



Affordable Homes Act Fact Sheet

Washington State faces an affordable housing crisis. To meet the housing needs of all Washingtonians over the next 20 years, we need to build more than **500,000 new homes affordable to very and extremely low-income people**, those making less than 50% of Area Median Income (AMI). This equates to more than **25,000 affordable homes developed every single year**.

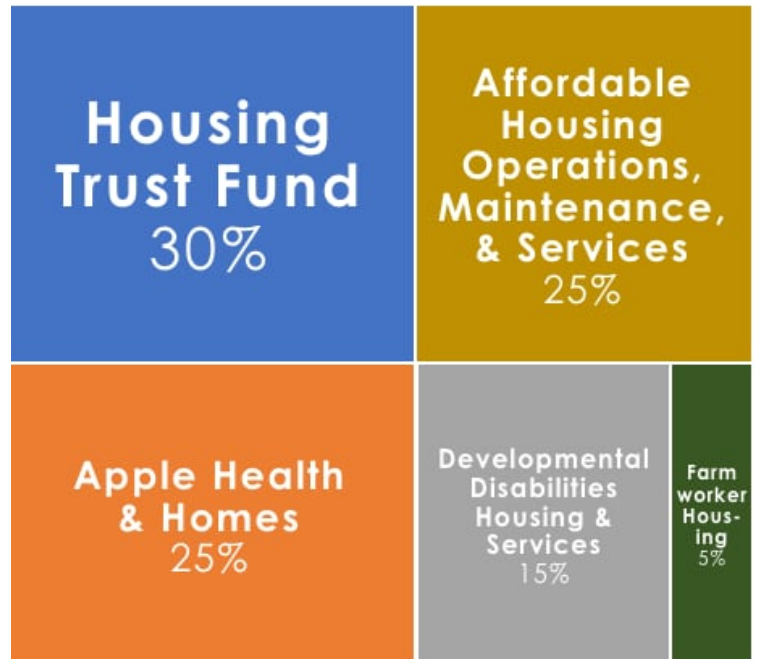
The Affordable Homes Act would provide a **dedicated baseline of funding for the housing trust fund** to build and preserve affordable apartments for Washington's lowest-income residents.

Private development can play an important role in building new market-rate homes, but it will not create homes that are affordable for those with the deepest needs. **Supply-side reforms must be accompanied by public subsidies to meet the housing needs of extremely low-income households, seniors on fixed incomes, people with disabilities, and those experiencing homelessness.** Public funds to develop and operate homes are critical.

While Washington has recently scaled up investment in the Housing Trust Fund to a record \$400 million in 2023, there are no dedicated sources of funding to ensure affordable housing remains a long-term funded priority. Existing resources are insufficient to meet the continuing scale of housing need.

Current		Proposed	
Sale Price Threshold	Tax Rate	Sale Price Threshold	Tax Rate
<\$525,000	1.10%	<\$750,000	1.10%
\$525,000.01-\$1,525,000	1.28%	\$750,000.01-\$1,525,000	1.28%
\$1,525,000.01-\$3,025,000	2.75%	\$1,525,000.01-\$3,025,000	2.75%
\$3,025,000+	3%	\$3,025,000+	4%

What the Affordable Homes Act funds



The Affordable Homes Act would generate dedicated funding for affordable housing through progressive changes to the Real Estate Transfer Tax (RETT).

Washington State currently uses a progressive and marginal RETT, paid by sellers of properties. A modest increase to the highest tax rate, from 3% to 4% for sales over \$3,025,000, could generate hundreds of millions of dollars per year—dedicated to funding a variety of affordable housing priorities.

The Affordable Homes Act is also a tax cut for the vast majority of people selling properties. It decreases the RETT paid by the vast majority of people selling properties through raising the threshold for the lowest rate tier from \$525,000 to \$750,000.



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Frequently Asked Questions

How much funding will this raise per year?

Current estimates are that the Affordable Homes Act would raise \$125 million in the 2025-2026 biennium, and \$250 million in 2027-2028.

Why are new taxes needed for affordable housing?

To close the gap between our current production of homes to low-income people (roughly 5,000-7,000 per year) and the estimated need (25,000 per year), dedicated funding is needed to scale up and sustain affordable housing development over the long-term across economic cycles.

Won't this negatively impact the real estate market?

The increased RETT only applies to a small percentage of the highest-value property sales and is paid by sellers—who are most able to pay additional taxes. Economic analysis shows a RETT increase reduces real estate speculation, by modestly reducing transaction volumes and property prices. Studies find that a 1 percentage point increase in RETT leads to a 1-4% reduction in property values and an approximately 15% decrease in transaction volumes.¹ In the context of a real estate market in which property values have drastically increased since 2019, a modest increase in the RETT is unlikely to significantly influence buyer or seller behavior.

Isn't this just another tax that burdens homeowners?

No, the vast majority of homeowners selling properties will see a tax cut thanks to the higher threshold for the lowest tier. Only those selling multimillion dollar properties would pay more.

Why increase the RETT and not use some other funding source?

Real estate investors and property sellers directly benefit from public investments that increase land values—an increase to the top RETT tier recaptures a portion of that value to fund critical affordable housing. The RETT is also one of the most progressive revenue sources available in Washington State, compared to sales taxes that disproportionately burden low-income people and property taxes that burden cash-poor and house-rich homeowners.

How will these funds be spent? How do we know funds will be spent effectively?

This funding would expand proven programs. The Housing Trust Fund has robust oversight and a strong track record helping build or preserve more than 58,600 affordable homes statewide since 1986.

¹ Mathias Dolls, Clemens Fuest, Carla Krolage, and Florian Neumeier. 2021. "Who Bears the Burden of Real Estate Transfer Taxes? Evidence from the German Housing Market." CESifo Working Paper Series 8839. CESifo.

Ben Dachis, Gilles Duranton, and Matthew Turner. 2011. "The Effect of Land Transfer Taxes on Real Estate Markets: Evidence from a Natural Experiment in Toronto." *Journal of Economic Geography*, p. 1-28.