

ORDINANCE NO. 2022-3

AN ORDINANCE OF THE TOWN OF EATONVILLE, WASHINGTON, AMENDING CHAPTER 3.24 OF THE EATONVILLE MUNICIPAL CODE AND IMPOSING AN ADDITIONAL QUARTER PERCENT REAL ESTATE EXCISE TAX

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

WHEREAS, maintaining public services 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, RCW 82.46.035 authorizes the Eatonville Town Council to adopt an ordinance imposing an additional excise tax of one quarter of one percent (0.25%) of the selling price on each sale of real property within the Town's limits; and

WHEREAS, collecting the additional real estate excise tax would align Eatonville with the tax collection practices of neighboring municipalities, including Bonney Lake, Buckley, Carbonado, Enumclaw, Orting, Roy and Pierce County; and

WHEREAS, this additional real estate excise tax will generate an estimated \$100,000 per year in new revenue, which will be deposited in a special revenue fund and will only be used for capital projects as described in RCW 82.46.010; now, therefore,

**BE IT ORDAINED BY THE COUNCIL OF THE TOWN OF EATONVILLE
AS FOLLOWS:**

Section 1. Eatonville Municipal Code Chapter 3.24 Real Estate Excise Tax is amended to read as set forth in Exhibit A, attached hereto and incorporated by this reference.

Section 2. Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 3. This ordinance shall take effect after publication of a summary, consisting of the title, pursuant to RCW 35.27.300.

1ST READING: 10/24/2022

2ND READING: 11/14/2022

PASSED by the Town Council of the Town of Eatonville and attested by the Clerk in authentication of such passage this ____ day of _____, 2022.

David Baublits
Mayor

ATTEST:

Miranda Doll
Town Clerk

APPROVED AS TO FORM:

Gregory A. Jacoby
Town Attorney

Chapter 3.24
REAL ESTATE EXCISE TAX

Sections:

- 3.24.010 Real estate excise tax imposed.
- 3.24.020 Additional real estate excise tax imposed.
- 3.24.030 Taxable events.
- 3.24.040 Consistency with state tax.
- 3.24.050 Distribution of tax proceeds and limiting the use thereof.
- 3.24.060 Seller's obligation.
- 3.24.070 Lien provisions.
- 3.24.080 Notation of payment.
- 3.24.090 Date payable.
- 3.24.100 Excessive and improper payments.

3.24.010 Real estate excise tax imposed.

Pursuant to RCW 82.46.010, the town imposes an excise tax on each sale of real property within the corporate limits of the town of Eatonville, at a tax rate of one-quarter of one percent (0.25%) of the selling price.

3.24.020 Additional real estate excise tax imposed.

In accordance with RCW 82.46.035, and in addition to the excise tax on the sale of real property imposed by Section 3.24.010 there is hereby imposed an excise tax on each sale of real property located within the corporate limits of the town at the rate of one quarter of one percent (0.25%) of the selling price to be collected by the County as prescribed in RCW 82.46.060. Proceeds from this additional tax shall be deposited in a separate account in the municipal capital improvements fund and expended as authorized by law under RCW 82.46.035.

3.24.030 Taxable events.

Taxes imposed herein shall be collected from persons who are taxable by the state under chapter 82.45 RCW and chapter 458-61 WAC upon the occurrence of any taxable event within the corporate limits of the town.

3.24.040 Consistency with state tax.

The taxes imposed herein shall comply with all applicable rules, regulations, laws and court decisions regarding real estate excise taxes as imposed by the state under chapter 82.45 RCW and chapter 458-61 WAC. The provisions of those chapters, to the extent they are not inconsistent with this ordinance, shall apply as though fully set forth herein.

3.24.050 Distribution of tax proceeds and limiting the use thereof.

- A. The county treasurer shall place one percent of the proceeds of the taxes imposed herein in the county current expense fund to defray costs of collection.
- B. The remaining proceeds from town taxes imposed herein shall be distributed to the town monthly and those taxes imposed under Section 1 shall be placed by the town treasurer in a

municipal capital improvements fund. This capital improvements fund shall be used by the town as authorized by RCW 82.46.010, as now or hereafter amended.

- C. This section shall not limit the existing authority of this town to impose special assessments on property specially benefited thereby in the manner prescribed by law.

3.24.060 Seller's obligation. The taxes imposed herein are the obligation of the seller and may be enforced through the action of debt against the seller or in the manner prescribed for the foreclosure of mortgages.

3.24.070 Lien Provisions. The taxes imposed herein and any interest or penalties thereon are the specific lien upon each piece of real property sold from the time of sale or until the tax is paid, which lien may be enforced in the manner prescribed for the foreclosure of mortgages. Resort to one course of enforcement is not an election not to pursue the other.

3.24.080 Notation of payment.

The taxes imposed herein shall be paid to and collected by the treasurer of the county within which is located the real property which was sold. The county treasurer shall act as agent for the town within the county imposing the tax. The county treasurer shall cause a stamp evidencing satisfaction of the lien to be affixed to the instrument of sale or conveyance prior to its recording or to the real estate excise tax affidavit in the case of used mobile home sales. A receipt issued by the county treasurer for the payment of the tax imposed herein shall be evidence of the satisfaction of the lien imposed in Section 3.24.040 and may be recorded in the manner prescribed for recording satisfactions or mortgages. No instrument of sale or conveyance evidencing a sale subject to the tax may be accepted by the county auditor for filing or recording until the tax is paid and the stamp affixed thereto; in case the tax is not due on the transfer, the instrument shall not be accepted until suitable notation of this fact is made on the instrument by the county treasurer.

3.24.090 Date payable.

The tax imposed hereunder shall become due and payable immediately at the time of sale and, if not so paid within thirty days thereafter, shall bear interest at the rate of one percent per month from the time of sale until the date of payment.

3.24.100 Excessive and improper payments.

If, upon written application by a taxpayer to the county treasurer for a refund, it appears a tax has been paid in excess of the amount actually due or upon a sale or other transfer declared to be exempt, such excess amount or improper payment shall be refunded by the county treasurer to the taxpayer: PROVIDED, That no refund shall be made unless the state has first authorized the refund of an excessive amount or an improper amount paid, unless such improper amount was paid as a result of a miscalculation. Any refund made shall be withheld from the next monthly distribution to the town.

10/15/22

Conclusions of analysis:	100% of town citizens will benefit from implementation of REET 2. Over 96% will not pay any additional taxes at all and they will benefit by not having to pay increases in utility rates (due to the grant opportunities that are created dur to REET 2 funds being used for grant matching oppotunities thereby reducing or eliminating the need to borrow money for infrastructure improvements). Those town citizens paying REET 2 taxes who still own property in Eatonville will receive a return on their REET 2 "investment" by not paying increases in their utility rates on property which they still own within the town limits over multiple years (how quickly they get their return is dependent on the value of the property they sell and how many properties they still own in the town limits).
--------------------------	--

Facts of analysis:

- 1) There are 2,890 residence in the Eatonville town limit (2022 census).
- 2) The REET 2 tax is one quarter of one percent (.0025)
- 3) All REET 2 funds generated can be used as matching funds on grant opportunities
- 4) REET 2 taxes are paid by individuals who are selling property within the town limits (not buyers).
- 5) Individuals paying REET 2 taxes will no longer own properties in the town limits (unless they own multiple properties in the town limits at the time of sale).
- 6) Individuals selling property in the town limits are not always town citizens.

Assumptions of analysis:

- 1) Adoption of the REET 2 tax will generate around \$125,000 per year in revenues (based on 2022 REET 1 actuals and projections).
- 2) The average sale price of a property in Eatonville is \$500,000.
- 3) 90% of those individuals selling property within the town limits only own one piece of property within the town limits.
- 4) REET 2 funds generated will be used on grants that require a 10% match.

Given the above, the analysis leads us to the following conclusions:

- 1) The annual dollars spent for real estate purchases in the town limits is \$50,000,000 ($\$125,000 / .0025$).
- 2) The number of people who could pay this tax is 100 ($\$50,000,000 / (\$500,000 * .0025)$)
- 3) The average price paid by these 100 people would be \$1,250 ($\$500,000 \text{ average} * .0025$).
- 4) The percent of town citizens paying this tax would be 3.5% ($100/2,890$) assuming all sales were by individuals living in Town.
- 5) The number of residents who would not pay any tax at all would be 96.5% ($2,790/2,890$).
- 6) We would be able to generate an additional \$1,250,000 in grant funds per year with the \$125,000 in match dollars

Benefits to town residents:

- 2) First year cost to the potential 100 town citizens paying the REET 2 tax: \$817.47 (average of \$1,250 REET 2 tax minus \$432.53 in grant benefits). The cost to these individuals will eventually be recouped due to lower utility rates on properties they still own within the town limits over multiple years.

Impact of approval of REET 2 tax on town citizens	
<p>Those citizens not paying any REET 2 taxes benefit by \$432.53 per year (year over year). If we have no REET 2 tax, we will need to borrow the potential \$1,250,000 in annual grant monies and add the cost to town utility rates (forcing citizens to pay for improvements).</p> <p>Approval and implementation of REET 2 results in a projected \$432.53 benefit to all town citizens (2,890 citizens) year over year.</p>	

[illegible]