FINAL BILL REPORT
EHB 1421

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Synopsis as Enacted

Brief Description: Protecting the state's interest in collecting deferred property taxes.

Sponsors: Representatives Tharinger and Nealey; by request of Department of Revenue.

House Committee on Finance
Senate Committee on Ways & Means

Background:

Property Taxes.
Property taxes are due on April 30 each year. If one-half of the tax is paid by April 30, 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. 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.

Property Tax Deferral Programs.
Currently there are two property tax deferral programs. The first allows eligible persons age 60 and older with incomes less than $40,000 to defer taxes. Taxes that are deferred become a lien against the property and accrue interest at 5 percent per year. If deferred taxes are not repaid within three years after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover the taxes.

The second deferral program is for limited-income property owners. Individuals with an annual household income of $57,000 or less may defer 50 percent of yearly real property taxes and special assessments. Deferred amounts, including interest, become a lien on the residence.

Foreclosure.
After three years from the date of property tax delinquency, the county treasurer may begin foreclosure proceedings to recover past due property taxes. Proceeds from the sale of property must first be applied to discharge liens for general taxes. However, if the county does not receive a bid that satisfies past due property taxes, penalties, and interest, the county acquires title to the land in trust for the taxing districts. Lands acquired by the county are called "tax title lands," and no claims are allowed from taxing districts. If the property is

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eventually resold by the county, the proceeds from the sale are distributed to other taxing districts, including the state.

In Attorney General Opinion No. 3, 2012, the Department of Revenue (Department) asked if a lien established under the senior deferral program remained in effect after a county acquires property subject to a lien at a tax foreclosure sale. The Attorney General concluded that at the time the county acquired the property through foreclosure, all taxes are cancelled.

Summary:

Proceeds from the sale of property acquired by a county due to property tax foreclosure must first be applied to reimburse the county and then to pay the Department for taxes deferred under the senior and limited-income property tax deferral programs. The Department may charge off past-due obligations from the senior and limited-income deferral programs as uncollectible if the Department determines that there are no cost-effective means of collecting the amounts due.

Votes on Final Passage:

House	93	0
Senate	46	0

Effective: July 28, 2013