

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
PACIFIC COUNTY, WASHINGTON**

RESOLUTION NO. 2017- 029

**IN THE MATTER OF ADDITIONAL ONE-QUARTER OF ONE PERCENT
REAL ESTATE EXCISE TAX**

WHEREAS, despite ongoing efforts to reduce spending, the cost of providing county services is outpacing revenues; and

WHEREAS, maintaining services to the public has been prioritized over capital maintenance, repairs or construction; and

WHEREAS, deferred maintenance and repair of capital facilities means ongoing deterioration which will cost more to address in the long term; and

WHEREAS, as facilities continue to deteriorate, funds will have to be redirected to address facility needs rather than supporting services; and

WHEREAS, 82.46.035 RCW allows the Board of County Commissioners to adopt an Ordinance imposing an additional excise tax on each sale of real property in the incorporated areas of the county at a rate not exceeding one-quarter of one percent of the selling price if the Ordinance is first authorized by a proposition approved by a majority of voters of the taxing district voting on the proposition, and

WHEREAS, many real property sales are made by those who live out of the area who are selling second homes, or property received due to a relative who has passed; and

WHEREAS, property taxes such as real estate excise tax are generally deductible from the federal income tax and so therefore for many people it creates no additional tax liability; and

WHEREAS, if approved by a majority of the voters, this additional real estate excise tax will generate about \$300,000 per year in new revenue, with most of the funds generated from sales of corporate owned timber lands; and

WHEREAS, funds generated will be deposited in a special revenue fund (Fund #125, Capital Improvements Fund), and will only be used for capital projects as described in 82.46.010 RCW; and

WHEREAS, per 29A.36.071 RCW, for any question submitted to the people of a local government, the ballot title shall be prepared by the County Prosecuting Attorney.

NOW, THEREFORE, BE IT HEREBY RESOLVED, by the Board of County Commissioners of Pacific County, Washington, that:

A request be made to the Prosecuting Attorney to submit ballot language regarding PROPOSITION #1, ONE-QUARTER OF ONE PERCENT REAL ESTATE EXCISE TAX FOR FINANCING OF CAPITAL PROJECTS to the County Auditor for inclusion on the general election ballot in November, 2017.

PASSED by the Board of Pacific County Commissioners meeting in regular session at South Bend, Washington, by the following vote, then signed by its membership and attested to by its Clerk in authorization of such passage the 11th day of July, 2017.

3 AYE; 0 NAY; 0 ABSTAIN; 0 ABSENT

BOARD OF COUNTY COMMISSIONERS
PACIFIC COUNTY, WASHINGTON

ATTEST

Marie Guernsey
Marie Guernsey
Clerk of the Board

Lisa Ayers
Lisa Ayers, Chair

Lisa R. Olsen
Lisa Olsen, Commissioner

Frank Wolfe
Frank Wolfe, Commissioner

APPROVED AS TO FORM

EUCLESON 21357
Prosecutor's Office WSBA#

PROPOSITION #1

Should the County impose an additional One Quarter of One Percent Tax to the sale of real property in unincorporated Pacific County?

FREQUENTLY ASKED QUESTIONS

Why are the County Commissioners asking the voters to approve this increase?

- Background
 - This tax was implemented by the commissioners in April, 2015 until December 28, 2016.
 - During that time just over \$770,000 in additional real estate excise money was collected and deposited in a special revenue fund for future capital repairs. Almost half of the total collected was from six large, corporate timber property sales.
 - It was discovered during an internal audit that this was not a tax that could be implemented by the commissioners without a vote of the people. Only counties that were **required** to plan under the Growth Management Act could implement the tax without a vote of the people. Pacific County **opted** to plan, therefore any increase in the real estate excise tax needs to be brought to a vote.
- Facilities with deferred repairs and maintenance continue to deteriorate, costing more in the long term.
- With the economic downturn the County has prioritized maintaining services over facility maintenance or capital improvements or construction projects. However, as facilities deteriorate, funds will have to be redirected to address our facility needs rather than supporting services.
- Major capital repair and construction projects have been on hold unless special grant funding is available.
 - For example, needed courthouse exterior and basement repairs total more than 1.4 million dollars. Staff has been successful in securing two grants totaling more than \$700,000, but the grants require a dollar for dollar match meaning the county has to provide \$700,000 from the capital fund to be eligible to receive these grant funds.
- The South County Facility was built to consolidate county services and better serve the public. The annual payment of \$315,000 is made from the capital projects fund and can exceed what we collect in the current real estate excise tax (REET). If we do not collect enough in REET, the County must transfer funds from the general operating fund taking dollars away from critical services such as public safety.
- Only impacts those who sell property.
 - Many sales are made by those who live out of the area who are selling second homes, or property received due to a relative's passing.

- The most expensive real estate sales are associated with large, corporate timber property sales by companies such as Weyerhaeuser, Rainer, and Hancock.
- Money paid to real estate taxes is generally deductible from income taxes.

What is the real estate excise tax (REET)?

- It is a tax on the sale of real estate. State law allows counties to impose an excise tax on each sale of real property in the **unincorporated areas of the county**. This rate is equal to one quarter of one percent and is referred to as **REET 1**. Revenues generated from this tax must be used for local capital projects.
- For counties like Pacific County that opted to plan under the State's Growth Management Act, the law allows the Board of County Commissioners to impose an **additional excise tax** of one quarter of one percent on the sale of real estate if the proposition is approved by the majority of voters living outside of city limits in Pacific County. This tax is often referred to as **REET 2**.
- The real estate excise tax is typically paid by the seller of the property. However, there are times in which the buyer may pay some, or all, of the excise tax as part of the negotiated "closing costs" associated with the real estate sale.
- If approved, the real estate excise tax on sales of property in unincorporated Pacific County would increase from 1.53% to 1.78%. The real estate excise tax rate would not be increased for properties sold within any of the city limits.
- Revenues generated by this tax would be deposited in a special account that can only be used for local capital projects as described in RCW 82.46.010.

How much money would this generate?

- On average this would generate about \$300,000 per year in additional revenue. The amount generated per year varies depending on whether there are large timber property sales.

How much will this cost me?

- The cost depends on the value of your property at the time you sell, and whether or not your property is located outside of city limits. As an example, if your property sold for \$200,000 this new tax would add an additional \$500. Typically this amount, along with other closing costs such as recording fees, etc., is deducted from the profit associated with your sale at the time of closing.

What would these funds be used for?

- In 2017, the list of much needed capital repairs and projects that the County could not afford to address totaled more than 2.3 million dollars. These requests did not include larger, longer term projects such as upgrade and expansion of jail facilities.