

“RAISING TAXES WON’T MAKE HOUSING MORE AFFORDABLE”

By Scott Walker

Only in the up-is-down world of Olympia could someone propose creating affordable housing by making housing more expensive.

That’s exactly what HB 2276 would do: make housing more expensive. Despite the fact that the bill is being pitched as a strategy to create affordable housing, it would actually have the opposite effect.

Washington already has one of the highest real estate excise taxes (REET) in the country. HB 2276 would double down on this high rate by layering a second transfer tax on the sale of any property over \$3.025 million. In fact, if the bill becomes law, Washington’s total taxes on this type of sale would be nearly 40 times the tax rate in California. Not four times, forty. Oregon doesn’t even have a state REET.

Since you’re probably like most people and don’t have such an expensive home, why should you care?

Because most real estate sales at that price level aren’t individual houses. But many are sales of developable land or building lots for new homes. Higher taxes on those sales drive up the price of every home we build, making it that much harder to offer affordable choices for first-time buyers and working families.

HB 2776 represents a double-whammy. If enacted, both the REET and the new transfer tax will be imposed when we buy land, driving up its cost, which in turn drives up the price of the houses we build. Then the REET is paid again when someone buys those homes – with the tax imposed on a house whose price has been driven higher than it needed to be.

As homebuilders, we want more people to be able to afford the homes we build; it expands our market. We already face many challenges on the affordability front. COVID drove up both building materials and labor costs, and those trends haven’t stopped. Higher interest compound the problem by making everything more expensive.

So, when the Legislature imposes extra taxes on top of those higher costs, it makes a challenging situation that much worse. Our hands are tied; we lose and, even more importantly, so do our potential customers.

Perhaps the most infuriating thing about HB 2276 is that is being peddled as a tax cut. It’s true that there is a very modest reduction in the REET rate for some price levels baked into the legislation.

But for the average priced home sale in Pierce County (just under \$550,000) or Thurston County (just under \$500,000), there would be no rate reduction at all. Zero. In other words, the tax reduction supposed to make housing more affordable would have absolutely no benefit for sellers of affordable homes in the South Sound region.

I've dedicated most of my career to creating homes for working families, so I understand what we need to make affordable housing options available for people. Raising taxes to fund a few select state housing programs is not the answer. Especially when the Legislature already pumped more than \$1 billion into housing last session – without raising the REET. Making it less costly to create housing is the answer.

State and local governments have made a lot of decisions over the years that increase the cost of housing. Builders here face some of the most rigorous zoning and time-consuming permit approval processes anywhere. Complying with these regulations make it more costly and time-consuming to turn raw land into neighborhoods.

Legislators wanting to help make housing more affordable should look in the mirror and consider the impact of those past decisions, and ask themselves what they could do differently to spur all home construction. If they look at the issue honestly, they'll conclude that an increase in real estate taxes won't do that. It won't make housing any more affordable. It will do the opposite.

They should reject HB 2276.

Scott Walker is the vice president of Rush Residential, a division of The Rush Companies, a Puget Sound-area residential development and home building company with extensive commercial, multifamily construction and property management divisions.