

HOUSE BILL REPORT

HB 1797

As Passed House:
March 9, 2013

Title: An act relating to tax collection by the county treasurer.

Brief Description: Concerning tax collection by the county treasurer.

Sponsors: Representatives Haler and Hunt.

Brief History:

Committee Activity:

Local Government: 2/19/13, 2/22/13 [DP].

Floor Activity:

Passed House: 3/9/13, 97-0.

Brief Summary of Bill

- Authorizes county treasurers, prior to filing a certificate of delinquency for delinquent real property taxes, to assess and collect tax foreclosure avoidance costs.
- Modifies notice provision for personal property taxes by permitting the county treasurer to give notice by electronic bill presentment as an alternative to notice by mail.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 7 members: Representatives Takko, Chair; Fitzgibbon, Vice Chair; Kochmar, Assistant Ranking Minority Member; Buys, Liias, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 1 member: Representative Taylor, Ranking Minority Member.

Staff: Michaela Murdock (786-7289).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All real and personal property in Washington is subject to property tax, unless a specific exemption is provided by law. Personal property includes both tangible (*e.g.*, goods and chattel, inventory, livestock and poultry, logs and lumber, motor vehicles, books, or tools) and intangible property (*e.g.*, contract rights to cut timber, mining claims, or certain public utility easements). Real property includes all land, buildings, structures, or permanent improvements on land, permanent fixtures on land, standing timber, or water rights.

Delinquent Property Taxes.

County treasurers (treasurers) receive and collect all taxes extended upon the tax rolls of the county. Real and personal property taxes are due on or before April 30, except as otherwise provided by statute. If taxes are not paid, they are delinquent after April 30.

For taxes or special assessments totaling \$50 or more:

- on personal property or on any lot, block, or tract of real property: (a) one-half of the tax may be paid on or before April 30, and (b) the remainder will be due on or before October 31; and
- on any lot, block, or tract of real property or on any mobile home: (a) one-half of the tax (plus any applicable interest and penalty) may be paid after April 30 but before October 31; and (b) the remainder of the tax will be due on or before October 31.

Under both of these payment schedules, any remainder of the tax that is unpaid after October 31 is delinquent.

Delinquent taxes are subject to interest at a rate of 12 percent per annum from the date of delinquency until paid. Delinquent taxes are also subject to penalties. Any interest and penalties collected on delinquent taxes are credited to the county current expense fund.

Electronic Bill Presentment and Payment.

Treasurers may use electronic bill presentment and payment (electronic billing) to collect taxes, assessments, fees, rates, and charges. This process may be utilized as an option by the taxpayer, but the treasurer may not require its use.

For electronic billing, statements, invoices, or bills are created, delivered to, and paid by taxpayers using the Internet. Automatic electronic payments from a person's checking account, debit account, or credit card may be used. The taxpayer must sign a payment agreement prior to the treasurer using electronic billing. In collecting prepayments, the treasurer may charge collection costs, which may only be used to pay expenses incurred in administering the prepayment collection system.

Certificate of Delinquency.

Three years after the date of delinquency, the treasurer must issue a certificate of delinquency on real property for all years' delinquent taxes, interest, penalties, and costs. After filing the completed certificate with the clerk of the court, the treasurer and county prosecuting attorney proceed with an action to foreclose the tax lien.

Costs of any foreclosure and sale of real property that are collected for delinquent taxes are credited to the operation and maintenance fund of the treasurer. The treasurer must use the fund as a revolving fund to defray the costs of further foreclosure and sale.

Distrain of Personal Property.

After the tax roll for the current year's collection is complete, the treasurer must mail notice to all persons charged with personal property taxes.

If personal property taxes are delinquent, the treasurer must commence collection efforts by preparing papers in distraint. The treasurer must then distraint, or seize, sufficient goods and chattel belonging to the person charged with the taxes and sell them at public auction to pay the delinquent taxes.

The treasurer may also collect fees and costs for the distraint and sale of personal property. Any such fees and costs that are collected must be credited to the operation and maintenance fund of the county treasurer.

Summary of Bill:

Prior to filing a certificate of delinquency, treasurers are authorized to assess and collect tax foreclosure avoidance costs against real property for costs incurred in the administration of properties subject to, and prior to, foreclosure. Such costs include employee compensation for time devoted to administering the avoidance of property foreclosure, and the cost of materials, services, or equipment related to administering tax foreclosure avoidance. Any amounts collected must be credited to the operation and maintenance fund of the county treasurer.

After a tax roll has been completed, treasurers are authorized to send notice by electronic bill presentment in accordance with applicable statute to persons charged with personal property taxes, as an alternative to sending notice by mail.

If personal property taxes become delinquent, the treasurer must commence collection efforts to collect both the delinquent taxes and any costs incurred by the treasurer in pursuing collection efforts.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) When property taxes become three years delinquent, the treasurer begins the year in January by sending out foreclosure notices and by making collection calls to all

owners and taxpayers of property with delinquent taxes. On June 1, the treasurer files a certificate of delinquency (certificate) on all remaining properties with delinquent taxes. This filing begins the court action to foreclose. For Thurston County, the number of properties with delinquent taxes will generally decrease from 1,000 in January, to 600 in May, and finally, to about 180 on June 1. In other words, there are about 820 properties that pay their delinquent taxes sometime between January and June 1 and, consequently, avoid being included on the certificate.

When a certificate is filed with the court, all taxes, interest, penalties, and costs become due in full. Taxpayers who pay their delinquent taxes prior to issuance of the certificate are not required to pay any of the foreclosure avoidance costs incurred by the treasurer during the window of time between January and June. Instead, those costs are spread among the smaller number of delinquent parcels included in the certificate. This bill will allow treasurers to spread the burden of foreclosure avoidance costs among all parcels facing possible foreclosure, not just those remaining on June 1.

This bill will make the foreclosure process more equitable by ensuring that the person creating a cost pays for the cost and does not pass it on to another person. It will also help ensure that treasurers are compensated for the cost of foreclosure avoidance.

(Opposed) None.

Persons Testifying: Representative Haler, prime sponsor; Shawn Myers, Washington State Association of County Treasurers; and Monty Cobb, Washington Association of County Officials.

Persons Signed In To Testify But Not Testifying: None.