

# HOUSE BILL REPORT

## HB 2149

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to personal property tax assessment administration, authorizing waiver of penalties and interest under specified circumstances.

**Brief Description:** Concerning personal property tax assessment administration, authorizing waiver of penalties and interest under specified circumstances.

**Sponsors:** Representatives Eddy and Kenney.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 1/11/12, 1/24/12 [DPS].

#### **Brief Summary of Substitute Bill**

- Authorizes county legislative authorities to waive penalties for persons or corporations failing to deliver a list of taxable personal property for taxes due in assessment year 2011 and prior.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer and Wilcox.

**Staff:** Jeff Olsen (786-7175).

#### **Background:**

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. There are two classes of property. Real property consists of land and the buildings, structures, and improvements that are affixed to land.

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*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.*

Personal property consists of all other property, such as machinery, equipment, furniture, and supplies of businesses. Household goods and business inventories are specifically exempt from personal property tax.

The county assessor is required to make a list of all persons in the county that are subject to the assessment of personal property taxes. The listed persons must, in turn, make detailed written disclosures to the assessor regarding the personal property that is subject to assessment. A person who fails or refuses to make the requisite disclosures may be subject to monetary penalties which are added to the amount of the tax assessed against the taxpayer. The penalty for failing or refusing to provide a list of taxable personal property is subject to a 5 percent penalty, not to exceed \$50 per calendar day, if the failure is not more than one month. An additional 5 percent penalty is levied for each additional month, not to exceed 25 percent in total. If any person willfully gives a false list with intent to defraud, the penalty is 100 percent of the total tax. The penalties are distributed in the same manner as other property tax interest and penalties, and credited to the county general expense fund.

When an assessor has discovered property that has been omitted from the assessment roll, the assessor places the property on the assessment roll at the value for the year in which it was omitted. Placement of omitted property on the assessment roll is limited to three years preceding the year in which the omission is discovered. Omitted property is taxed at the levy rate of the year in which the property was omitted. Taxes from omitted property are to be paid one year from the due date for taxes on the current year's assessment roll.

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#### **Summary of Substitute Bill:**

The county legislative authority may authorize the assessor to waive penalties for assessment years 2011 and prior for a person or corporation failing or refusing to deliver to the assessor a list of taxable personal property under certain circumstances. To qualify, on or before July 1, 2012, the taxpayer must file with the assessor a correct list and statement of taxable personal property and a completed application for a penalty waiver. Full payment of the tax must be made to the county by September 1, 2012, of the entire balance due on all tax liabilities for which a penalty waiver is requested.

Taxpayers receiving penalty relief may not seek a refund or otherwise challenge the amount of tax liability. Personal property listed by the taxpayer is subject to verification by the assessor and any unreported or misreported property remains subject to taxes, penalties, and interest.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill requires the county legislative authority, not the county assessor, to authorize the waiver of penalties for persons failing to deliver a list of taxable personal property. The substitute bill also removes the authority to conduct a property tax penalty waiver program in the future and adds an emergency clause.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill creates a tax amnesty program, similar to the successful program the Department of Revenue did last year, to encourage people to come forward and pay their personal property taxes. The program would bring needed dollars to both local governments and the state. King County has been working on identifying properties that potentially owe taxes and the amnesty program could be an effective way to bring in an additional \$25 million to \$30 million in added tax revenue. The bill needs an emergency clause to allow counties sufficient time to prepare for the July 2012 start date. The county legislative authority should authorize the program, rather than the county assessor.

(Opposed) None.

**Persons Testifying:** Representative Eddy, prime sponsor; Genesee Adkins and John Arthur Wilson, Office of the King County Assessor; and Scott Merriman and Monty Cobb, Washington Association of Counties.

**Persons Signed In To Testify But Not Testifying:** None.