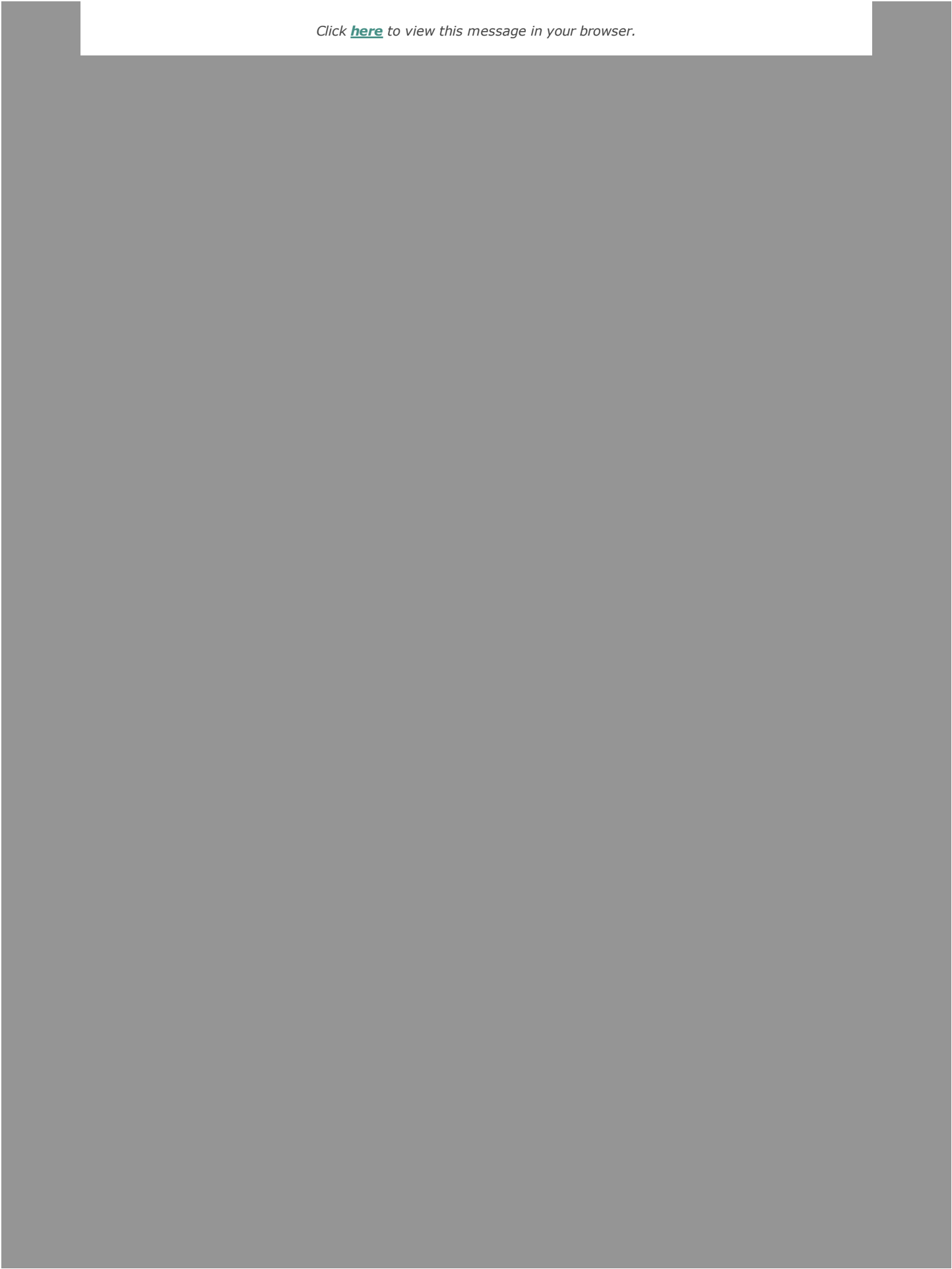


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Tom,

On the evening of Sunday, April 26th the Washington State Legislature adjourned Sine Die and put an end to the 2021 Legislative Session. It was a unique session in many regards. First, it was the first ever fully virtual session in Washington State history. Legislators used Zoom and Teams to (mostly) great success. Additionally, there were questions about what sort of impact COVID-19 would have on the State Budget and what sort of Federal funds might be available for help (the answers... very little and more than expected). Legislators identified priority issues for the 2021 Session—COVID-19 recovery, racial equity and justice, climate change, and tax reform—and generally prioritized those issues over others during the 2021 Session.

Within this framework, through the WR membership survey, members gave WR two clear priorities:

1. Minimize tax impacts to REALTORS® and their clients, and
2. Help increase inventory of homes and condos.

The Washington REALTOR® lobbying and volunteer leadership team was ready for this session and it ended with major wins on each of those

Another Tax Victory for Your Clients

Tax issues on REALTORS® and their clients have been consistently identified as one of the top three issues in our member surveys for the past 10 years. REALTORS® don't mind contributing to the State's General Fund—and they already do. However, Real Estate Excise Tax, B&O tax, state and local Property Tax, and Sales Tax are a major factor as people move and improve their homes. This makes real estate a prime economic driver. The lack of affordable options in recent years have made tax issues stand out, particularly since every tax add and fee increase takes a certain number of potential homebuyers out of the marketplace. Over the past three years, Washington REALTORS® has been able to secure several tax victories for our members and their clients. From a decrease in the Real Estate Excise Tax on 90% of transactions to an exemption from the B&O Tax Increase that is paid by most other service businesses, WR has been very successful in protecting our members and their clients. In 2021, the State Legislature once again took up a State-level Capital Gains Tax. This tax proposal has been floating around Olympia the past several years. Early versions of the tax exempted only the sale of Primary Residences. However, exempting all real estate from a Capital Gains Tax was the #1 priority of Washington REALTORS® in the 2021 session. Ultimately (after a few ups and downs), we were successful in that mission and we can report that virtually all real estate transactions will be exempt from the Capital Gains Tax that will apply to transactions of stocks, bonds and other financial investments.

Affordable Inventory

Housing inventory issues have been challenging for the State Legislature because of Washington State's strong tradition of local government control over zoning and development regulations. The State Legislature has historically respected the right of local jurisdictions to control how they grow. This has become an increasing challenge as we have seen many of our cities and counties not wanting to allow increased housing inventory that we know is needed. Washington REALTORS® helped pass two bills to balance this challenge out—one of them ultimately passed, the other came very close to passage, and we'll be back next year to try and get it over the finish line. The Legislature passed a bill that will make it easier and less expensive for builders to build condominium units by expanding the list of who can perform certain construction inspections as condo projects are built and by allowing developers to use a certain portion of a condo reservation fee to finance construction costs. These are small but important ways to encourage more condo construction in our communities.

Washington REALTORS® was also a part of the coalition that passed the Multifamily Tax Exemption bill (MFTE) to extend and expand the property tax exemptions so builders can use these incentives in virtually every city in the State.

The third bill was a bill that allowed cities to upzone a portion of their city and keep a portion of the State Real Estate Excise Tax for every additional unit created. This bill made it past the House but was, unfortunately stopped in the Senate. We will be back in 2022 to continue to advocate for this idea—the message from our members is clear—we need more inventory!

REALTOR® efforts to improve housing inventory and affordability also required opposing certain bills that would have negatively impacted this issue. Major changes were proposed to the Growth Management Act to incorporate state Greenhouse Gas Emissions (GHG) and Vehicle Miles Traveled (VMT) reduction targets into local land use planning and development regulations, and to require a new standard of net environmental gain in GMA comprehensive plans and to local infrastructure projects. REALTORS® achieved some improvements to these bills through language to protect housing and residential land supply from these new requirements, but significant opposition to both bills remained and ultimately neither bill advanced.

Making Our Neighborhoods More Welcoming to All

REALTORS® led the effort to address one of the most explicit examples of racial discrimination in housing: racial covenants and deed restrictions. While ruled unconstitutional and not enforceable, racial covenants still exist on the title to many homes in Washington State. Through a bill developed by REALTORS® and with the support of racial justice groups and local governments, property records will be reviewed by university research programs to identify areas in Washington State with racial covenants and property owners will be notified. The bill also improves the Court process for eliminating such racial language if requested by the homeowner, and adds a notice to the Seller Disclosure Form so that buyers and sellers are aware of the process available to remove racial covenants.

Fair Housing Education

With the increased focus on housing discrimination and concerns for equal access and opportunity, REALTORS® worked closely with Legislators on best practices for real estate education as a preventative measure to avoid Fair Housing violations. SB 5378 inserts Fair Housing education subjects into the existing hours required for new and renewing broker licensees. The new requirements are:

- Three of the 90 hours for an initial real estate broker license;
- Three of the 90 hours for first renewal of a real estate broker license; and
- Three of the 30 hours for every subsequent renewal of a real estate broker or managing broker license.

Any real estate broker or managing broker who did not complete three hours of fair housing training for an initial license and three hours for the first license renewal must complete six hours of fair housing training for the first license renewal after June 1, 2022.

Housing Assistance

The pandemic shed a bright and critical light on the housing crisis facing our state. House Bill 1277 passed the second-to-last day of session and increases document recording fees to generate funding sources for homeless and housing assistance programs. The fee increase will generate approximately \$300 million each biennium of which approximately \$12 million is temporarily allocated for rental assistance.

Separately, the state was granted approximately \$658 million dollars for rental and housing assistance programs funded by the Federal American Rescue Plan Act, and the Coronavirus State Fiscal Recovery Fund. There was also an expansion of pathways for landlord assistance funding options for non-payment of rent during the pandemic (SB 5160). The Department of Commerce serves as the fulcrum for fund distribution to counties and local communities and in the coming weeks and months will be addressing how best to distribute funds to address the dire needs.

Thank You!

Washington REALTORS® would like to extend a sincere "Thank You" to coalition partners, volunteer leaders and our Legislators. It was a tough session all around but thanks to the hard work of everyone involved, REALTORS® and their clients have ultimately come through with positive results. WR Staff and Leadership will continue to prioritize issues affecting our members and their clients. For more information on this session, visit myneighborwa.com.

THANK YOU FOR BEING A WASHINGTON REALTORS® MEMBER!



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