

# HOUSE BILL REPORT

## SSB 5705

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### As Passed House - Amended:

April 25, 2013

**Title:** An act relating to amounts received by taxing districts from property tax refunds and abatements.

**Brief Description:** Concerning amounts received by taxing districts from property tax refunds and abatements.

**Sponsors:** Senate Committee on Governmental Operations (originally sponsored by Senators Brown, King and Hatfield).

### Brief History:

#### Committee Activity:

Finance: 3/25/13, 4/1/13 [DP].

#### Floor Activity:

Passed House - Amended: 4/25/13, 98-0.

### Brief Summary of Substitute Bill (As Amended by House)

- Authorizes county treasurers 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.
- Authorizes county treasurers to reimburse taxing districts for taxes that are cancelled.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Fitzgibbon, Lytton, Pollet, Reykdal, Springer and Wilcox.

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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.*

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta and Vick.

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

**Background:**

Property Tax Limits.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. In addition to the 1 percent levy limit, there is a 1 percent cap on the revenues a taxing district can receive each year based on the highest amount levied in the past three years. An individual taxing district with a regular property tax levy must adhere to both the statutory rate limits and the revenue limit.

Property Tax Refunds and Abatements.

A county tax refund levy is authorized to compensate for property tax refunds that are made. The refund levy includes refunds from both regular and excess levies. These refund levies are subject to the district's statutory rate limit, and they can only be made to the extent the district is below its maximum rate. However, refund levies are not limited by the 1 percent levy limit.

Property tax refunds are made for a number of reasons including: clerical errors in extending the tax rolls; errors in listing the property; property that is condemned; and valuation changes ordered by the State Board of Tax Appeals (Board). In addition, if property taxes are abated due to the destruction of property, the county treasurer may reimburse a taxing district.

Highly Disputed Property.

Whenever a property value, claim for exemption, or cancellation of a property assessment is appealed to the Board or court of competent jurisdiction, and the value in dispute exceeds one-fourth of 1 percent of the total assessed value in the county, the county assessor must use only that portion of the value which is not in controversy when computing the levy rates. When the Board or the court makes its final determination, the proper amount must be collected for each taxing district.

Payment of Property Taxes

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.

Delinquent Property Tax

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.

#### 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. 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 distrainted property after proper notice if taxes and interest have not been paid.

#### Electronic Payment of Property Tax

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.

#### **Summary of Amended Bill:**

A county treasurer may authorize the payment of past due property taxes, penalties, and interest on a monthly basis by electronic funds transfer. If a taxpayer is successfully participating in a payment agreement, the county treasurer may not assess additional penalties on delinquent taxes included within the payment agreement. 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.

The county treasurer may reimburse a taxing district for taxes that are cancelled. The amount reimbursed is offset by any supplemental property taxes collected, excluding amounts collected on highly disputed property. Clarifying language is added that the refund levy and reimbursements from cancelled taxes are not subject to the 1 percent levy limit.

**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) This bill allows taxing districts to recover taxes that are abated and not collected. Currently, if a tax is paid, and the taxes due are later reduced, the taxpayer gets a refund. Then, a taxing district can recover the reduced revenue in a refund levy. However, if the tax has not yet been paid, it cannot be recovered. This bill will make taxing districts whole, and allow for adjustments from other taxes that are paid.

(Opposed) None.

**Persons Testifying:** Senator Brown, prime sponsor; Shawn Myers, Association of County Treasurers; and Monty Cobb, Washington Association of County Officials.

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