



CHANGES TO

Washington State Real Estate Excise Tax

Following passage of Senate Bill 5998, and starting in January 2020, owners of residential real estate will see some significant changes in their Real Estate Excise Tax (REET) obligations when they decide to sell.

As it stands today, excise taxes are calculated at a flat rate of 1.28% with municipalities adding their own tax on top of the state tax — generally cities* add 0.5% for a total of 1.78%. The newly passed legislation changes this to a tiered system as shown below:

- › **1.1%** if the selling price is equal to or less than **\$500,000** (1.6% total*)
- › **1.28%** on the portion of the selling price that is greater than **\$500,000** but equal to or less than **\$1,500,000** (1.78% total*)
- › **2.75%** on the portion of the selling price that is greater than **\$1,500,000** but equal to or less than **\$3,000,000** (3.25% total*)
- › **3%** on the portion of the selling price that is greater than **\$3,000,000** (3.5% total*)

In general, most home sellers will not be adversely affected by this change, as homes priced at or below \$1.5M will benefit from a tax cut, meaning that the increases primarily impact high-end home sellers.

Given current home values, 80% of Washingtonians are expected to receive a tax cut on the sale of residential real estate.

EXAMPLES OF SELLERS' TAX OBLIGATIONS

Sale Price:	\$500,000
Current REET	\$8,900
New Tax Liability	\$8,000
<i>Difference</i>	<u>(\$900)</u>

Sale Price:	\$750,000
Current REET	\$13,350
New Tax Liability	\$12,450
<i>Difference</i>	<u>(\$900)</u>

Sale Price:	\$1,000,000
Current REET	\$17,800
New Tax Liability	\$16,900
<i>Difference</i>	<u>(\$900)</u>

Sale Price:	\$1,500,000
Current REET	\$26,700
New Tax Liability	\$25,800
<i>Difference</i>	<u>(\$900)</u>

Sale Price:	\$2,000,000
Current REET	\$35,600
New Tax Liability	\$42,050
<i>Difference</i>	<u>\$6,450</u>

Sale Price:	\$3,500,000
Current REET	\$62,300
New Tax Liability	\$92,050
<i>Difference</i>	<u>\$29,750</u>

* Taxes include a 0.5% municipal excise tax, but this is lower in select jurisdictions.