided to households with a household income that does not
18 exceed 80 percent of median household income at initial occupancy,
19 adjusted for household size, for the county in which the dwelling is
20 located.

21 (B) "Exempt community purpose" means any use to provide a service
22 that benefits affordable housing development tenants or the public
23 including, but not limited to, health clinics, senior day care, food
24 banks, community centers, and early learning facilities.

25 (C) "Nonprofit organization" means an organization exempt from
26 taxation under section 501(c) (3) of the internal revenue code of 1986
27 (26 U.S.C. Sec. 501(c) (3)), as amended.

28 (D) "Qualified space" means any portion of an affordable housing
29 development that is accessible to tenants or the public that
30 constitutes a separate legal parcel of property under chapter 64.32,
31 64.34, or 64.90 RCW.

32 **Sec. 2.** RCW 82.45.010 and 2022 c 199 s 4 are each amended to
33 read as follows:

34 (1) As used in this chapter, the term "sale" has its ordinary
35 meaning and includes any conveyance, grant, assignment, quitclaim, or
36 transfer of the ownership of or title to real property, including
37 standing timber, or any estate or interest therein for a valuable
38 consideration, and any contract for such conveyance, grant,
39 assignment, quitclaim, or transfer, and any lease with an option to

1 purchase real property, including standing timber, or any estate or
2 interest therein or other contract under which possession of the
3 property is given to the purchaser, or any other person at the
4 purchaser's direction, and title to the property is retained by the
5 vendor as security for the payment of the purchase price. The term
6 also includes the grant, assignment, quitclaim, sale, or transfer of
7 improvements constructed upon leased land.

8 (2) (a) The term "sale" also includes the transfer or acquisition
9 within any (~~(thirty-six)~~) 36 month period of a controlling interest
10 in any entity with an interest in real property located in this state
11 for a valuable consideration.

12 (b) For the sole purpose of determining whether, pursuant to the
13 exercise of an option, a controlling interest was transferred or
14 acquired within a (~~(thirty-six)~~) 36 month period, the date that the
15 option agreement was executed is the date on which the transfer or
16 acquisition of the controlling interest is deemed to occur. For all
17 other purposes under this chapter, the date upon which the option is
18 exercised is the date of the transfer or acquisition of the
19 controlling interest.

20 (c) For purposes of this subsection, all acquisitions of persons
21 acting in concert must be aggregated for purposes of determining
22 whether a transfer or acquisition of a controlling interest has taken
23 place. The department must adopt standards by rule to determine when
24 persons are acting in concert. In adopting a rule for this purpose,
25 the department must consider the following:

26 (i) Persons must be treated as acting in concert when they have a
27 relationship with each other such that one person influences or
28 controls the actions of another through common ownership; and

29 (ii) When persons are not commonly owned or controlled, they must
30 be treated as acting in concert only when the unity with which the
31 purchasers have negotiated and will consummate the transfer of
32 ownership interests supports a finding that they are acting as a
33 single entity. If the acquisitions are completely independent, with
34 each purchaser buying without regard to the identity of the other
35 purchasers, then the acquisitions are considered separate
36 acquisitions.

37 (3) The term "sale" does not include:

38 (a) A transfer by gift, devise, or inheritance.

1 (b) A transfer by transfer on death deed, to the extent that it
2 is not in satisfaction of a contractual obligation of the decedent
3 owed to the recipient of the property.

4 (c) A transfer of any leasehold interest other than of the type
5 mentioned above.

6 (d) A cancellation or forfeiture of a vendee's interest in a
7 contract for the sale of real property, whether or not such contract
8 contains a forfeiture clause, or deed in lieu of foreclosure of a
9 mortgage.

10 (e) The partition of property by tenants in common by agreement
11 or as the result of a court decree.

12 (f) The assignment of property or interest in property from one
13 spouse or one domestic partner to the other spouse or other domestic
14 partner in accordance with the terms of a decree of dissolution of
15 marriage or state registered domestic partnership or in fulfillment
16 of a property settlement agreement.

17 (g) The assignment or other transfer of a vendor's interest in a
18 contract for the sale of real property, even though accompanied by a
19 conveyance of the vendor's interest in the real property involved.

20 (h) Transfers by appropriation or decree in condemnation
21 proceedings brought by the United States, the state or any political
22 subdivision thereof, or a municipal corporation.

23 (i) A mortgage or other transfer of an interest in real property
24 merely to secure a debt, or the assignment thereof.

25 (j) Any transfer or conveyance made pursuant to a deed of trust
26 or an order of sale by the court in any mortgage, deed of trust, or
27 lien foreclosure proceeding or upon execution of a judgment, or deed
28 in lieu of foreclosure to satisfy a mortgage or deed of trust.

29 (k) A conveyance to the federal housing administration or
30 veterans administration by an authorized mortgagee made pursuant to a
31 contract of insurance or guaranty with the federal housing
32 administration or veterans administration.

33 (l) A transfer in compliance with the terms of any lease or
34 contract upon which the tax as imposed by this chapter has been paid
35 or where the lease or contract was entered into prior to the date
36 this tax was first imposed.

37 (m) The sale of any grave or lot in an established cemetery.

38 (n) A sale by the United States, this state or any political
39 subdivision thereof, or a municipal corporation of this state.

1 (o) A sale to a regional transit authority or public corporation
2 under RCW 81.112.320 under a sale/leaseback agreement under RCW
3 81.112.300.

4 (p) A transfer of real property, however effected, if it consists
5 of a mere change in identity or form of ownership of an entity where
6 there is no change in the beneficial ownership. These include
7 transfers to a corporation or partnership which is wholly owned by
8 the transferor and/or the transferor's spouse or domestic partner or
9 children of the transferor or the transferor's spouse or domestic
10 partner. However, if thereafter such transferee corporation or
11 partnership voluntarily transfers such real property, or such
12 transferor, spouse or domestic partner, or children of the transferor
13 or the transferor's spouse or domestic partner voluntarily transfer
14 stock in the transferee corporation or interest in the transferee
15 partnership capital, as the case may be, to other than (i) the
16 transferor and/or the transferor's spouse or domestic partner or
17 children of the transferor or the transferor's spouse or domestic
18 partner, (ii) a trust having the transferor and/or the transferor's
19 spouse or domestic partner or children of the transferor or the
20 transferor's spouse or domestic partner as the only beneficiaries at
21 the time of the transfer to the trust, or (iii) a corporation or
22 partnership wholly owned by the original transferor and/or the
23 transferor's spouse or domestic partner or children of the transferor
24 or the transferor's spouse or domestic partner, within three years of
25 the original transfer to which this exemption applies, and the tax on
26 the subsequent transfer has not been paid within sixty days of
27 becoming due, excise taxes become due and payable on the original
28 transfer as otherwise provided by law.

29 (q) (i) A transfer that for federal income tax purposes does not
30 involve the recognition of gain or loss for entity formation,
31 liquidation or dissolution, and reorganization, including but not
32 limited to nonrecognition of gain or loss because of application of
33 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal
34 revenue code of 1986, as amended.

35 (ii) However, the transfer described in (q) (i) of this subsection
36 cannot be preceded or followed within a (~~thirty-six~~) 36 month
37 period by another transfer or series of transfers, that, when
38 combined with the otherwise exempt transfer or transfers described in
39 (q) (i) of this subsection, results in the transfer of a controlling
40 interest in the entity for valuable consideration, and in which one

1 or more persons previously holding a controlling interest in the
2 entity receive cash or property in exchange for any interest the
3 person or persons acting in concert hold in the entity. This
4 subsection (3)(q)(ii) does not apply to that part of the transfer
5 involving property received that is the real property interest that
6 the person or persons originally contributed to the entity or when
7 one or more persons who did not contribute real property or belong to
8 the entity at a time when real property was purchased receive cash or
9 personal property in exchange for that person or persons' interest in
10 the entity. The real estate excise tax under this subsection
11 (3)(q)(ii) is imposed upon the person or persons who previously held
12 a controlling interest in the entity.

13 (r) A qualified sale of a manufactured/mobile home community, as
14 defined in RCW 59.20.030, that takes place on or after June 12, 2008,
15 but before December 31, 2018.

16 (s)(i) A transfer of a qualified low-income housing development
17 or controlling interest in a qualified low-income housing
18 development, unless, due to noncompliance with federal statutory
19 requirements, the seller is subject to recapture, in whole or in
20 part, of its allocated federal low-income housing tax credits within
21 the four years prior to the date of transfer.

22 (ii) For purposes of this subsection (3)(s), "qualified low-
23 income housing development" means real property and improvements in
24 respect to which the seller or, in the case of a transfer of a
25 controlling interest, the owner or beneficial owner, was allocated
26 federal low-income housing tax credits authorized under 26 U.S.C.
27 Sec. 42 or successor statute, by the Washington state housing finance
28 commission or successor state-authorized tax credit allocating
29 agency.

30 (iii) This subsection (3)(s) does not apply to transfers of a
31 qualified low-income housing development or controlling interest in a
32 qualified low-income housing development occurring on or after July
33 1, 2035.

34 (iv) The Washington state housing finance commission, in
35 consultation with the department, must gather data on: (A) The fiscal
36 savings, if any, accruing to transferees as a result of the exemption
37 provided in this subsection (3)(s); (B) the extent to which
38 transferors of qualified low-income housing developments receive
39 consideration, including any assumption of debt, as part of a
40 transfer subject to the exemption provided in this subsection (3)(s);

1 and (C) the continued use of the property for low-income housing. The
2 Washington state housing finance commission must provide this
3 information to the joint legislative audit and review committee. The
4 committee must conduct a review of the tax preference created under
5 this subsection (3)(s) in calendar year 2033, as required under
6 chapter 43.136 RCW.

7 (t)(i) A qualified transfer of residential property by a legal
8 representative of a person with developmental disabilities to a
9 qualified entity subject to the following conditions:

10 (A) The adult child with developmental disabilities of the
11 transferor of the residential property must be allowed to reside in
12 the residence or successor property so long as the placement is safe
13 and appropriate as determined by the department of social and health
14 services;

15 (B) The title to the residential property is conveyed without the
16 receipt of consideration by the legal representative of a person with
17 developmental disabilities to a qualified entity;

18 (C) The residential property must have no more than four living
19 units located on it; and

20 (D) The residential property transferred must remain in continued
21 use for (~~(fifty)~~) 50 years by the qualified entity as supported
22 living for persons with developmental disabilities by the qualified
23 entity or successor entity. If the qualified entity sells or
24 otherwise conveys ownership of the residential property the proceeds
25 of the sale or conveyance must be used to acquire similar residential
26 property and such similar residential property must be considered the
27 successor for continued use. The property will not be considered in
28 continued use if the department of social and health services finds
29 that the property has failed, after a reasonable time to remedy, to
30 meet any health and safety statutory or regulatory requirements. If
31 the department of social and health services determines that the
32 property fails to meet the requirements for continued use, the
33 department of social and health services must notify the department
34 and the real estate excise tax based on the value of the property at
35 the time of the transfer into use as residential property for persons
36 with developmental disabilities becomes immediately due and payable
37 by the qualified entity. The tax due is not subject to penalties,
38 fees, or interest under this title.

39 (ii) For the purposes of this subsection (3)(t) the definitions
40 in RCW 71A.10.020 apply.

1 (iii) A "qualified entity" is:

2 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
3 of the federal internal revenue code of 1986, as amended, as of June
4 7, 2018, or a subsidiary under the same taxpayer identification
5 number that provides residential supported living for persons with
6 developmental disabilities; or

7 (B) A nonprofit adult family home, as defined in RCW 70.128.010,
8 that exclusively serves persons with developmental disabilities.

9 (iv) In order to receive an exemption under this subsection
10 (3)(t) an affidavit must be submitted by the transferor of the
11 residential property and must include a copy of the transfer
12 agreement and any other documentation as required by the department.

13 (u)(i) A sale or transfer of real property to a qualifying
14 grantee that uses the property for housing for low-income persons and
15 receives or otherwise qualifies the property for an exemption from
16 real and personal property taxes under RCW 84.36.560, 84.36.049,
17 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection
18 (3)(u), "qualifying grantee" means a nonprofit entity as defined in
19 RCW 84.36.560, a nonprofit entity or qualified cooperative
20 association as defined in RCW 84.36.049, a housing authority created
21 under RCW 35.82.030 or 35.82.300, a public corporation established
22 under RCW 35.21.660 or 35.21.730, or a county or municipal
23 corporation. A qualifying grantee that is a county or municipal
24 corporation must record a covenant at the time of transfer that
25 prohibits using the property for any purpose other than for low-
26 income housing for a period of at least 10 years. At a minimum, the
27 covenant must address price restrictions and household income limits
28 for the low-income housing. A qualifying grantee must comply with the
29 requirements described in (u)(i)(A), (B), or (C) of this subsection
30 and must also certify, by affidavit at the time of sale or transfer,
31 that it intends to comply with those requirements.

32 (A) If the qualifying grantee intends to operate existing housing
33 on the property, within one year of the sale or transfer:

34 (I) The qualifying grantee must receive or qualify the property
35 for a tax exemption under RCW 84.36.560, 84.36.049,
36 35.82.210, 35.21.755, or 84.36.010; and

37 (II) The property must be used as housing for low-income persons.

38 (B) If the qualifying grantee intends to develop new housing on
39 the site, within five years of the sale or transfer:

1 (I) The qualifying grantee must receive or qualify the property
2 for a tax exemption under RCW 84.36.560, 84.36.049,
3 35.82.210, 35.21.755, or 84.36.010; and

4 (II) The property must be used as housing for low-income persons.

5 (C) If the qualifying grantee intends to substantially
6 rehabilitate the premises as defined in RCW 59.18.200, within three
7 years:

8 (I) The qualifying grantee must receive or qualify the property
9 for a tax exemption under RCW 84.36.560, 84.36.049,
10 35.82.210, 35.21.755, or 84.36.010; and

11 (II) The property must be used as housing for low-income persons.

12 (ii) If the qualifying grantee fails to satisfy the requirements
13 described in (u)(i)(A), (B), or (C) of this subsection, within the
14 timelines described in (u)(i)(A), (B), or (C) of this subsection, the
15 qualifying grantee must pay the tax that would have otherwise been
16 due at the time of initial transfer, plus interest calculated from
17 the date of initial transfer pursuant to RCW 82.32.050.

18 (iii) If a qualifying grantee transfers the property to a
19 different qualifying grantee within the original timelines described
20 in (u)(i)(A), (B), or (C) of this subsection, neither the original
21 qualifying grantee nor the new qualifying grantee is required to pay
22 the tax, so long as the new qualifying grantee satisfies the
23 requirements as described in (u)(i)(A), (B), or (C) of this
24 subsection within the exemption period of the initial transfer. If
25 the new qualifying grantee fails to satisfy the requirements
26 described in (u)(i)(A), (B), or (C) of this subsection, only the new
27 qualifying grantee is liable for the payment of taxes required by
28 (u)(ii) of this subsection. There is no limit on the number of
29 transfers between qualifying grantees within the original timelines.

30 (iv) Each affidavit must be filed with the department upon
31 completion of the sale or transfer of property, including transfers
32 from a qualifying grantee to a different qualifying grantee. The
33 qualifying grantee must provide proof to the department as required
34 by the department once the requirements as described in (u)(i)(A),
35 (B), or (C) of this subsection have been satisfied.

36 (v) For the purposes of this subsection (3)(u), "low-income"
37 means household income as defined by the department, provided that
38 the definition may not exceed 80 percent of median household income,
39 adjusted for household size, for the county in which the dwelling is
40 located.

1 (v) (i) The sale of qualified space in a development that
2 qualifies for a property tax exemption under RCW 84.36.560,
3 84.36.049, 35.82.210, 35.21.755, or 84.36.010 to a nonprofit
4 organization, a housing authority, or public corporation for use for
5 an exempt community purpose.

6 (ii) For the purposes of this subsection (3) (v), the following
7 definitions apply:

8 (A) "Affordable housing development" means a development with
9 housing provided to households with a household income that does not
10 exceed 80 percent of median household income at initial occupancy,
11 adjusted for household size, for the county in which the dwelling is
12 located.

13 (B) "Exempt community purpose" means any use to provide a service
14 that benefits affordable housing development tenants or the public
15 including, but not limited to, health clinics, senior day care, food
16 banks, community centers, and early learning facilities.

17 (C) "Nonprofit organization" means an organization exempt from
18 taxation under section 501(c) (3) of the internal revenue code of 1986
19 (26 U.S.C. Sec. 501(c) (3)), as amended.

20 (D) "Qualified space" means any portion of an affordable housing
21 development that is accessible to tenants or the public that
22 constitutes a separate legal parcel of property under chapter 64.32,
23 64.34, or 64.90 RCW.

24 **Sec. 3.** RCW 82.46.010 and 2021 c 296 s 10 are each amended to
25 read as follows:

26 (1) The legislative authority of any county or city must identify
27 in the adopted budget the capital projects funded in whole or in part
28 from the proceeds of the tax authorized in this section, and must
29 indicate that such tax is intended to be in addition to other funds
30 that may be reasonably available for such capital projects.

31 (2) ~~((a))~~ The legislative authority of any county or any city
32 may impose an excise tax on each sale of real property in the
33 unincorporated areas of the county for the county tax and in the
34 corporate limits of the city for the city tax at a rate not exceeding
35 ~~((one-quarter of one))~~ 0.25 percent of the selling price. ~~((Except as~~
36 ~~provided in subsection (8) of this section, the))~~ The revenues from
37 this tax must be used by any city or county ~~((with a population of~~
38 ~~5,000 or less and any city or county that does not plan under RCW~~
39 ~~36.70A.040))~~ for any capital purpose identified in a capital

1 improvements plan and local capital improvements, including those
2 listed in RCW 35.43.040 (~~-~~

3 ~~(b) Except as provided in subsection (8) of this section, after~~
4 ~~April 30, 1992, revenues generated from the tax imposed under this~~
5 ~~subsection (2) in counties over 5,000 population and cities over~~
6 ~~5,000 population that are required or choose to plan under RCW~~
7 ~~36.70A.040 must be used solely)) and for ((finaneing)) capital
8 projects specified in a capital facilities plan element of a
9 comprehensive plan and housing relocation assistance under RCW
10 59.18.440 and 59.18.450. However, revenues ((+i)) (a) pledged by
11 such counties and cities to debt retirement prior to April 30, 1992,
12 may continue to be used for that purpose until the original debt for
13 which the revenues were pledged is retired, or ((+ii)) (b) committed
14 prior to April 30, 1992, by such counties or cities to a project may
15 continue to be used for that purpose until the project is completed.~~

16 (3) In lieu of imposing the tax authorized in RCW 82.14.030(2),
17 the legislative authority of any county or any city may impose an
18 additional excise tax on each sale of real property in the
19 unincorporated areas of the county for the county tax and in the
20 corporate limits of the city for the city tax at a rate not exceeding
21 one-half of one percent of the selling price.

22 (4) Taxes imposed under this section must be collected from
23 persons who are taxable by the state under chapter 82.45 RCW upon the
24 occurrence of any taxable event within the unincorporated areas of
25 the county or within the corporate limits of the city, as the case
26 may be.

27 (5) Taxes imposed under this section must comply with all
28 applicable rules, regulations, laws, and court decisions regarding
29 real estate excise taxes as imposed by the state under chapter 82.45
30 RCW.

31 (6) The definitions in this subsection (6) apply throughout this
32 section unless the context clearly requires otherwise.

33 (a) "City" means any city or town.

34 (b) "Capital project" means those public works projects of a
35 local government for planning, acquisition, construction,
36 reconstruction, repair, replacement, rehabilitation, or improvement
37 of streets; roads; highways; sidewalks; street and road lighting
38 systems; traffic signals; bridges; domestic water systems; storm and
39 sanitary sewer systems; parks; recreational facilities; law
40 enforcement facilities; fire protection facilities; trails;

1 libraries; administrative facilities; judicial facilities; river
2 flood control projects; waterway flood control projects by those
3 jurisdictions that, prior to June 11, 1992, have expended funds
4 derived from the tax authorized by this section for such purposes;
5 until December 31, 1995, housing projects for those jurisdictions
6 that, prior to June 11, 1992, have expended or committed to expend
7 funds derived from the tax authorized by this section or the tax
8 authorized by RCW 82.46.035 for such purposes; and technology
9 infrastructure that is integral to the capital project.

10 ~~(7) ((From July 22, 2011, until December 31, 2016, a city or~~
11 ~~county may use the greater of \$100,000 or 35 percent of available~~
12 ~~funds under this section, but not to exceed \$1,000,000 per year, for~~
13 ~~the operations and maintenance of existing capital projects as~~
14 ~~defined in subsection (6) of this section.~~

15 ~~(8) After May 13, 2021, through December 31, 2023, a city or~~
16 ~~county may use the greater of \$100,000 or 35 percent of available~~
17 ~~funds under this section for the operation of, maintenance of, and~~
18 ~~service support for, existing capital projects, including the~~
19 ~~provision of services to residents of affordable housing or shelter~~
20 ~~units.)) A county or city may use available funds under this section~~
21 ~~for any eligible use in RCW 82.46.035.~~

22 **Sec. 4.** RCW 82.46.015 and 2021 c 296 s 11 are each amended to
23 read as follows:

24 (1) ~~((After May 13, 2021, through December 31, 2023, a))~~ A city
25 or county may use the greater of \$100,000 or 35 percent of available
26 funds from revenues collected under RCW 82.46.010 for the maintenance
27 of, operation of, and service support for, existing capital projects,
28 as defined in RCW 82.46.010 and 82.46.035, and including the
29 provision of services to residents of affordable housing or shelter
30 units.

31 (2) ~~((After December 31, 2023, a city or county that meets the~~
32 ~~requirements of subsection (3) of this section may use the greater of~~
33 ~~\$100,000 or 25 percent of available funds, but not to exceed~~
34 ~~\$1,000,000 per year, from revenues collected under RCW 82.46.010 for~~
35 ~~the maintenance of capital projects, as defined in RCW 82.46.010.~~

36 ~~(3))~~ A city or county may use revenues pursuant to subsection
37 ~~((2))~~ (1) of this section if:

38 (a) ~~((The city or county prepares a written report demonstrating~~
39 ~~that it has or will have adequate funding from all sources of public~~

1 funding to pay for all capital projects, as defined in RCW 82.46.010,
2 identified in its capital facilities plan for the succeeding two-year
3 period. Cities or counties not required to prepare a capital
4 facilities plan may satisfy this provision by using a document that,
5 at a minimum, identifies capital project needs and available public
6 funding sources for the succeeding two-year period; and

7 ~~(b)(i))~~) The city or county has not enacted, after June 9, 2016:
8 Any requirement on the listing or sale of real property; or any
9 requirement on landlords, at the time of executing a lease, to
10 perform or provide physical improvements or modifications to real
11 property or fixtures, except if necessary to address an immediate
12 threat to health or safety; or

13 ~~((ii))~~) (b) Any local requirement adopted by the city or county
14 under ~~((b)(i))~~) (a) of this subsection is: Specifically authorized
15 by RCW 35.80.030, 35A.11.020, chapter 7.48 RCW, or chapter 19.27 RCW;
16 specifically authorized by other state or federal law; or a seller or
17 landlord disclosure requirement pursuant to RCW 64.06.080.

18 ~~((4) The report prepared under subsection (3)(a) of this section
19 must: (a) Include information necessary to determine compliance with
20 the requirements of subsection (3)(a) of this section; (b) identify
21 how revenues collected under RCW 82.46.010 were used by the city or
22 county during the prior two-year period; (c) identify how funds
23 authorized under subsection (2) of this section will be used during
24 the succeeding two-year period; and (d) identify what percentage of
25 funding for capital projects within the city or county is
26 attributable to revenues under RCW 82.46.010 compared to all other
27 sources of capital project funding. The city or county must prepare
28 and adopt the report as part of its regular, public budget process.~~

29 ~~(5) The authority to use funds as authorized in this section is
30 in addition to the authority to use funds pursuant to RCW
31 82.46.010(7), which remains in effect through December 31, 2016.~~

32 ~~(6) For purposes of this section, "maintenance" means the use of
33 funds for labor and materials that will preserve, prevent the decline
34 of, or extend the useful life of a capital project. "Maintenance"
35 does not include labor or material costs for routine operations of a
36 capital project.)~~)

37 **Sec. 5.** RCW 82.46.035 and 2021 c 296 s 12 are each amended to
38 read as follows:

1 (1) ~~((Except for revenues used after May 13, 2021, through~~
2 ~~December 31, 2023, as provided in subsection (3) of this section,~~
3 ~~the)) The legislative authority of any county or city must identify
4 in the adopted budget the capital projects funded in whole or in part
5 from the proceeds of the tax authorized in this section, and must
6 indicate that such tax is intended to be in addition to other funds
7 that may be reasonably available for such capital projects.~~

8 (2) The legislative authority of any county or any city that
9 plans under RCW 36.70A.040(1) may impose an additional excise tax on
10 each sale of real property in the unincorporated areas of the county
11 for the county tax and in the corporate limits of the city for the
12 city tax at a rate not exceeding one-quarter of one percent of the
13 selling price. Any county choosing to plan under RCW 36.70A.040(2)
14 and any city within such a county may only adopt an ordinance
15 imposing the excise tax authorized by this section if the ordinance
16 is first authorized by a proposition approved by a majority of the
17 voters of the taxing district voting on the proposition at a general
18 election held within the district or at a special election within the
19 taxing district called by the district for the purpose of submitting
20 such proposition to the voters.

21 (3) Revenues generated from the tax imposed under subsection (2)
22 of this section must be used by such counties and cities solely for
23 ~~((financing))~~ capital projects specified in a capital facilities plan
24 element of a comprehensive plan~~((, except that the greater of~~
25 ~~\$100,000 or 35 percent of revenues may additionally be used for the~~
26 ~~operation of, maintenance of, and service support for, existing~~
27 ~~capital projects after May 13, 2021, through December 31, 2023))~~.
28 However, revenues (a) pledged by such counties and cities to debt
29 retirement prior to March 1, 1992, may continue to be used for that
30 purpose until the original debt for which the revenues were pledged
31 is retired, or (b) committed prior to March 1, 1992, by such counties
32 or cities to a project may continue to be used for that purpose until
33 the project is completed.

34 (4) ~~((Revenues generated by the tax imposed by this section must~~
35 ~~be deposited in a separate account after December 31, 2023.~~

36 ~~(5))~~ As used in this section, "city" means any city or town and
37 "capital project" means those public works projects of a local
38 government for:

39 (a) Planning, acquisition, construction, reconstruction, repair,
40 replacement, rehabilitation, or improvement of streets, roads,

1 highways, sidewalks, street and road lighting systems, traffic
2 signals, bridges, domestic water systems, storm and sanitary sewer
3 systems;

4 (b) Planning, construction, reconstruction, repair,
5 rehabilitation, or improvement of parks; ~~((and))~~

6 (c) ~~((Until January 1, 2026, planning))~~ Planning, acquisition,
7 construction, reconstruction, repair, replacement, rehabilitation, or
8 improvement of facilities for those experiencing homelessness and
9 affordable housing projects; and

10 (d) Any use allowed under RCW 82.46.010.

11 ~~((+6))~~ (5) A county or city may use the greater of \$100,000 or
12 25 percent of available funds ~~((, but not to exceed \$1,000,000,))~~ for
13 capital projects as defined in subsection ~~((+5))~~ (4)(c) of this
14 section. The limits in this subsection do not apply to any county or
15 city that used revenue under this section for the acquisition,
16 construction, improvement, or rehabilitation of facilities to provide
17 housing for the homeless prior to June 30, 2019.

18 ~~((+7))~~ (6) A county or city using funds for uses in subsection
19 ~~((+5))~~ (4)(c) of this section must document in its plan under RCW
20 36.70A.070(3) that it has funds during the next two years for capital
21 projects in subsection ~~((+5))~~ (4)(a) of this section.

22 ~~((+8))~~ (7) When the governor files a notice of noncompliance
23 under RCW 36.70A.340 with the secretary of state and the appropriate
24 county or city, the county or city's authority to impose the
25 additional excise tax under this section is temporarily rescinded
26 until the governor files a subsequent notice rescinding the notice of
27 noncompliance.

28 **Sec. 6.** RCW 82.46.037 and 2021 c 296 s 13 are each amended to
29 read as follows:

30 (1) A city or county that meets the requirements of subsection
31 (2) of this section may use the greater of \$100,000 or ~~((25))~~ 35
32 percent of available funds ~~((, but not to exceed \$1,000,000 per year,~~
33 ~~except for the period from May 13, 2021, through December 31, 2023,~~
34 ~~when the greater of \$100,000 or 35 percent may be used))~~ from
35 revenues collected under RCW 82.46.035 for ~~((÷~~

36 ~~(a) The maintenance of capital projects, as defined in RCW~~
37 ~~82.46.035(5);~~

38 ~~(b) The planning, acquisition, construction, reconstruction,~~
39 ~~repair, replacement, rehabilitation, improvement, or maintenance of~~

1 ~~capital projects as defined in RCW 82.46.010(6)(b) that are not also~~
2 ~~included within the definition of capital projects in RCW~~
3 ~~82.46.035(5); and~~

4 ~~(e) The))~~ the operation of, the maintenance of, and service
5 support for, existing capital projects as included in the definition
6 of capital project in RCW 82.46.035(~~(5))~~) (4) and 82.46.010(6)(b)(~~7~~
7 ~~from May 13, 2021, through December 31, 2023))~~).

8 (2) A (~~city or county may use revenues pursuant to subsection~~
9 ~~(1) of this section after May 13, 2021, through December 31, 2023.~~
10 ~~Thereafter,~~ a) city or county may use revenues pursuant to
11 subsection (1) of this section if:

12 (a) (~~The city or county prepares a written report demonstrating~~
13 ~~that it has or will have adequate funding from all sources of public~~
14 ~~funding to pay for all capital projects, as defined in RCW~~
15 ~~82.46.035(5), identified in its capital facilities plan for the~~
16 ~~succeeding two-year period; and~~

17 ~~(b)(i))~~ The city or county has not enacted, after June 9, 2016,
18 any requirement on the listing or sale of real property; or any
19 requirement on landlords, at the time of executing a lease, to
20 perform or provide physical improvements or modifications to real
21 property or fixtures, except if necessary to address an immediate
22 threat to health or safety;

23 (~~(ii))~~) (b) Any local requirement adopted by the city or county
24 under (~~(b)(i))~~) (a) of this subsection is: Specifically authorized
25 by RCW 35.80.030, 35A.11.020, chapter 7.48 RCW, or chapter 19.27 RCW;
26 specifically authorized by other state or federal law; or a seller or
27 landlord disclosure requirement pursuant to RCW 64.06.080(~~;~~ ~~or~~

28 ~~(iii) For a city or county using funds under subsection (1)(b) of~~
29 ~~this section, the requirements of this subsection apply, except that~~
30 ~~the date for such enactment under (b)(i) of this subsection is ninety~~
31 ~~days after October 19, 2017.~~

32 ~~(3) The report prepared under subsection (2)(a) of this section~~
33 ~~must: (a) Include information necessary to determine compliance with~~
34 ~~the requirements of subsection (2)(a) of this section; (b) identify~~
35 ~~how revenues collected under RCW 82.46.035 were used by the city or~~
36 ~~county during the prior two-year period; (c) identify how funds~~
37 ~~authorized under subsection (1) of this section will be used during~~
38 ~~the succeeding two-year period; and (d) identify what percentage of~~
39 ~~funding for capital projects within the city or county is~~
40 ~~attributable to revenues under RCW 82.46.035 compared to all other~~

1 ~~sources of capital project funding. The city or county must prepare~~
2 ~~and adopt the report as part of its regular, public budget process.~~

3 ~~(4) For purposes of this section, "maintenance" means the use of~~
4 ~~funds for labor and materials that will preserve, prevent the decline~~
5 ~~of, or extend the useful life of a capital project. "Maintenance"~~
6 ~~does not include labor or material costs for routine operations of a~~
7 ~~capital project)).~~

8 NEW SECTION. **Sec. 7.** RCW 82.32.805 and 82.32.808 do not apply
9 to this act.

10 NEW SECTION. **Sec. 8.** Section 1 of this act expires January 1,
11 2030.

12 NEW SECTION. **Sec. 9.** Section 2 of this act takes effect January
13 1, 2030.

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