

HOUSE BILL REPORT

HB 1539

As Reported by House Committee On: Finance

Title: An act relating to hardship property tax waivers for interest and penalties.

Brief Description: Concerning hardship property tax waivers for interest and penalties.

Sponsors: Representatives Moeller and Wylie.

Brief History:

Committee Activity:

Finance: 1/30/15, 2/23/15 [DPS].

Brief Summary of Substitute Bill

- Enables county treasurers to provide limited waivers of interest and penalties for delinquent property taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Manweller, Pollet, Reykdal, Robinson, Ryu, Springer, Stokesbary, Vick and Wylie.

Minority Report: Without recommendation. Signed by 1 member: Representative Wilcox.

Staff: Richelle Geiger (786-7175).

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

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property tax for the homeowner from a property tax reserve account. In this case, tax statements are sent directly to the lending company.

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. Penalties are not applied if a taxpayer is successfully participating in a payment agreement with their county treasurer.

Summary of Substitute Bill:

Interest and penalties for delinquent property taxes may be waived if the taxpayer fails to make one payment by the due date on a taxpayer's personal residence under the following circumstances: (1) notice for these taxes due was not sent to a taxpayer due to an error by the United States Postal Service; (2) hardship caused by serious illness or death of the taxpayer's spouse or member of the taxpayer's immediate family including, but not limited to, a household member, grandparent, parent, sibling, child, or grandchild; (3) incapacity or disability, including inability to manage property and affairs effectively for reasons such as, but not limited to, mental incapacity, developmental disability, or serious physical illness; or (4) natural disaster.

The county treasurer may require documentation to prove the above conditions. The taxpayer must request a waiver and must pay the taxes within 30 days of receiving notice that the taxes are due. Interest and penalties must be reinstated if the taxpayer fails to pay the delinquent taxes by the due date if a waiver is not requested.

Substitute Bill Compared to Original Bill:

County treasurers are permitted to require a signed affidavit from a taxpayer if a hardship waiver is requested because the taxpayer's tax notice was not sent due to an error by the United States Postal Service. Medical records provided by physicians are exempt from public records request requirements under the Public Records Act. The current requirement that deferred taxes are due within 30 days of the date the taxpayer received the tax notice is replaced with the requirement that deferred taxes are due within 35 days of the postmark date or message submission time stamp on the tax notice.

Appropriation: None.

Fiscal Note: Preliminary 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) During the challenging times everyone experiences, it can be difficult to keep up on everyday life. This bill gives county treasurers the ability, within limits, to waive interest and penalties of delinquent property taxes paid by families in times of trauma and hardship as long as documentation is provided.

Currently, property tax waivers are only available for individuals who have suffered a natural disaster or the death of spouse or parent. Many people who fail to make a property tax payment on time are dealing with a family issue or mental incapacity. This bill would allow county treasurers to have the flexibility to work with people, softening the administration of property taxes and allowing to provide exemptions when dealing with the realities of life.

(With concerns) There is an issue by requiring documentation by the United States Postal Service if they have an error and do not deliver mail on time. The county treasurer is then in the position to make a judgment as to what to do. This can be overcome, but should be brought to the committee's attention.

There are Health Insurance Portability and Accountability Act, known as HIPPA, privacy concerns by requiring medical documentation if the county is subject to a public records request.

There is a requirement that taxes are paid 30 days after the taxpayer receives the notice, which is problematic because it's not known when someone receives mail, but it is known when the notice is mailed. This puts the county treasurers at a position to make a decision as to whether or not to believe the taxpayer. The postal service is infallible.

The natural disaster language is new, it is not in current law.

The underlying concept of helping our residents is good.

(Opposed) None.

Persons Testifying: (In support) Representative Moeller, prime sponsor; and Doug Lasher, Clark County.

(With concerns) Monty Cobb, Washington State Association of County Officials.

Persons Signed In To Testify But Not Testifying: None.