

Real Estate Excise Tax

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Public Financing

Washington state levies a real estate excise tax (REET) on all property sales. This state tax rate is 1.28% of a property's full selling price. A locally-imposed tax is also authorized, though the rate and uses of the funds differ by population size and whether the city or county is planning under the Growth Management Act (GMA). All cities are allowed to levy a 0.25% tax on property sales (REET 1), cities and counties that are planning under the GMA may also levy a second quarter percent tax (REET 2). For non-GMA planning entities, REET 1 can be spent on any capital purpose identified in a capital improvements plan (streets, parks, sewers, swimming pools, etc) or acquisition of lands associated with such improvements. Cities operating under the GMA must spend their funds solely on capital projects listed in their comprehensive plan. The acquisition of land for parks is not a permitted use of REET 2 funds, though this is an eligible use of REET 1 funds.

County authorities may submit a ballot proposition for an additional real estate excise tax (not to exceed 1%) to be used for the acquisition and maintenance of conservation areas. The property buyer, rather than seller pays this tax. San Juan is the only Washington county to levy this tax to date.

The major disadvantage of the REET taxes is their volatile nature. The amount of revenue is completely dependent upon the price of real estate. Currently, with high property costs record amounts of REET funds are being collected. If the real estate bubble bursts, the decrease in revenue may come as a shock to state and local entities reliant on the funds.

Most recently the City of Seattle has used REET 1 funds (\$200,000) for the Dahl playground renovation and REET 2 funds (\$600,000) for the Olympic Sculpture Park and Shoreline Restoration Project.



Resources:

City of Seattle. 2002. Economic Update: http://www.ci.seattle.wa.us/financedepartment/docs/July_2002_Update.pdf

City of Seattle. 2005. Council News Review: <http://www.seattle.gov/council/newsdetail.asp?ID=5683&Dept=28>

Municipal Research & Services Center of Washington. 2002. Real Estate Excise Tax: <http://www.mrsc.org/subjects/finance/reet/reetweb.aspx>

REET 1 & 2 Uses, Seattle

REET 1

Parks/Trails
Streets/Highways
Sidewalks
Street Lighting
Traffic signals
Bridges
Water systems
Sewer systems
Judicial facilities
Administrative fac.
Law enforce. fac.
Fire protection fac.
Recreation fac.
Libraries

REET2

Parks
Streets/Highways
Sidewalks
Lighting systems
Traffic signals
Bridges
Water systems
Sewer systems



Left: Olympic Sculpture Park
Source: <http://www.metrokc.gov/mkcc/members/d4/trolleybarn.htm>

Above: Dahl Playground
Source: <http://www.ci.seattle.wa.us/parks/parkspaces/dahl.htm>