

# SENATE BILL REPORT

## SB 5439

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As Reported by Senate Committee On:  
Government Operations & Security, February 19, 2015  
Ways & Means, February 3, 2016

**Title:** An act relating to eliminating penalties for delinquent property taxes.

**Brief Description:** Eliminating penalties for delinquent property taxes.

**Sponsors:** Senators Dandel and Benton.

**Brief History:**

**Committee Activity:** Government Operations & Security: 2/03/15, 2/19/15 [DP, DNP].  
Ways & Means: 1/26/16, 2/03/16 [DPS, w/oRec].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

**Majority Report:** Do pass.

Signed by Senators Roach, Chair; Benton, Vice Chair; Pearson, Vice Chair; Dandel.

**Minority Report:** Do not pass.

Signed by Senators Liias, Ranking Minority Member; Habib and McCoy.

**Staff:** Sam Thompson (786-7413)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5439 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Darneille, Hasegawa, Hewitt, Nelson, O'Ban, Padden, Parlette, Pedersen, Rolfes and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Warnick.

**Staff:** Dean Carlson (786-7305)

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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.*

**Background:** County treasurers annually mail property tax statements to taxpayers in February. To avoid interest and penalties, at least half of the amount due must be paid by April 30. The balance is due by October 31. A person can pay property taxes in person or by mail. Some counties accept electronic payments.

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 Bill:** The bill as referred to committee not considered.

**Summary of Bill (Recommended Substitute):** Penalties for delinquent property taxes must be waived by the county treasurer if the delinquency was the result of circumstances beyond the control of the taxpayer. The circumstances beyond the control of the taxpayer must actually cause the late payment. Circumstances beyond the control of the taxpayer are generally those which are immediate, unexpected, or in the nature of an emergency resulting in the taxpayer not having reasonable time or opportunity to timely file and pay.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** Technical corrections were made to the original substitute.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill (Government Operations & Security):** Testimony From 2015 Regular Session. PRO: This bill is about keeping people in their homes. Its fiscal impact is offset by a bigger fiscal impact if taxpayers lose their homes because of inability to pay property taxes on time. The state should not charge usurious rates in penalties, and should not be exempt from a generally applicable limit on usurious rates. Interest on unpaid property taxes in current law, not affected by this bill, is sufficient.

CON: Counties largely rely upon property taxes, struggle to fund operations, and cannot absorb the significant fiscal impact of this bill. Current penalties were enacted when high interest rates prompted some taxpayers to avoid paying taxes on time. Penalty collections are decreasing. Pursuant to recent legislation, counties can work with taxpayers to enable them to pay delinquent taxes without penalties.

**Persons Testifying on Original Bill (Government Operations & Security):** Persons Testifying From 2015 Regular Session. PRO: Senator Dansel, prime sponsor; Rob Chase, Spokane County Treasurer.

CON: Josh Weiss, WA Assn. of Counties; Monty Cobb, WA Assn. of County Officials.

**Persons Signed In To Testify But Not Testifying:** No one.

**Staff Summary of Public Testimony on First Substitute (Ways & Means):** Testimony From 2016 Regular Session. PRO: This helps working families stay in their home. This is similar to an exception granted to businesses by the Department of Revenue. Some people have paid their property taxes for decades and then fall behind when they lose their job or fall ill. 11 percent penalty on top of 12 percent interest is usurious.

CON: The substitute alleviates much of my concerns. The penalties go into the county current expense fund. If you go forward with the original bill we would like to talk about mitigation for the counties.

**Persons Testifying on First Substitute (Ways & Means):** Persons Testifying From 2016 Regular Session. PRO: Senator Dansel, prime sponsor; Mark Johnson, Washington Retail Association; Rob Chase, Spokane County Treasurer.

CON: Josh Weiss, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying on First Substitute:** No one.