

# HOUSE BILL REPORT

## HB 2513

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### As Reported by House Committee On: Finance

**Title:** An act relating to modifying collection dates for property taxes paid through escrow.

**Brief Description:** Modifying collection dates for property taxes paid through escrow.

**Sponsors:** Representatives S. Hunt, Takko, Tharinger, Reykdal and Haigh.

#### **Brief History:**

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

Finance: 2/6/14, 2/11/14 [DP].

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

- Requires one-half of the second-half property tax bill to be paid by July 31 for property taxes paid through an escrow account.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** 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 5 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Vick and Wilcox.

**Staff:** Jeff Mitchell (786-7139).

#### **Background:**

Property tax statements are mailed by the county treasurer in February of each year. To avoid interest and penalties, at least half of the amount due must be paid by April 30 (if the tax is less than \$50 it must be paid in full by April 30) and the balance is due by October 31. A person can pay property taxes in person or by mail. Some counties are now accepting electronic payments via the county treasurer website. Many lending companies pay the property tax for the homeowner from a property tax reserve account. In this case, tax statements are sent directly to the lending company.

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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.*

If the current year first-half taxes are not paid by April 30, the entire tax amount becomes delinquent. Interest and penalty amounts on delinquent first-half taxes are calculated on the entire year's tax amount. Interest is charged at 1 percent per month on the full amount due from the month of delinquency to the month of payment. A 3 percent penalty is also imposed on the unpaid amount of current taxes on June 1 with an additional 8 percent on the unpaid amount of current taxes as of December 1.

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**Summary of Bill:**

The property tax payment due date for property tax payments that is normally due by the end of October, would now be moved to the end of July. More specifically, one-half of the property tax payment that would otherwise be due by the end of October, is instead due by the end of July. This July payment date applies only if the property owner's property taxes are held in an escrow account by a financial institution. A county legislative authority must authorize the use of the alternate payment date.

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**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) Local governments are struggling for funds and this would help smooth out their cash flow. This does not affect the homeowners since the funds have already been paid to the escrow companies. Counties are struggling financially. Their funding tools are limited. This bill is not going to solve these problems, but it will help address a third quarter cash flow problem.

(Opposed) We know that it will have a positive effect on the county, but we need to look into a couple issues, including the administrative concerns. There needs to be a more holistic approach to addressing the counties fiscal problems. The expenditure impact would be significant. Businesses would incur significant costs reprogramming computers. Each tax cycle carries an administrative cost. More tax cycles mean more costs. Tax collection would become more expensive. It would be difficult determining which escrow properties are subject to the new payment date. This bill would cause homeowner confusion. Homeowners in Washington would not benefit, but loan servicing costs would increase.

**Persons Testifying:** (In support) Representative S. Hunt, prime sponsor; and Steven Drew.

(Opposed) Brian Huffman, Core Logic; and Doug Lasher.

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