

# SENATE BILL REPORT

## SB 5014

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As Reported By Senate Committee On:  
Government Operations & Elections, March 1, 2005

**Title:** An act relating to county treasurer administrative changes.

**Brief Description:** Modifying county treasurer administrative provisions.

**Sponsors:** Senators Fraser and Swecker.

**Brief History:**

**Committee Activity:** Government Operations & Elections: 1/24/05, 3/1/05 [DPS, DNP, w/oRec].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** That Substitute Senate Bill No. 5014 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Berkey, Vice Chair; Fairley, Haugen, Kline, McCaslin and Pridemore.

**Minority Report:** Do not pass.

Signed by Senators Roach, Ranking Minority Member and Benton.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Mulliken.

**Staff:** Genevieve Pisarski (786-7488)

**Background:** State law authorizes the county treasurer to serve as the custodian of county funds and administrator of county financial transactions. The county treasurer also provides these services to special purpose districts and other units of local government in the county, except cities. In addition, the treasurer collects various taxes and performs miscellaneous duties, including sale of bonds and surplus county property.

The county treasurer's functions are governed by a number of state statutes that establish detailed requirements for the receipt, disbursement, investment and accounting of the funds for which the treasurer is responsible. Specific activities that are governed by statute include receiving required documents and payments from the public, handling funds received by county departments, administering foreclosure proceedings, handling voluntary payments under land use laws, and collecting real estate excise tax and other property taxes and assessments.

**Summary of Substitute Bill:** The shipping date on mail or parcels delivered by a private third-party delivery service is treated the same as a United States Postal Service postmark date.

The county treasurer specifies the accounts into which payments are deposited.

Excess proceeds from foreclosure sales are not subject to the Uniform Unclaimed Property Act and are not required to be listed as unclaimed property.

The interest rate paid on refunds of voluntary deposits made under various land use laws is calculated using the same formula that is used to calculate interest on property tax refunds. The rate is set as of the date that the deposit is made.

A boundary line adjustment cannot be recorded unless taxes and assessments have been paid. Adjustments that are made as provided by law to settle a dispute by agreement of the parties or to allow public use by a government are excepted.

Active duty military personnel in armed conflict overseas are not subject to interest or penalties for unpaid property taxes on a personal residence, beginning with taxes due in 2005.

In order to have a right to any of the excess proceeds from a foreclosure sale, a person must pay the taxes before the certificate of delinquency is filed. Thereafter, redemption rights and procedures are those established for persons having a recorded interest.

A third party who makes a payment in error cannot obtain a refund from the county.

**Substitute Bill Compared to Original Bill:** Excess proceeds from foreclosure sales are exempted from the Uniform Unclaimed Property Act and listing requirements, instead of changing the nature of county responsibilities under the Act.

Provisions concerning taxable sales of water rights are removed.

The provisions for exempting active duty military personnel overseas from property tax interest and penalties are added.

Various technical and clarifying changes are made.

An emergency clause replaces the August 1, 2005 effective date.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** There is increasing use of private third-party delivery services, and it needs to be clear that their shipping date is treated the same as a postmark. The changes regarding excess proceeds of foreclosure sales are made to conform with changes made last year to the property tax laws. The change to reporting requirements regarding unclaimed property may be broad, and efforts are being made to reach agreement on a better approach. The interest rate currently established in law on refunds of voluntary deposits is 12 percent; the proposed change would tie it to the market rate, which is fiscally more appropriate. The change regarding real estate excise tax on one type of water right transfer relates only to county treasurer procedures and has no effect on water law; the objective is to give these transactions consistent treatment around the state. In some cases, apparent boundary line adjustments

actually amount to a re-platting, so that the original tax parcel or parcels disappear, and it becomes almost impossible to collect delinquent taxes on them. Changing the period of time when a lienholder can be entitled to excess proceeds from a foreclosure sale is necessary to prevent a type of questionable practice, whereby some individuals acquire title to property that is in foreclosure solely to get access to the excess proceeds. Third-party payers have no incentive to avoid erroneous payments, because they can simply get a refund; 11 percent of King County's refunds were to the same third-party payers, who repeat 90 percent of the same errors; most other states and some Washington state laws don't allow such refunds and, instead, require recovery from the parties who benefit from the errors. A provision should be added to extend the waiver of interest and penalties on past due taxes for military personnel who are serving in combat overseas.

**Testimony Against:** None.

**Who Testified:** PRO: Phil Sanders, King County Treasury Operations; Rose Bowman, WSACT and Lewis County Treasurer; Kathy Turnbull, San Juan County Treasurer; Stuart Thronson, Department of Revenue.