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REALTORS® Strongly Oppose Taxes in House Budget Proposal

Spokane – REALTORS® strongly oppose the tax increases in the Washington state House of Representative's state budget proposal announced last week in Olympia. The proposal includes a capital gains tax of 5 percent, which would include a tax on a second home, as well as a .3 percent permanent increase in the business and occupation (B&O) tax on business services.

The capital gains tax, intended for the "wealthiest taxpayers in the state", would result in taxing a second residence, many of which can be as small as a cabin. All homes already have a state and local real estate excise tax imposed on them at the time of a sale. Realtors say the proposed capital gains tax would put a significant burden—more than 7 percent in total home taxes in some areas—to the second home market that is critically important to a healthy housing market here in Spokane.

The B&O tax increase proposed by the House would be on the gross income of "services and other activities" that include real estate brokers, barbers, beauty salons, veterinarians and dozens of other small businesses. The B&O tax rate currently on this category is 1.5 percent, the highest rate in the state. The proposed new tax would raise it to 1.8 percent, upping it 20 percent.

"It is just not sound economics to tax these Main Street businesses and the second-housing market, both of which are still working hard to recover from the recession," says Jack Kestell, 2015 President of the Spokane Association of REALTORS®. "We must leave them alone so that they regain full health and fully unlock our economic recovery with new jobs and income. Now is just not the time to be taxing small business and housing. These are not fair taxes."

In 2013, Washington REALTORS® helped form a coalition of like-minded business interests called Recover Washington and successfully opposed a similar proposal, at that time an extension of a B&O tax increase that was set to expire that year. This year, the group already has sponsored radio ads now playing in several districts to remind legislators of the harm that increased taxes cause small businesses.

The latest revenue forecast shows that the state will receive \$3 billion, 9 percent more in tax dollars over the next two years from existing taxes. Recover Washington encourages lawmakers to prioritize education by using that new revenue for school funding to avoid new taxes.

Real estate provides revenue to the state through the real estate excise tax, a transaction tax on every purchase. There is also a significant portion of state revenue provided through the business and occupation tax on the gross income of real estate professionals and other services. According to the U.S. Small Business Administration since the end of the recession (from mid-2009 to mid-2013), small firms accounted for 60 percent of the net new jobs.

“We understand the state’s budget dilemma and the issues they must address,” says Kestell. “But that cannot be on the backs of small business owners, who already contribute a lion’s share of taxes to state coffers and provide so many of the jobs we need for a healthy economy.”

The Spokane Association of REALTORS® is affiliated with the National Association of REALTORS®, the largest trade association in the United States. The local association represents the interests of 1,500 local real estate professionals. REALTORS®’ top public policy priority is to ensure that communities have a strong economy, attractive home choices, great schools and parks, safe neighborhoods and good transportation choices.

More about the Recover Washington coalition can be found at www.recoverwa.com <<http://www.recoverwa.com/>>.

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