

WASHINGTON REALTORS®

POSITION STATEMENTS



STATE TAXES | INFRASTRUCTURE & TRANSPORTATION | LOCAL GOVERNMENT
ECONOMIC DEVELOPMENT | FEDERAL TAX & BUDGET ISSUES | HOUSING
ENVIRONMENT | LAND USE | CONSUMER PROTECTION | BUSINESS ISSUES



FOREWORD

Washington REALTORS® is one of the largest business trade associations in Washington State. Our members are in every community and interact with hundreds of thousands of property owners throughout the State annually.

The Association is respected in Olympia for our policy positions on issues that affect the real estate transaction, the cost and supply of housing, and land development. Though there are a myriad of policies that stakeholders and the public weigh in on every year, the Association's positions are limited to those that most directly impact our industry and property owners.

This document, a compilation of those positions, is the result of hours of work by our three Special Committees during 2024. The Consumer and Business Affairs, Tax and Fiscal, and Land Use and Environment Special Committees are composed of REALTORS® who met several times during the interim to update these position statements. Recommendations from those Special Committees were forwarded for review to our Legislative Steering Committee and then on to the Board of Directors for approval.

State legislators, agencies and executive leaders need, and often request, the opinion

of the Washington REALTORS® because they understand that our industry and the home and property owners we advise are critically linked to the economic destiny and the quality of life of our state. These position statements provide a basic guide on where we stand when issues arise regarding real estate.

Members of the Association are actively involved in the legislative and political process. In Olympia, our staff, our leadership and our government affairs committees are committed to defending and protecting our industry and the clients we serve.

Washington REALTORS® works to maintain your trust and stands ready to analyze and present REALTOR® positions and values and provide reliable information on important issues that impact the real estate industry. With these positions, we remain vigilant to prevent legislation that could harm our members and to support legislation that can help.

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For questions, please reach out to the Government Affairs Staff at 360-943-3100 or info@warealtor.org



WASHINGTON REALTORS® POSITION STATEMENTS

SECTION 1 TAX AND FISCAL ISSUES

I. STATE TAXES

REALTORS® understand that tax revenues are necessary funding sources for schools, roads, parks, social services, and many other programs. REALTORS® believe that the state should collect only as much revenue as is needed to operate and fund programs and services that the private sector cannot provide. REALTORS® support the state's efforts to seek cost effective and efficient measures to deliver programs and services which may include contracting out certain government functions to the private sector.

REALTORS® believe revenue sources should have a logical nexus to the need for and use of the funds. REALTORS® believe government should clearly identify revenue sources that fund projects or services that have clear and measurable outcomes. Once the specified period has expired, the tax and projects should sunset.

REALTORS® may support new taxes for new infrastructure, provided the new funds do not supplant existing revenues normally budgeted for capital projects, and taxes are project specific and for a specific period. REALTORS® may consider supporting new taxes for maintenance and operations, provided the new funds do not supplant existing revenues directed toward such maintenance, nor does it decrease the level of

funding from existing sources. Also, new funding must provide a measurable difference in the level of service.

A. STATE REAL ESTATE EXCISE TAX (REET)

The Legislature has authorized a state graduated real estate excise tax (REET) on the sale price of every residential and commercial real estate transaction. Washington's REET is one of the highest in the nation, and negatively affects housing affordability, workforce mobility, home ownership, commercial real estate, and land development.

The REET increases the cost of housing for buyers and is paid directly from the equity of sellers. Move-up buyers lose valuable equity needed to re-invest in a newer or larger home affecting the decision and/or ability to change housing status. A decision not to move up results in reduced inventory of older, smaller, more affordable homes available for first time buyers. Reduced inventory drives up the price of the existing housing stock causing it to be used less efficiently.

REET places a higher burden on people with lower incomes and disproportionately burdens those who move often. On average, 5% of existing homes are



sold each year placing a burden on the population who pay the tax, even though the proceeds of the REET benefit society at large. Additionally, REET creates a ripple effect in commercial real estate transactions and land for housing development.

REET is an unreliable source of revenue as it fluctuates with the cyclical housing market and thus is an inappropriate source of funding for general operating fund uses.

REALTORS® support the reduction, or elimination, of REET and will oppose any increase in the current rate.

B. STATE BUSINESS & OCCUPATION TAX (B&O TAX)

The base business and occupation tax (“B&O tax”) rate for real estate brokerage services is 1.5%¹. However, because of the structure of the real estate industry, individual REALTORS® do not benefit from the state’s small business B&O tax credit that is available to many other service businesses. The B&O tax is extremely regressive and unfair because it is a tax that applies only to gross receipts, without regard to the amount of business expenses or profit. The B&O tax is a significant disincentive for new businesses to move to Washington State, and for existing businesses to expand operations.

REALTORS® believe Washington State should repeal the current B&O tax on gross receipts and replace it with a system that is fair to businesses by reflecting expenses and profit. REALTORS® will support measures that will eliminate or reduce the B&O tax burden on business and

oppose further increases in the B&O tax rate on real estate and other professional services.

C. SALES TAX ON REAL ESTATE BROKERAGE SERVICES

Washington’s tax code relies heavily on the 6.5%² general state sales tax to fund state government³. Items not subject to sales tax include sales of food and groceries, gas, and professional services like real estate, accounting, and legal services. The exemption from sales tax for certain services is based in part on the fact that service businesses like real estate already pay the highest B&O tax rate in the state, and that Washington State has one of the highest B&O tax rates and real estate excise tax rates in the country. In recent years, the State Legislature has considered whether to apply sales tax to certain service activities like real estate.

Applying the sales tax to real estate services will reduce the demand for housing by effectively increasing the cost to buy a home. The sales tax will be passed on to homebuyers and sellers, increasing the costs of housing. A sales tax on real estate services will also increase closing costs on both residential and commercial property, will increase the costs of running a real estate business, and will increase the construction costs for new homes.

REALTORS® oppose applying sales tax to real estate services and other professional services.

D. STATE PROPERTY TAXES

Property taxes consist of a state and local portion⁴. Washington State property taxes are distributed to local governments, state government and school

1. <https://dor.wa.gov/taxes-rates/business-occupation-tax>

2. <https://dor.wa.gov/taxes-rates/retail-sales-tax>

3. Approximately 50% of GF revenue for FY 2023: <https://erfc.wa.gov/sites/default/files/public/documents/publications/feb24pub.pdf>

4. <https://dor.wa.gov/taxes-rates/property-tax>

districts. Over 50% of all property tax revenues collected, both by the state and local governments, are collected in support of K-12 education, with the state's share being distributed entirely to public schools.

While the State Constitution requires that property tax must apply uniformly to all taxpayers, the Legislature may exempt or defer property tax obligations on certain types of property. However, any property tax exemption reduces the overall base of taxable property and thus causes a tax shift. The State Constitution also includes a 1% property tax limit (\$10 per \$1,000 of assessed value), which may only be raised by approval of 60% of the taxing district's voters. Of this \$10 per \$1,000 rate, up to \$3.60 is provided to the state, while the rest is available for local governments.

The State Constitution stipulates that property tax is levied against the "true and fair" value of property. Property assessment, or valuation, is overseen by the county assessor, and all taxable property must be assessed at one hundred percent of its true and fair value unless the law specifically provides otherwise, such as with low-income retired persons.

In 2001, voters passed Initiative 747 which restricted taxing districts to a property tax increase of the lesser of inflation, or one percent. This limit is on the taxes collected and not on the growing value of the property. Thus, under Initiative 747, a taxing district could collect only one percent more than the previous year's cumulative total of property taxes assessed within its district.

REALTORS® support the existing limits on property tax increases, and the ability of voters to increase property tax revenue beyond the 1% limit through a 60% vote. REALTORS® recognize that the 1% limit may not reflect the increasing costs of government services driven by population growth, inflation, and citizen demand for more services. REALTORS® support existing property tax exemptions and deferrals for senior and low-income citizens and open space but oppose the creation of additional exemptions that shift property tax burdens from one group to another.

REALTORS® believe that using property tax to fund government projects and services is preferable to using the real estate excise tax (REET), because property tax applies uniformly to all taxpayers within a district rather than singling out the seller's equity as a source of tax

revenue. Further, property tax provides a stable source of revenue compared with the volatility of REET.

E. STATE INCOME TAX

Washington State's general fund income relies primarily on retail sales tax, property tax, business, and occupation tax, use tax, cigarette tax, and real estate excise tax (REET). Washington State does not have a state income tax; however, Washington does impose a 7% capital gains tax on the sale or exchange of long-term capital assets such as stocks, bonds, business interests, or other investments and tangible assets⁵.

REALTORS® oppose the adoption of a state income tax and continue to support the exemption of real estate from capital gains.

F. THE STATE BUDGET

REALTORS® support a state operating budget with revenue and spending limits based on population growth and inflation. Having these limits in place enables the state to adopt sustainable budgets and analyze the fiscal impacts of creating new programs or services at the state level. State budgeting should also seek to include tax relief that creates economic incentives for businesses in Washington State.

REALTORS® priorities for the capital budget include funding for basic infrastructure, economic development, school construction, and housing. REALTOR® priorities for the transportation budget include increased funding for local transportation infrastructure, reduced traffic congestion, and improved freight mobility.

G. UNFUNDED MANDATES

Over the last few decades, the state and federal government and citizen initiatives have created new laws and programs without identifying how these programs will be funded. These unfunded mandates divert the resources of state and local governments away from the basic programs and services. In addition, unfunded mandates impose burdens on businesses and citizens. REALTORS® oppose creating new federal, state, or local mandates without identifying the specific funding source for implementation.

5. <https://dor.wa.gov/taxes-rates/other-taxes/capital-gains-tax/frequently-asked-questions-about-washingtons-capital-gains-tax>



II. STATE FUNDING OF INFRASTRUCTURE AND TRANSPORTATION

A. BASIC INFRASTRUCTURE FUNDING

Investment in basic infrastructure is necessary for the state and local governments to provide the roads, bridges, water, sewers, and parks that support our state's economic development and quality of life. While the State has established new requirements for local governments such as the Growth Management Act, it has not kept pace with providing the infrastructure funding necessary for local governments to accommodate growth.

REALTORS® support full funding for the Public Works Trust Fund⁶, which is a revolving loan fund at the state level that relies on a part of the state real estate excise tax, utility tax, and other sources to fund basic infrastructure. In addition, REALTORS® support creating new infrastructure funding mechanisms, including dedicating growth-related revenues such as the real estate excise tax, construction sales tax, and sales tax attributable to new development to fund basic infrastructure. Such growth-related revenues are one-time revenues, and revenues from these sources that exceed a certain fiscal growth factor would allow the state to rely on a predictable level of revenue for general fund use while dedicating revenue above this level to infrastructure needs.

B. STATE TRANSPORTATION FUNDING

State funding for transportation is a critical piece of economic development and land use planning in Washington State. Gas tax revenue, the primary source of transportation funding, will continue to decline in future years. Because of this, more revenue will be necessary for the state to maintain or increase levels of transportation funding.

REALTORS® will consider supporting new funding proposals such as one-time funding packages, tolling, user fees, and gas tax.

Mass transit will also provide an increasingly important source of transportation in future years. REALTORS® support mass transit projects that are necessary and cost effective and reflect demand for transit services. Mass transit projects should be selected, sited, and developed consistent with the overall land use plan so that the transit projects provide mobility between housing and employment centers. REALTORS® believe that while mass transit is necessary and cost effective in some parts of Washington State, it is not a solution to transportation issues in all areas.

6. <https://deptofcommerce.app.box.com/v/pwbbdpwaafactsheet>



III. LOCAL GOVERNMENT TAX & FISCAL ISSUES

While adopted at the state level, local governments have primary responsibility for implementing the laws and programs that affect real estate, housing, and the quality of life in our communities. These laws include those that regulate housing and land development, provide the infrastructure necessary to accommodate growth, and generate revenue at the local level to pay for capital and operating expenses of local governments. REALTORS® believe that when new revenues are considered, the revenue source should have a logical nexus to the need for and use of the funds.

A. VOTER APPROVAL FOR LOCAL REVENUES.

REALTORS® believe that local revenue options should be subject to local voter approval. This allows for individual local governments to choose their own spending priorities and revenue tools to reflect the citizen expectations. REALTORS® will neither categorically support nor oppose local government proposals for more local revenue. Rather, REALTORS® will be active participants in the local debate when additional revenue is needed, for what purposes, and how local priorities should be identified and implemented.

B. LOCAL REAL ESTATE EXCISE TAX (REET).

In addition to the state portion of the real estate excise tax (REET), the State has authorized cities and counties to impose two additional .25% local REETs. The fact that cities and counties can impose a local REET is one of reasons why Washington's total REET is one of the highest in the nation.

The two main REET options for cities and counties are:

- REET 1⁷, or the “first quarter percent” – a 0.25% REET which may be imposed by any city, town, or county primarily for capital projects and limited maintenance.
- REET 2⁸, or the “second quarter percent” – an additional 0.25% REET which may be imposed by any city, town, or county fully planning under the Growth Management Act, to be used primarily for capital projects and limited maintenance.

Like the state REET, the imposition of a real estate transfer tax takes money directly from the seller's equity and is a major disincentive for home sales. From a local budgeting perspective, the REET is a volatile funding source that is unreliable for use in local operating

7. Any city, town, or county may impose a 0.25% real estate excise tax – known as REET 1 or the “first quarter percent” (RCW 82.46.010). If a county imposes this tax, it is applied within the unincorporated areas only. This tax may be imposed by the legislative body and does not require voter approval. Almost all cities, towns, and counties in the state have imposed REET 1, with the exception of a few very small jurisdictions.

8. For jurisdictions that are required to fully plan under GMA, REET 2 may be imposed by the legislative body and does not require voter approval. However, any jurisdiction that is voluntarily choosing to plan under GMA must submit the REET 2 proposition to voters.

budgets. REALTORS® support use of the local REET to construct necessary local basic infrastructure and oppose increases in the existing local REET rate.

C. LOCAL BUSINESS & OCCUPATION TAX (B&O TAX).

State law authorizes cities to impose a business and occupation tax (“B&O tax”) on certain businesses. Like the state B&O tax, the local B&O tax is a regressive tax because it is based on a business’s gross income without regard to expenses or profit.

Several cities in Washington State have enacted local B&O taxes, and this tax has proven to be a significant disincentive for businesses that might otherwise locate to those cities.

REALTORS® oppose the adoption of or increase in B&O tax rates on real estate firms. For those cities that impose B&O taxes, REALTORS® believe that the local tax ordinance should provide a threshold to exempt a certain level of business income from B&O tax. This threshold should be established to protect small businesses. In addition, cities with local B&O tax must comply with the state’s municipal B&O tax apportionment law to avoid double taxation of businesses and should develop streamlined B&O tax reporting procedures to minimize the administrative and recordkeeping burdens on real estate firms.

D. LOCAL PROPERTY TAXES.

Property tax is the largest source of revenue for local governments⁹. Local governments with property tax authority include hundreds of separate taxing districts, including counties, cities, fire districts, emergency medical districts, ports, libraries, and numerous other local taxing entities.

The State Constitution includes a 1% property tax limit (\$10 per \$1,000 of assessed value), which may only be exceeded by approval of 60% of the taxing district’s voters. Of this \$10 per \$1,000 rate, up to \$3.60 is provided to the state, while the remaining \$6.40 is available for local taxing districts. Of this \$6.40, \$5.90 per \$1,000 is available for local taxing districts, and senior taxing districts (counties, cities, and roads) have priority in levying this \$5.90. Any remainder is then allocated to junior taxing districts. An additional \$.50 per \$1,000 is available for six different local purposes: open space, emergency medical, affordable housing,

metropolitan parks, criminal justice, and ferries.

Like the state, local taxing districts are subject to a property tax increase of the lesser of inflation, or one percent. This limit is on the taxes collected and not on the growing value of the property. Thus, a local government taxing district could collect only one percent more than the previous year’s cumulative total of property taxes assessed within its jurisdiction.

REALTORS® support the existing limits on property tax increases, and the ability of voters to increase property tax revenue beyond the 1% limit through a 60% vote. REALTORS® recognize that the 1% limit may not reflect the increasing costs of government services driven by population growth, inflation, and citizen demand for more services. REALTORS® support existing property tax exemptions and deferrals for senior and low-income citizens and open space but oppose the creation of additional exemptions that shift property tax burdens from one group to another.

REALTORS® believe that using property tax to fund government projects and services is preferable to using the real estate excise tax (REET), because property tax applies uniformly to all taxpayers within a specific jurisdiction rather than singling out seller’s equity as a source of tax revenue. Further, property tax provides a stable source of revenue compared to the volatility of REET.

E. IMPACT FEES

Impact fees are fees charged by local governments to developers to pay for the costs of providing new or improved public facilities. Impact fees are authorized for jurisdictions planning under the Growth Management Act for public streets and roads, parks and recreation facilities, schools, and fire protection facilities. In addition, the State Environmental Policy Act authorizes payments to mitigate direct impacts of development, including those on public facilities.

Impact fees must have a nexus with the demand on public facilities created by the new development, and the amount of the fees may not exceed the development’s proportionate share of the cost of the public facility.

REALTORS® believe that instead of relying on new or increased impact fees, local governments should seek to fund public facilities through broader funding sources. Public facilities are a benefit to communities at large and funding sources should be broad as well.

9. <https://dor.wa.gov/taxes-rates/property-tax/county-assessor-and-treasurer-websites>

In addition, REALTORS® believe that impact fees unfairly target all new construction. REALTORS® support delaying payment of impact fees until the certificate of occupancy, rather than at the subdivision or building-permit phase. Delaying the payment of these fees reduces the carrying costs of new development.

F. LOCAL BUSINESS TAXES AND FEES

Washington's local governments may impose a variety of taxes and fees on businesses such as a business and occupation tax ("B&O tax") up to .2% of gross value of business activity, and fees for revenue and regulatory purposes based on the number of employees, square feet, or standard flat rate fees, which have no statutory limit. Businesses that operate in multiple jurisdictions may also be required to pay taxes and fees specific to each jurisdiction in which operate.

In adopting local taxes and fees, REALTORS® support the following principles:

- Limit local business license fees to the amount necessary to meet administrative costs.
- Limit city license fee authority to collect fees only for administrative purposes, not as a revenue generating measure.
- Limit city license fee authority to collect business license fees only for the city in which the business is located.
- Set single, uniform tax classifications on businesses that do not exceed 100% of their income; and,
- Ensure municipal business taxes are collected only for revenues generated within the taxing jurisdiction.

G. LOCAL INFRASTRUCTURE AND TRANSPORTATION

At the local level, infrastructure is a necessary investment in the growth of society, the economy, and our quality of life. Infrastructure such as roads, bridges, water, and sewer systems, along with schools and parks – provide an essential foundation to a healthy community. Sufficient funding of infrastructure is a critical investment in

our communities. Financing infrastructure projects encourages economic growth and expands the tax base through commercial and residential development.

REALTORS® support maintaining and increasing local funding for infrastructure development, both to encourage economic development and to ensure adequate supply of housing.

H. PARKS, RECREATION, AND OPEN SPACE

Providing parks, trails, and other recreational opportunities is important to comprehensive land use planning and maintaining quality of life in our communities. As new housing styles such as condominiums and townhouses become more prevalent, public recreational spaces become an important amenity for local governments to provide.

REALTORS® support the Washington Wildlife and Recreation Program¹⁰ (WWRP), which provides funding for a variety of outdoor recreation such as parks, trails, and water access. In addition, WWRP funds habitat and farmland protection projections through voluntary land transfers, not by relying on more regulation.

REALTORS® also supports the implementation of local government authority under the Conservation Futures program. This program allows local governments to generate property tax funds dedicated to property acquisition to protect natural resources and recreational opportunities.

REALTORS® believe that local governments should acquire parks and recreational lands through a planning process that addresses long-term needs to include how facilities will be operated and maintained. To operate and maintain parks, REALTORS® encourage local governments to identify dedicated funding sources that are stable and to work with adjacent jurisdictions to consider the formation of Metropolitan Parks Districts.

10. <https://wildliferecreation.org/washington-wildlife-and-recreation-program/>



IV. ECONOMIC DEVELOPMENT & ECONOMIC IMPACTS OF REAL ESTATE

REALTORS® believe that both state and local governments must focus on economic development to ensure prosperity now and into the future. Washington State must compete against other states, regions, and countries and so our state must implement economic development strategies that support our existing, and attract new, businesses. The success of our overall business community and a strong real estate market go together. REALTORS® support continued economic development while also ensuring the protection of Washington's quality of life. Our state's quality of life is one of the main factors that results in our state continuing to draw new residents from other parts of the country.

Economic development strategies must reflect the diverse economies that exist in Washington State. The Puget Sound area will continue to be a leader

in high tech, aerospace, biotech, and international trade. In these areas, economic development strategies should focus on these economic clusters and work with those companies to ensure that employees have high quality and affordable housing choices. Rural parts of Washington State have economies that include tourism, agriculture, and natural resources. For these parts of our state, economic development efforts must reflect the needs of those industries and the preferences of residents who support them.

REALTORS® support state efforts to adopt economic development plans for the state and its different economic sectors and support local governments including the economic development element in local GMA Comprehensive Plans.

V. FEDERAL TAX AND BUDGET ISSUES

REALTORS® position on federal tax and budget issues are developed and promoted by the National Association of REALTORS®. The position statements below are based on NAR's positions on key federal tax and budget issues of most importance to REALTORS®. Additional NAR positions on other federal issues are available at <http://www.realtor.org/politicaladvocacy>.

A. FEDERAL TAXATION AND TAX REFORM

The federal tax code includes provisions that are critical to enable homeownership and maintain the importance of real estate in the nation's economy, including the mortgage interest deduction and the primary residence capital gains exclusion. Any tax revisions enacted by Congress should continue to encourage savings, investment, and home ownership.

REALTORS® do not embrace a single tax reform model such as a flat tax or a national sales tax. Rather, REALTORS® acknowledge the complexity of the current tax system and seeks to assure that tax reforms support the goals of homeownership and freedom to buy, maintain and sell real estate. REALTORS® emphasize that the homeownership tax provisions of the current federal tax code are among the most widely used by homeowners and small businesses. In addition, REALTORS® seek fairness in the tax code for self-employed workers.

B. FEDERAL MORTGAGE INTEREST DEDUCTION (MID)

Individuals may deduct interest paid on mortgage debt of up to \$750,000. If the mortgage was taken out prior to December 16, 2017, and qualifies, the maximum deduction amount is \$1 million. Neither limit is indexed to inflation.

REALTORS® support the retention of the mortgage interest deduction as a successful tool to achieve homeownership. First-time homeowners often cite MID as one of the primary reasons for buying a home.

Any reduction in the MID would reduce the number of both first-time homeowners and move-up buyers which would negatively impact federal, state, and national economies and tax revenue as the economic benefits of housing would be greatly reduced.

C. FEDERAL CAPITAL GAINS RATE AND PRIMARY RESIDENCE EXCLUSION

Long-term capital gains, which apply to assets held for more than one year, are taxed at a lower rate than short term assets. Most real estate is considered a long-term gain, and individuals can exclude up to \$250,000 (\$500,000 for a married couple filing jointly) of capital gains on the sale of real property if the owner used it as primary residence for two of the five years before the date of sale.

Capital gains on certain types of investment property can be avoided by using 1031 exchange in which the proceeds of a sale are used to buy "like kind" property within a certain period of time after the first sale. These provisions make the capital gains part of the tax code of critical importance to both homeowners and real estate investors.

REALTORS® support lower capital gains rates, the Section 1031 exchange provisions, and the capital gains primary residence exclusion. These provisions of the tax code encourage savings and investment in long-term assets like real estate and are necessary to protect both homeowners and investors from the tax on the inflationary increase on long-term assets.

The capital gains exclusion for primary residences is a necessary tool to enable current homeowners to sell property without adverse tax consequences and become move-up buyers, which in turn frees up housing supply for first-time homebuyers.



SECTION 2 – HOUSING, LAND USE, AND ENVIRONMENT

I. HOUSING

Washington State ranks among the lowest states in the country for both housing supply and housing affordability. The shortage of all types of new housing is a direct cause of the dramatic and sustained increases in the cost of housing for both owners and renters. The lack of new housing supply contributes to the declining rate of homeownership in Washington State as well as being a cause of homelessness. The housing supply and affordability crisis negatively impacts people of all ages, families, communities, and our state's economy. Addressing our state's systemic lack of housing supply and affordability crisis requires a multi-faceted approach at the local, state, and federal level; and at all price points and housing types. REALTORS® support policies that will increase both the supply and affordability of housing throughout the housing spectrum: housing for first-time homebuyers, growing families, renters, older residents seeking to downsize, workforce housing, and low-income housing.

A. HOME OWNERSHIP

Homeownership is the single-most important factor in building personal and generational wealth, and the importance of homeownership extends far beyond financial considerations. Homeownership promotes social and family stability and engagement in local communities. Homeownership motivates people to be engaged in their neighborhoods and in local government actions. Homeowners pay property taxes and invest in their homes, providing a major source of revenue for government. Housing at affordable prices makes our communities attractive to businesses that want to relocate to or remain in our state. Housing is a major driver of the economy, representing the largest expenditure that consumers make. In addition to increasing housing supply, policies, and funding programs must ensure that new housing includes homeownership opportunities, especially for first-time homeowners.

B. HOUSING AFFORDABILITY

Housing is affordable when people who work in the community can rent or own housing in that community without undue financial burden and when home ownership is achievable for a broad range of households. The lack of housing supply can drive housing prices out of the reach of too many families hoping to buy their first home.

C. SUPPLY AND DEMAND OF HOUSING

The price of housing, like that of any other economic good, results from interplay between supply and demand. An increase in demand for existing housing increases the price of currently available housing. This has a number of causes, including land use and growth controls that have constrained the housing market with regulatory barriers that limit the land available for housing, delay new housing construction, and raise development and construction costs. Lack of sufficient housing choices for areas with growing populations and limited land capacity coupled with ongoing strong job growth in Washington State creates a higher demand for more housing as existing homes are absorbed by the population and forces prices of a limited supply of available homes to rise.

REALTORS® believe that changes to the Growth Management Act and local comprehensive plans and development regulations are necessary to ensure increased adequate housing supply for all income levels in local communities. At a minimum, these changes must include:

- Increasing the densities of the Urban Growth Areas;
- Increasing the amount of buildable land capacity available for development; and
- Ensuring county and city compliance with the Growth Management Act's housing goals and local community comprehensive plans' housing requirements. These measures should include both enforcement and incentive provisions.

D. INCREASING HOUSING CHOICES AND TYPES OF HOUSING SUPPLY

Increasing housing supply must also include increasing the choice and variety of housing types. State legislation and local regulations must allow the construction

of all housing types of different sizes: single and multifamily housing, condominiums, townhouses, accessory dwelling units (ADUs), duplexes and other middle housing types. By allowing the construction of a variety of housing types and sizes, the housing market can address the full range of affordability levels and preferences for both buyers and renters that reflect different household sizes and life stages. Condominium construction and liability provisions should be reformed to reduce the cost of insurance and the unreasonable risks of liability on new condominium development that disincentive condominium construction and limits homeownership opportunities.

E. PERMITTING AND REGULATORY STREAMLINING FOR NEW HOUSING

REALTORS® support reforms to local and state land use subdivision and building permit requirements to reduce the cost of development and new housing supply. These reforms include simplifying the subdivision process, allowing lot splitting, increasing SEPA exemptions and eliminating duplicative SEPA reviews, streamlining design review, and fully implementing permitting reforms including allowing online permitting and requiring local compliance with permitting timelines.

F. HOUSING FINANCE AND LOW-INCOME HOUSING PROGRAMS

REALTORS® support efforts to increase development of affordable housing through tax incentives, exemptions, and other programs for private, non-profit, and public housing developers. REALTORS® also support state Capital Budget funding such as the State's Housing Trust Fund and programs through the Washington State Housing Finance Commission. REALTORS® believe that city and county housing levies should be supported when properly designed to both address local housing needs and consider the impacts on taxpayers.

Affordable housing programs should also assist prospective home buyers through downpayment assistance and other first-time homeowner programs which will in turn open up rental units vacated by the new homeowner.

REALTORS® support credits and incentives applied to the business and occupation tax, sales tax, real estate excise tax (REET), property tax, or impact

fees to reduce the cost of development and ensure affordable housing for workforce housing and low-income households. REALTORS® recognize that government programs alone cannot provide enough assistance to meet affordability needs, and so, the private development market must have incentives to address the full range of housing affordability.

G. SHORT TERM RENTALS (STRS)

Using residential properties as short term rentals (STRs) should remain an option, subject to reasonable health, safety, and regulatory provisions that protect both occupants and neighborhoods. Prohibitions against the use of accessory dwelling units as STRs or other new limitations on STRs infringe on the reasonable investment expectations of property owners. The use of STRs and their relationship to the local real estate market, long term rental availability, and homeownership opportunities is a highly localized issue and so local market and community conditions must be considered in any

regulation on the use of properties as STRs.

H. TRANSIT ORIENTED DEVELOPMENT (TOD)

Washington State will be investing billions of dollars into light rail, commuter rail, and bus rapid transit. This massive investment will not be worthwhile unless transit centers also become housing centers and neighborhoods – with both multifamily rental and homeownership opportunities, jobs, and household and community services and amenities. REALTORS® support incentive programs like the Multifamily Tax Incentive program to create TOD in transit areas and believe that uniform affordability requirements will result in disincentivizing TOD in transit areas and pushing new housing development into other areas that cannot access transit. TOD and housing affordability should be achieved through regulatory, tax, and fee incentives that attract both for-profit and non-profit developers to build near transit.

II. LAND USE

A. STATE AND LOCAL AUTHORITY OVER LAND USE AND HOUSING SUPPLY

All cities and counties have an obligation to address our state's housing supply and affordability crisis. REALTORS® support the shift away from complete local government control over housing supply and land use toward a more balanced system where state direction drives housing supply, requires all cities to be part of increasing housing options, and increases local accountability. The State must ensure that local governments are allowing sufficient housing supply, providing for a variety of housing types, and utilizing housing supply and affordability programs created by the Legislature. A balance of state direction and locally tailored implementation of housing supply and land use will ensure local participation and transparency in addressing housing supply needs.

B. COMMERCIAL AND INDUSTRIAL REAL ESTATE

While most real estate transactions involve residential properties, the commercial and industrial real estate sector is an important part of Washington's real estate industry. In addition, commercial and industrial real estate development, leasing, and sales are critical to the health of Washington's economy—from Main Street small businesses to our state's largest corporations.

The commercial real estate sector faces unique and significant challenges from recent ongoing changes in the workplace as more companies establish work from home policies. REALTORS® believe that state and local governments must recognize the unique needs of the commercial and industrial real estate sectors in areas like seller disclosure, financing, taxation and land use planning.

REALTORS® also support policies that incentivize the conversion of commercial and industrial buildings into housing supply. Both the state energy code and tax code are significant obstacles into converting vacant or underutilized commercial buildings into new housing supply.

C. GROWTH MANAGEMENT

REALTORS® support market-driven growth strategies that will meet the state's housing and job needs, help revitalize the state's cities and suburbs, build attractive and livable neighborhoods and communities, and allow for continued economic prosperity.

REALTORS® support planning for growth that allows for a wide range of housing types to suit the needs and income levels of a community's diverse population. REALTORS® support ways to manage growth by permitting more housing and business opportunities and directing growth through infrastructure investments.

REALTORS® support growth measures that meet the underlying demand for housing and jobs by employing market-driven and innovative land use planning techniques that use the land more efficiently.

REALTORS® urge the following principles be used to guide planning under the Growth Management Act:

- Anticipate and plan for economic development and population growth in a timely, orderly and predictable manner.
- Ensure that comprehensive plans provide sufficient measures to accommodate growth by making available an ample supply of buildable land for residential, commercial, industrial and recreational uses to meet demand, while protecting open space and environmentally sensitive areas.
- Ensure local governments take a holistic approach to comprehensive planning and regulation development where plan elements are integrated with one another.
- Ensure that comprehensive plans provide a housing element with an inventory and analysis of existing and projected housing needs; housing targets to achieve existing and future population needs; a statement of goals, policies, objectives, and provisions for the preservation, improvement, and development of housing; and identify sufficient land for housing to accommodate growth, as prescribed in the state's Growth Management Act.

- Remove regulatory barriers to allow innovative land use planning techniques to be used in building higher density and mixed-use developments, as well as infill developments in urban cities. All cities should allow middle housing types (duplex to sixplex, townhouses, cottage housing) and accessory dwelling units (ADUs), and should enact regulations to streamline the permitting process for middle housing types and ADUs.
- Ensure the process for reviewing site-specific land development applications is reasonable, predictable and fair, and that state agency permit processes are integrated with local government permit processes including appeals.
- Plan and construct new infrastructure in a timely manner to keep pace with the current and future demand for housing and, find fair and broad-based ways to pay the costs of infrastructure investment that benefit the entire community.
- Achieve a reasonable balance in the land use planning process by using innovative planning concepts to protect the environment that facilitate housing choices for all income levels, attract employment opportunities close to housing, improve traffic flow and appropriate transportation options, relieve over-crowded schools, and enhance quality of life.

D. REGULATORY REFORM

Government regulations and fees lead to an increase in the cost of housing, mixed use development, commercial and industrial development. Further, government should recognize that application fees, mitigation requirements, compliance costs and additional interest charges add significantly to the final cost of a development project. Implementing the following recommendations can reduce residential, commercial, and industrial development costs:

- Public policy relative to protecting the environment should prioritize environmental concerns while taking into account the overall cost of protection programs and implementing regulations on the cost of development, especially in relation to housing projects.
- Local and state governments should coordinate, simplify, and clarify the development review and permitting processes in order to reduce

the delays, uncertainties, and risks associated with delays in construction projects, especially housing-related projects. Local permitting processes should be predictable (time certain) with fees directly related to actual government costs of processing development permits.

- Development standards should not exceed reasonable requirements to assure public health, safety, and welfare.
- Public jurisdictions should adopt procedures for equitably allocating the cost of new infrastructure by all taxpayers. Charges for new infrastructure should equal the actual costs of providing these services and not be used to fund other public programs or benefits.
- State and local governments should recognize the additional costs imposed through transfer taxes, impact fees, and time-consuming, repetitive permitting processes that impair local government's ability to ensure affordable housing for all economic segments of the community and at times, result in businesses locating just outside of Urban Growth Areas or in other nearby communities.
- State and local governments should carefully consider reforms such as raising SEPA thresholds, using programmatic EISs, consolidating permit review processes, and reducing the number of conditional use permits and variances.

E. RURAL HOUSING AND ECONOMIC DEVELOPMENT

REALTORS® believe that the Growth Management Act and Growth Hearing Board decisions have inappropriately limited housing supply and economic development in rural areas. The GMA was intended to increase infrastructure and population growth in urban areas, but not prohibit growth in other areas. REALTORS® support ensuring the availability of broadband services in rural areas, and other tools like Limited Areas of More Intense Rural Development (LAMIRDs), rural clustering, and accessory dwelling units (ADUs) to allow for housing and economic development in rural parts of Washington. Specific state programs that impact rural housing such as the Wildland Urban Interface (WUI) building code and exempt well/ water availability should ensure that local conditions and demand for housing supply are considered.

F. INFRASTRUCTURE FUNDING AND CONCURRENCY

Infrastructure funding programs at all levels of government must be protected and increased to build new infrastructure and maintain existing capital facilities. REALTORS® support protecting infrastructure funds from diversion to other uses. The lack of adequate infrastructure funding can result in lack of concurrency at the local level, which impacts the ability to provide new residential and commercial development and may lead to moratoria. Infrastructure funding sources should be broad-based, reflecting the benefit that new and maintained infrastructure provides to the entire community – and not imposed solely on new development as a condition of development approval.

G. PRIVATE PROPERTY RIGHTS

REALTORS® recognize the need to balance public and private interests in the areas of housing, real estate, and land use. REALTORS® oppose shifting the costs of public or community benefits to the real estate sector, which is already heavily taxed and regulated in Washington State. We recognize the need for all levels of government to be able to exercise legitimate police powers in the regulation of private property to protect the health, safety and general welfare of its citizens and the community. When government actions or regulations are not based upon legitimate police powers, the government should be required to compensate the property owner for the loss of or devaluing of the private property.

REALTORS® are dedicated to protecting the right to own, use and transfer real property. We believe the highest and best use of property should always be taken into account when new land use regulations are being considered.

H. SIGN ORDINANCES

REALTORS® recognize the right of government to adopt reasonable regulations on real estate signs. However, sign regulation should be fair and should not interfere with the right of free speech. The local real estate industry should be encouraged to work with local governments to establish reasonable sign controls.



III. ENVIRONMENT

A. CLIMATE CHANGE – CARBON EMISSION REDUCTIONS AND PREPARATIONS

Washington State is one of the lowest states in the nation in per capita carbon dioxide emissions, and further emission reductions will occur as state climate change legislation is implemented. As this occurs, and local governments take additional actions on carbon emission reductions and climate adaptation and preparation, REALTORS® support the following principles:

- Energy efficiency requirements for new residential and commercial construction must be affordable and cost effective. Homeowners and commercial building owners should be provided with incentives to increase energy efficiency and reduce emissions. The energy code currently adds significant costs to residential and commercial development that are not cost effective and limit the ability to convert underutilized buildings to residential use. Energy code requirements should be modified to reduce cost impacts on new residential and commercial development.
- Natural gas must remain an available energy source for existing homes, buildings, and new construction. Any reductions in natural gas usage for new or existing customers should be voluntary and incentive based, protect consumers and businesses from unreasonable cost impacts, and ensure energy choice.
- Local planning under the Growth Management Act's new climate change element should focus on increasing housing supply near job centers and transit to reduce lengthy commute distances, and on protecting the areas of Washington State most at risk from wildfire, sea level rise, flooding, and extreme weather events. Climate change planning must preserve the lifestyle choices and the economic value of rural areas, which are increasingly important for housing supply. The State must ensure the availability and affordability of insurance for homeowners in higher climate risk areas.
- Climate change requirements under the GMA must remain as planning requirements, not project specific requirements relating to carbon emissions that would apply to subdivisions, building permits, or other development approvals.
- Our state's reliable and low-cost hydropower system has been a foundation of our state's economy for a century and must be protected. Our state must ensure continued reliability and affordability of electricity for homes and businesses as climate change laws are implemented.

B. SALMON RECOVERY AND THREATENED & ENDANGERED SPECIES

REALTORS® support a balanced approach to the recovery of salmon, steelhead and other listed endangered/threatened species. The impacts to our economy and individual property rights must be part of the recovery equation. Limited financial resources of governments and non-profit organizations should be directed toward preserving existing, high-quality habitat through voluntary efforts rather than regulation.

REALTORS® believe that a primary cause of salmon decline is the mismanagement of fisheries, including overfishing and predation.

REALTORS® believe Federal, state and local governments must work with landowners, businesses, and others to ensure salmon and other ESA listed species recovery solutions are based upon peer-reviewed science reflecting the limitations of habitat in the altered built environment in both the urban and rural areas.

REALTORS® believe that funding for the recovery of endangered/threatened species must be directed toward projects and that local enhancement, volunteer groups and other non-profit organizations – not increased regulatory efforts – provide the most cost-effective habitat recovery methods.

REALTORS® believe that the government should compensate landowners for the use of their private land when the protection of a threatened or endangered species affects the reasonable use of private land.

C. ENVIRONMENT: STATE AND LOCAL

REALTORS® believe environmental restrictions on the use of land and water must be based on a thoughtful approach that balances human needs with environmental values. The outcome will be the development of healthy, livable communities in urban and rural areas that ensure adequate housing supply and jobs that support the needs of existing and future generations.

REALTORS® believe that federal, state, or regional natural resource and environmental programs must recognize the work of, and directly coordinate with, local governments, affected stakeholders and landowners.

Likewise, REALTORS® believe federal, state, or regional agencies charged with carrying out these natural resource protection initiatives should not adopt more stringent policies or requirements in rural or

resource land areas. These rural and resource lands are not pristine but are working lands – areas where the landscape has been altered to provide places for people to live and work and providing necessary food and building materials in response to urban area needs.

Natural resource and environmental protections should not impose a standard on landowners requiring restoration of pre-development conditions. Habitat restoration can be achieved through grant programs and land acquisitions on a voluntary basis with landowners, REALTORS® support reasonable, scientifically verifiable approaches to protect existing ecological functions and provide incentives for voluntary restoration. Broad-based or one-size-fits all regulatory measures should be avoided.

D. WATER RESOURCES

REALTORS® support modernizing the existing water right permitting process to eliminate the significant backlog of pending water right applications. The process for transferring existing water rights should be streamlined so that reallocation of existing water rights is a cost-effective process for both small and large developments. Connection charges for water supply, either from municipal purveyors or from water banks that provide mitigation to comply with state requirements should be based on actual costs of providing water supply. REALTORS® support reasonable protections to ensure the availability of water supply in local or regional areas that are at risk of losing water rights to other areas.

REALTORS® believe that exempt wells must remain as a source of water supply for those who cannot connect to an existing public water system. The need for exempt wells is driven by state limitations on extending water outside Urban Growth Areas (UGAs) and obtaining new water rights. Exempt wells are frequently the only source of water in rural areas, and Washington State and local governments already have some of the strictest well and water mitigation programs in the nation.

REALTORS® oppose state water resource regulations that are inconsistent with local land use plans by failing to provide for sufficient quantities of water for exempt withdrawals or water supply needed by municipal water systems. REALTORS® believe the state must coordinate with local government entities to provide adequate supplies of municipal and exempt water to implement local land use planning and zoning decisions.

E. ON SITE SEPTIC SYSTEMS

REALTORS® believe that local and state septic regulations should be reasonable and cost-effective and must allow homeowners to maintain and certify existing septic systems. Septic regulations should not conflict with existing state seller disclosure requirements regarding septic systems. REALTORS® support state and local health departments' review and approval of new septic technologies, which protect human health and the environment in areas not served by sewer systems. Such systems should be designed for easy operation and maintenance by property and business owners.

F. INTEGRATION AND STREAMLINING OF ENVIRONMENTAL REQUIREMENTS

The State and local governments should ensure that environmental review and permitting programs do not exceed their intended scope of authority and are integrated to avoid duplication and imposing increased costs and delays on development proposals. This state and local integration and streamlining should occur for requirements such as State Environmental Policy Act (SEPA) review, local critical areas and wetlands restrictions adopted under the GMA, the Department of Fish & Wildlife's Hydraulic Project Approval (HPA) program, stormwater management requirements, and other programs.

SECTION III – CONSUMER & BUSINESS ISSUES

I. CONSUMER PROTECTION

A. LANDLORD/TENANT RELATIONS

REALTORS® support landlord/tenant laws that provide equitable treatment for both owner and tenant. This can best be achieved by uniform application and enforcement of the state Landlord/Tenant Law that ensures fairness and due process for both landlord and tenant and provides both parties the right to give notice of termination of occupancy without stating a reason. The state's Landlord-Tenant Act clearly lays out the rights and responsibilities for both the landlord and tenant of residential rental property. It is important that tenants have remedies for their grievances. It is equally important that the owner's investment is protected and that both tenants and landlords honor the terms and conditions under which property is rented. Weighing the scale in favor of either owner or tenant serves only to create economic loss and housing shortages.

B. RENTAL HOUSING AND RENT CONTROL

REALTORS® believe the solution to rental prices is to increase the supply of rental units available to the market. Similar to the price of home ownership, the price of rent is influenced by the market. Rental

prices increase when vacancy rates are low. The best tool government has for addressing affordable rental rates is to encourage an increased supply of rental units to meet demand through local development regulations. Rent control/stabilization legislation not only threatens the traditional rights of property owners, but also significantly reduces the housing inventory by discouraging the construction of new rental housing. In addition, capping rental income diminishes available funding for necessary building maintenance and repair, contributing to a cycle of disrepair and reduced property value. Thus, the tax base, which is the source of funds for vital municipal services, is potentially reduced. In addition, enforcement of such controls adds to the expense of rent control. REALTORS® strongly oppose any type of rent control/ stabilization due to its detrimental impact to property owners, tenants, and local communities.

C. FAIR HOUSING

REALTORS® subscribe to the policy of fair housing. REALTORS® primary objective is to provide the American Dream of home ownership to all those who aspire to achieve it. We believe equal opportunity

in housing can best be achieved through observance of the law, through education, and through mutual cooperation of the real estate industry and the public in a free and open housing market. The Federal Fair Housing Law and the Washington Law Against Discrimination prohibit discriminatory practices in real estate transactions and help ensure all people the right to freely choose where they will live.

D. SELLER PROPERTY CONDITION DISCLOSURE

REALTORS® believe that sellers of real property should disclose known conditions (including material defects) of said property at the time it is offered for sale. Disclosure must be within the limits of the seller's knowledge. Disclosure is a statutory requirement.

REALTORS® further believe real estate licensees should not be held liable for false or misleading information provided by owners unless the licensee knew, or reasonably should have known, the information was false or misleading.

E. HOME INSPECTIONS

REALTORS® believe licensed home inspectors are an important part of the home buying experience. The inspection protects consumers by helping potential homebuyers detect flaws in the home they wish to purchase. REALTORS® play an important role in educating the consumer and providing information about the advisability of a home inspection. REALTORS® are not responsible or liable for the actions of the home inspector, or the process in which the consumer wishes to choose the individual or company doing the inspection.

F. LEAD-BASED PAINT AND CONTAMINATED PROPERTIES

In 1992, Congress passed a national lead-based paint program that went into effect in 1998. Under this program, only certified contractors can conduct lead-based activities in homes. In 2003, the Washington State Legislature passed a law mandating that the

state Department of Commerce seek authorization from the federal EPA and establish a lead-based paint program. As of 2011, all contractors or renovators providing professional lead-based paint training or activities in Washington are now required to be certified under the state's Lead-Based Paint program.

REALTORS® support the state's lead-based paint program to minimize and ultimately eliminate the health risks caused by lead-based paint in older properties. The current regulatory program at the state and federal level should not be expanded further until the adequacy of the current program can be implemented and evaluated.

With regard to other types of property contamination, REALTORS® support maintaining the statewide uniformity of the state Seller Property Condition Disclosure Law to provide disclosures regarding property contamination for both developed and undeveloped properties. Required disclosures should be limited to seller's actual knowledge.

REALTORS® support the use of qualified consultants and other experts to determine the existence and extent of property contamination for properties.

G. COMMUNITY ASSOCIATIONS

REALTORS® understand that community associations can provide beneficial consumer protections and play a role in maintaining community standards, managing shared amenities, and preserving property values. However, overly restrictive regulations promulgated by community associations can negatively impact free market dynamics, limit property rights, and create unnecessary barriers to market entry or exit.

REALTORS® believe that community association regulations should not unduly interfere with real estate transactions, limit housing supply, infringe upon property rights, or conflict with Fair Housing Laws or the Washington Law Against Discrimination.



II. BUSINESS ISSUES

A. LICENSE LAW

Real estate license law promotes increased competency in the industry protecting consumers and the regulated industry. REALTORS® believe there should be a licensing requirement for all persons engaged in real estate brokerage services.

REALTORS® believe real estate license law should be continually reviewed and updated to address new developments in the real estate industry through development of new laws, administrative rules and appropriate educational and experience requirements.

B. ADMINISTRATIVE REGULATORY REFORM

REALTORS® support broad regulatory reform and greater accountability of agency rule makers and elected officials. Duplicative and conflicting laws and regulations should be removed from the Washington Administrative Code and the Revised Code of Washington. REALTORS® believe this action would reduce costs and provide greater predictability. Mandates, regulations, and processes imposed by state and federal governments add tremendous time and costly burdens to businesses and the development of infrastructure. By reducing regulatory burdens, government saves citizens millions of public dollars and reduces the costs of businesses providing goods and services.

C. POINT OF SALE REQUIREMENTS

In recent years, state and local governments have increasingly sought to address environmental or public

health issues by imposing point of sale requirements on real estate transactions. These point of sale requirements include, but are not limited to, such concepts as requiring real estate sellers to conduct energy efficiency audits, remove or modify fireplaces or wood-burning stoves, or inspect and repair sewer connections.

While REALTORS® support addressing issues such as energy efficiency, air pollution, and water quality, REALTORS® oppose doing so through state or local point of sale mandates. In and of itself, the sale of real estate is not the cause of any potential problems, thus the sale should not be the point at which regulation occurs. Only a small percentage of properties are sold in a given year, thus point of sale requirements are not focused on those properties that need attention. Point of sale mandates restrict a property owner's ability to sell real estate and provide a significant disincentive for transactions by reducing seller equity.

If a business was causing an air or water pollution problem, state agencies or local governments would not simply wait until the business was sold to find a solution. Similarly, state and local governments should not wait until a property is sold to address any concerns. Further, point of sale mandates are inconsistent with the balance established between the duties of the seller and buyer through the state's real estate seller disclosure law.

REALTORS® oppose point of sale mandates. REALTORS® support state agencies and local governments working with property owners to solve problems in a collaborative manner using financial incentives and, where necessary, regulations that are logical and cost-effective.

*The Washington REALTORS® advocates for
REALTORS® and their clients and provides
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Washington REALTORS®
504 14th Ave SE, Olympia, WA 98501
warealtor.org

