

# HOUSE BILL REPORT

## HB 1004

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to payment of property taxes.

**Brief Description:** Concerning payment of property taxes.

**Sponsors:** Representatives Moeller, Pedersen, Blake, Hunt, Clibborn, Green, Van De Wege, Fitzgibbon, Lytton, Appleton, Stanford and Pollet.

**Brief History:**

**Committee Activity:**

Finance: 1/18/13, 2/15/13, 2/19/13, 2/26/13, 2/27/13 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes county legislative authorities to accept payments on past due property taxes, penalties, and interest by electronic funds transfer on a monthly basis.
- Authorizes county treasurers to assess and collect tax foreclosure avoidance costs and delinquent collection charges on past due real and personal property taxes.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Fitzgibbon, Hansen, Lytton, Pollet, Reykdal and Springer.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta and Vick.

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

**Background:**

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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.*

All real and personal property in this state is subject to the property tax each year based on its value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located. The county treasurer mails a notice of tax due to taxpayers and collects the tax.

Property taxes are due on April 30 each year. If one-half of the tax is paid by April 30, then the other half is due on October 31. If the first-half property tax payment is not made on time, the entire tax is delinquent and interest is charged at the rate of 12 percent per year (1 percent per month). If the tax bill is below \$50, then all the tax must be paid by April 30. A penalty of 3 percent is assessed on taxes that are delinquent on June 1. An additional 8 percent penalty is assessed on taxes that are delinquent on December 1.

When real property taxes become three years delinquent, the county treasurer is required by law to begin foreclosure action. A certificate of delinquency is filed with the county's superior court for all the years' taxes, interest, and costs. The county treasurer, with the consent of the county legislative authority, may elect to issue a certificate for fewer than all the years' taxes, interest, and costs to a minimum of the taxes, interest, and costs for the earliest year. A certificate of delinquency establishes that the property was subject to property tax; the property was assessed as required by law; and the taxes or assessments were not paid at any time before the issuance of the certificate. The county treasurer receives a tax judgment and order of sale from the court foreclosing on the tax lien, which authorizes the sale of the parcel. Upon sale of the property, a purchaser must pay all delinquent taxes, interest, or costs.

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. In the event the treasurer is unable to collect personal property taxes, the treasurer must prepare papers in distraint, which contain a description of the personal property, the amount of taxes, the amount of accrued interest, and the name of the reputed owner. The treasurer may sell distrained property after proper notice if taxes and interest have not been paid.

County treasurers are authorized to collect taxes, assessments, fees, rates, and charges by electronic bill presentment and payment. Electronic bill presentment and payment includes an automatic electronic payment from a person's checking account, debit account, or credit card. Taxpayers may opt to use electronic bill presentment and payment, but treasurers may not compel the use of the electronic billing and payment system. Electronic bill presentment and payment may be on a monthly or other periodic basis as the treasurer deems proper for prepayments, and all prepayments must be paid in full by the applicable April 30 or October 31 due date.

The treasurer must pay any collection costs, investment earnings, or both on prepayments to the credit of a county treasurer service fund account that must be created and used only for the payment of expenses incurred by the treasurer, without limitation, in administering the system for collecting prepayments.

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**Summary of Substitute Bill:**

A county legislative authority may authorize the payment of past due property taxes, penalties, and interest on a monthly basis by electronic funds transfer. Monthly payments must first be applied to penalties and interest. Payments on past due taxes must include collection of taxes from the oldest delinquent year, which includes interest and taxes within a 12-month period.

The county treasurer is authorized to assess and collect tax foreclosure avoidance costs. Tax foreclosure avoidance costs are defined to include costs specifically identified with the administration of properties subject to and prior to foreclosure. Proceeds from the collection of tax foreclosure avoidance costs must be credited to the county treasurer service fund.

The county treasurer is authorized to add delinquent tax collection charges on past due personal property taxes.

**Substitute Bill Compared to Original Bill:**

The substitute bill authorizes the county treasurer to assess and collect tax foreclosure avoidance costs when real property taxes become delinquent. The substitute bill clarifies that for purposes of lien foreclosure proceedings, delinquent taxes for the tax year in which they were due remain delinquent until paid in full. The substitute bill specifies that payment on past due taxes must include collection of the oldest delinquent year, prior to filing a certificate of delinquency or notice of distraint. The substitute bill authorizes the county treasurer to add delinquent collection charges on past due personal property taxes.

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**Appropriation:** None.**Fiscal Note:** Available.**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.**Staff Summary of Public Testimony:**

(In support) The bill with proposed changes will help counties administer property tax payments. Many counties currently use vendors to process payments, and taxpayers must pay the convenience fee if they choose an electronic payment option. During these hard economic times, some taxpayers have fallen behind with their property taxes. By allowing partial payments, it will help taxpayers catch up on their past due taxes.

(In support with concerns) There could be significant costs for some counties to implement the software changes that would be necessary. It is not clear how the foreclosure process will interact with taxpayers participating in the payment program. There is a fairly constant

percentage of taxpayers that are delinquent on their property taxes, and it is not clear if this bill will help.

(Opposed) None.

**Persons Testifying:** (In support) Representative Moeller, prime sponsor; Doug Lasher, Clark County Treasurer; and William D. Schell.

(In support with concerns) Shawn Myers, Treasurer's Association; Monty Cobb, Washington Association of County Officials; and Ron Strabbing, Grays County Treasurer.

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