

POSSIBLE REFUND OF PORTION OF REAL ESTATE EXCISE TAX

January 6, 2017

If you bought or sold real estate in unincorporated Pacific County between April 1, 2015, and December 28, 2016, you may be getting a refund of a portion of the real estate tax you paid.

What is the real estate excise tax?

It is a tax on the sale of real estate. The real estate excise tax is typically paid by the seller of the property. However, there are times in which the buyer may pay some, or all, of the excise tax as part of the negotiated "closing costs" associated with the real estate sale.

What is the background?

State law allows the Board of County Commissioners to impose an additional excise tax of $\frac{1}{4}$ of one percent on the sale of real estate to help finance capital projects. In 2015, the Pacific County Board of Commissioners passed an Ordinance raising the real estate excise tax from 1.53% to 1.78% for sales of properties outside of city limits in Pacific County. The County began collecting this additional real estate excise tax on April 1, 2015.

In December 2016, as part of the Board's review of various laws and ordinances that may be due to end, it was discovered that the process for approving the increase in the real estate excise tax was flawed. Only counties that are **required** to have a Growth Management Plan, such as King and Thurston, can enact this increase by a vote of the commissioners. Counties like ours that have **opted in** to the growth management plan require a vote of the people to pass the increase. The additional tax should not have been added without a vote of the people.

When the County became aware of the error, we immediately stopped collecting the additional tax and began the process to identify how to refund the overpayment. County staff also contacted appropriate state officials, including the State Auditor, to insure that we were handling this error and the money properly.

What is the process for refunds?

Pacific County will refund all of the additional tax paid as a result of this error. Approximately \$700,000 was wrongly collected over the course of a year and a half. Because the tax can only be used for capital improvements, the County was saving the money for future projects and collecting it in a special fund. **None** of this additional tax that was collected has been spent. It is available for the refunds.

The County has started the process to refund the portion of the excise tax that was collected in error to the original payee. To assure the refund is handled properly, the County will:

- 1) Beginning with April, 2015 and working forward, identify the parcels that were sold, and who paid the real estate tax. There are approximately 1,400 affected property sales. The County is pulling records for each excise payment made during this time period, and working closely with the local Title companies to attempt to identify who actually paid the excise tax for each of those transactions.

- 2) Send letters to the last known address of the party identified as having paid the excise tax. The letters will provide detail about the transaction and the refund that is due, as well as the process for that person to confirm their identity and address, and the paperwork needed so that their repayment can be processed as soon as possible.
- 3) Send the refund payment, which will include interest.

The County recognizes that during this time period people may have moved, names may have changed, or other extenuating circumstances may have occurred. If the County is not able to locate the party through the process outlined above, we will expand the search as needed. We will publish the names of the people we cannot quickly find and ask for your help in finding them. Every effort is being made to pay back every penny due each taxpayer.

We apologize for our error. We are working to process refunds as quickly and responsibly as possible.

If you have any questions, please contact Kathy Spoor at kspoor@co.pacific.wa.us or (360) 875-9334, (360) 642-9334, (360) 267-9334 or (360) 484-7334.