



Real Estate Sales and the Local Economy

Profile of the 46th Legislative District

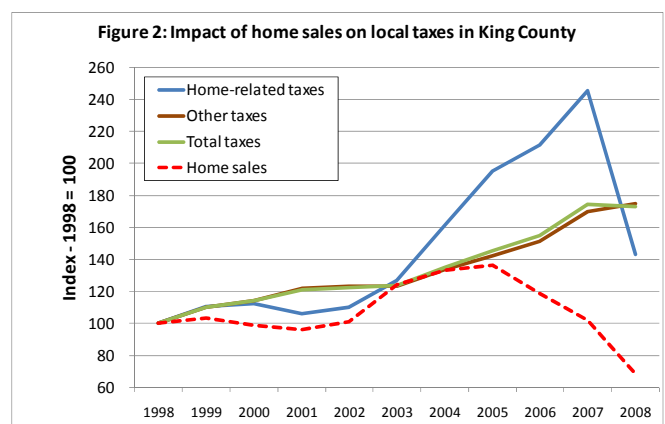
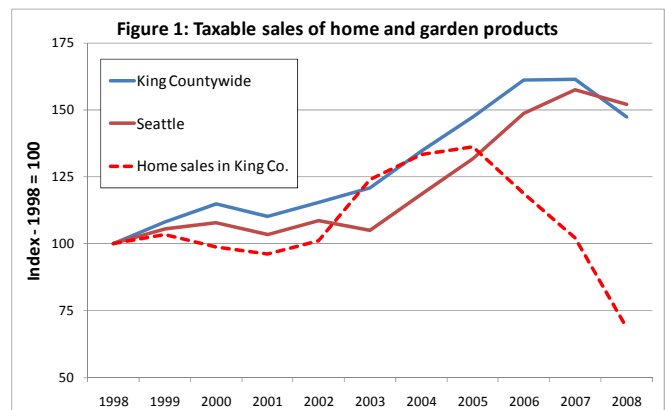
The sale of residential real estate has an impact on local economies and local governments.

Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where the sale happened.

Indirect tax and employment impacts. Buyers of new homes purchase furnishings, and buyers of existing homes often upgrade those homes and purchase appliances, finishing materials, floor and window coverings, and landscape materials. This generates local jobs and tax revenues.

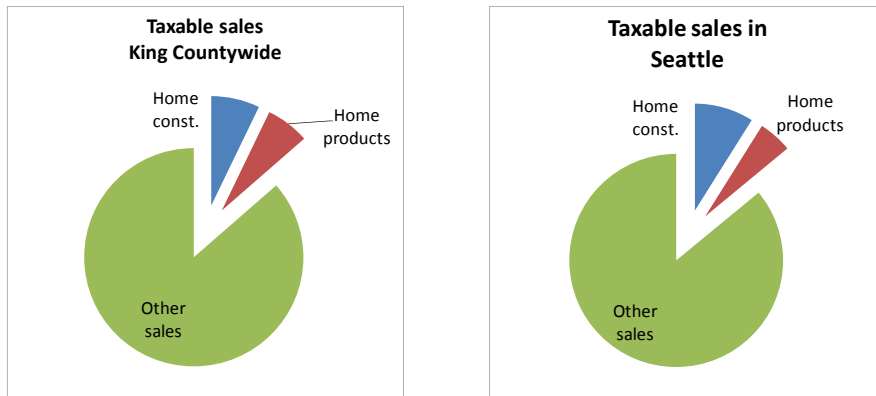
Figure 1 shows that as home sales in King County dropped, beginning in 2006, sales at home and garden stores fell countywide and in Seattle. The home and garden category experienced an employment drop of six percent in King County between 2007 and 2008.

When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and tax collections for King County and all its cities combined. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Local governments in the 46th District depend on home-related taxes. **Figure 3** shows the shares of total taxable sales taken up by home products sales and taxable new home construction. Home-related sales taxes make up about 14 percent of the tax base, countywide and about 14 percent in Seattle.

Figure 3: 2008 taxable sales in two jurisdictions of the 46th District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bite out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

Recovery in home sales will result in:

- Recovery of sales of home products, thereby increasing employment and sales tax collections in home improvement, appliance and furnishings stores.
- A gradual increase in new construction, driving construction employment and recovery in construction sales tax.
- Recovery in collections of REET.

Recovery in sales of new and existing homes is a necessary first step toward reestablishing employment and financial stability in local communities.



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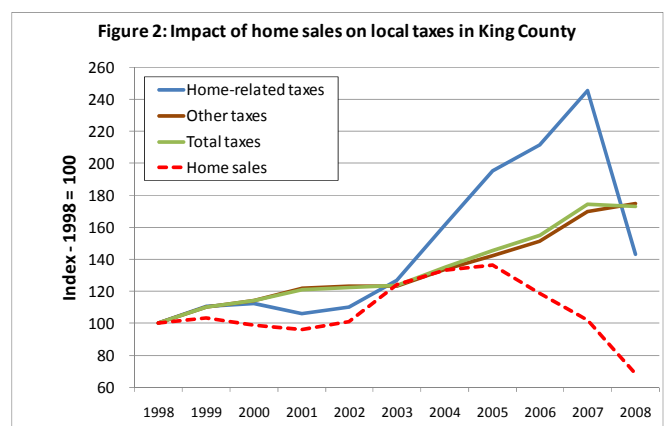
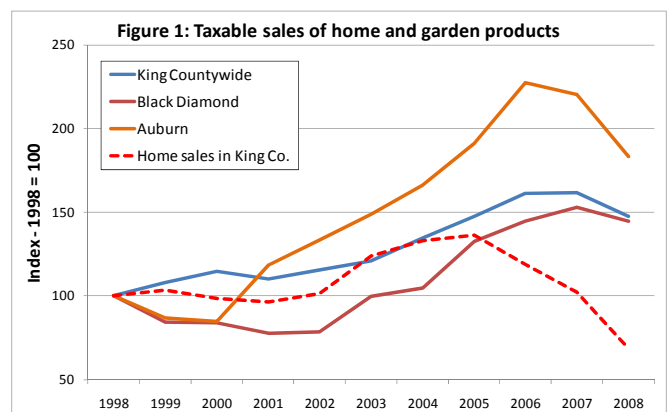
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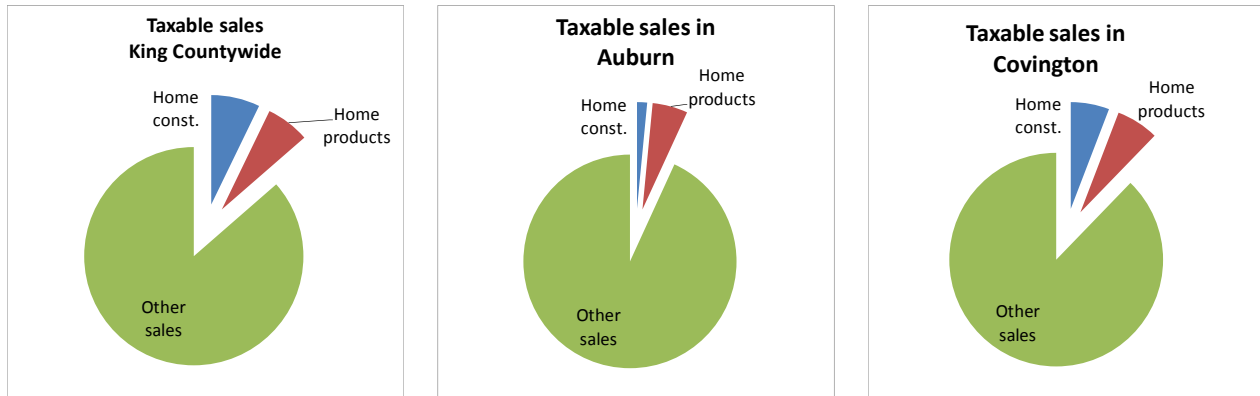
Figure 1 shows that as home sales in King County fell, beginning in 2006, sales in home and garden stores fell countywide and in Auburn and Black Diamond. The home and garden category experienced an employment drop of three percent in Snohomish County between 2007 and 2008.

When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and tax collections for King County and all its cities combined. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Local governments in the 47th District have varying degrees of dependence on home-related taxes. **Figure 3** shows the shares of total taxable sales taken up by home products sales and taxable new home construction. Countywide, these two categories account for about 14 percent of taxable sales, and about seven percent in Auburn and 12 percent of taxable sales in Covington.

Figure 3: 2008 taxable sales in three jurisdictions of the 47th District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bite out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

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Data sources: Washington State Departments of Revenue and Employment Security, Washington State Auditor's Office, Washington Center for Real Estate Research.



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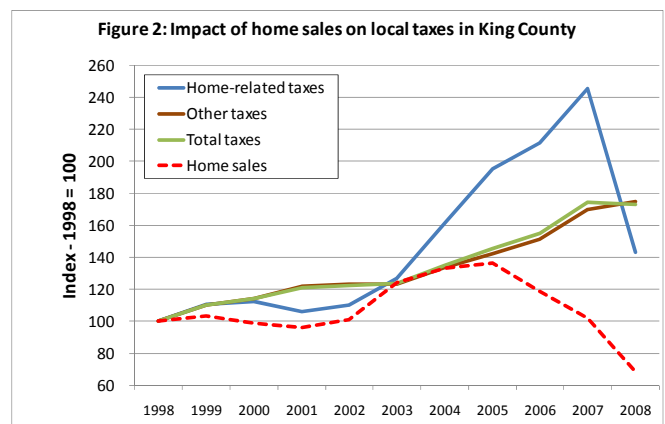
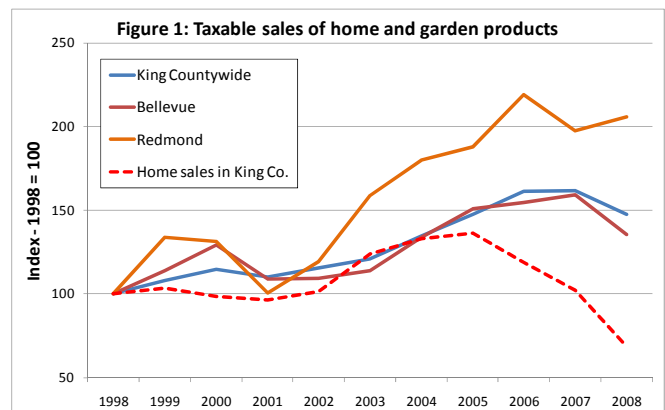
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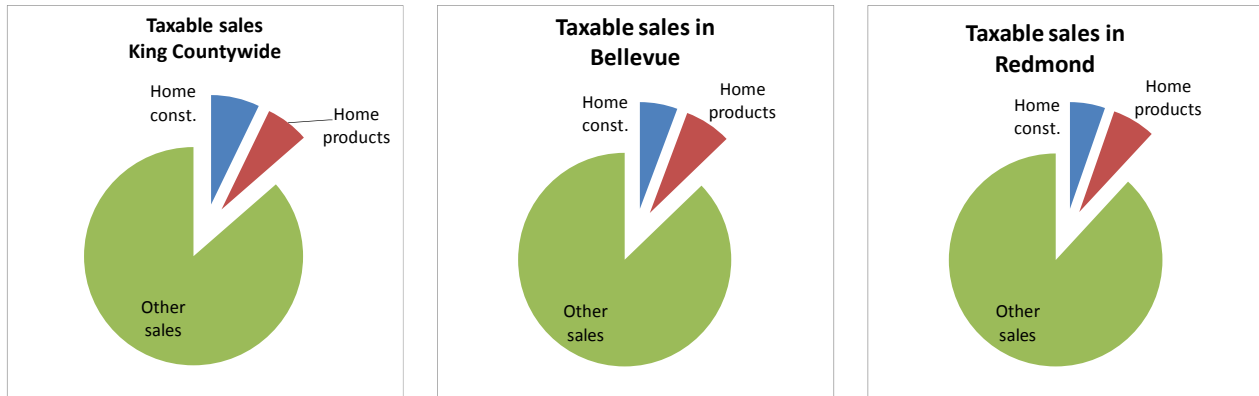
Figure 1 shows that as home sales fell in King County, beginning in 2006, sales at home and garden stores fell countywide and in Bellevue and Redmond. The home and garden category experienced an employment drop of three percent in Snohomish County between 2007 and 2008.

When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and tax collections for King County and all its cities combined. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Local governments in the 48th District depend on home-related taxes. **Figure 3** shows the shares of total taxable sales taken up by home products sales and taxable new home construction. Countywide, these two categories account for about 14 percent of taxable sales, and about 13 percent in Bellevue and 12 percent in Redmond.

Figure 3: 2008 taxable sales in three jurisdictions of the 48th District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bite out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

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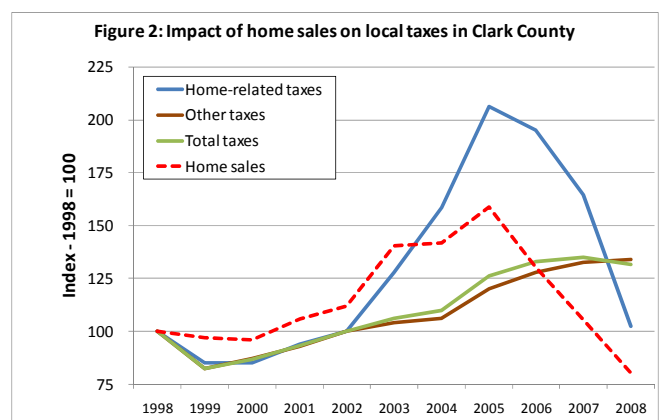
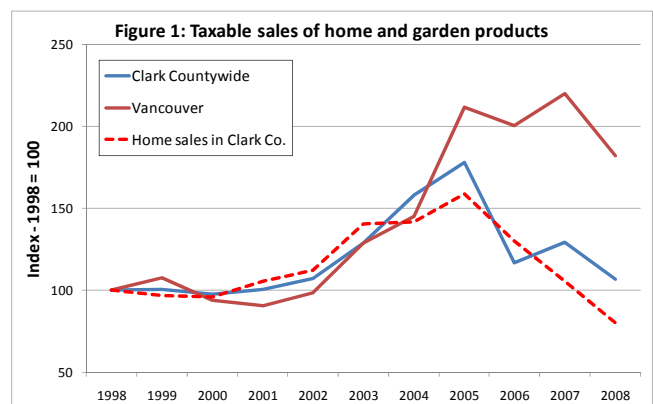
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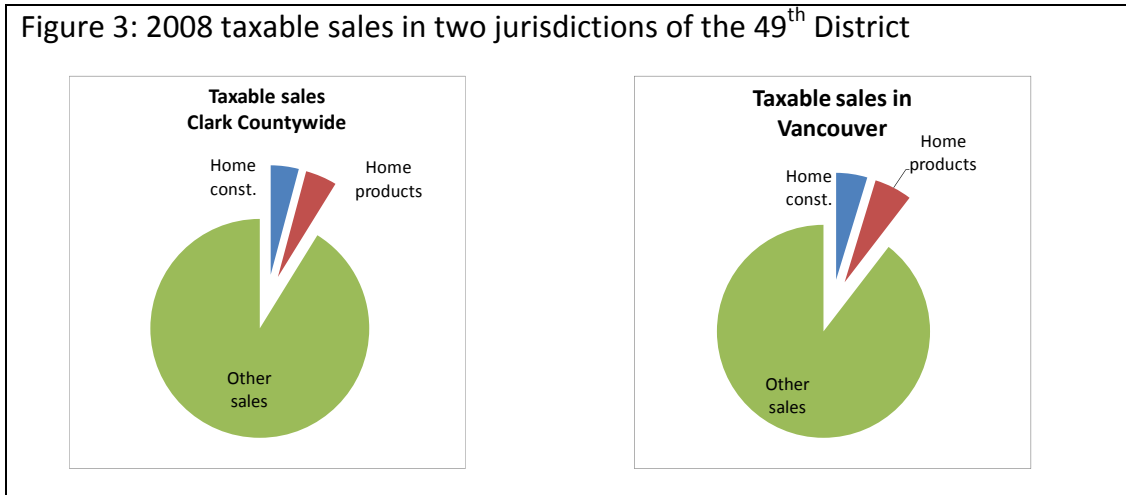
Indirect tax and employment impacts. Buyers of new homes purchase furnishings, and buyers of existing homes often upgrade those homes and purchase appliances, finishing materials, floor and window coverings, and landscape materials. This generates local jobs and tax revenues.

Figure 1 shows that as home sales fell in Clark County, beginning in 2006, sales at home and garden stores fell countywide and in Vancouver. The home and garden category experienced an employment drop of four percent in Clark County between 2007 and 2008.

When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and tax collections for Clark County and all their cities combined. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Local governments in the 49th District depend on home-related taxes. Figure 3 shows the share of taxable sales taken up by home products sales and taxable home construction. Countywide, these two categories account for about eight percent of taxable sales, and they account for about 10 percent of taxable sales in Vancouver. If this chart had been done in 2005, the countywide slices would have been two thirds thicker.



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bite out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

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