SENATE BILL REPORT
SB 6314

As Reported by Senate Committee On:
Ways & Means, February 10, 2020

Title: An act relating to protecting taxpayers from home foreclosure.

Brief Description: Protecting taxpayers from home foreclosure.

Sponsors: Senators Holy, King, O'Ban, Liias, Wagoner, Wilson, C. and Zeiger.

Brief History:
Committee Activity: Ways & Means: 1/23/20, 2/10/20 [DPS, w/oRec].

Brief Summary of First Substitute Bill

- Authorizes counties to eliminate or reduce penalties on delinquent property taxes.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6314 be substituted therefor, and the substitute bill do pass.
Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.
Signed by Senator Liias.

Staff: Alia Kennedy (786-7405)

Background: County Treasurer Duties. A county treasurer is the custodian of county money and the administrator of the county's financial transactions. A treasurer may also serve as the ex officio treasurer for a special purpose district, for example, a flood control district, irrigation district, or public utility district, and may provide financial services to districts and other units of local government. Treasurers have many duties enumerated in statute, which

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include receiving and disbursing money, issuing receipts for money received, and maintaining financial records reflecting receipts and disbursements.

All real and personal property in Washington is subject to property tax, unless the law provides a specific exemption. Each treasurer is responsible for notifying each taxpayer of the amount of taxes owed on the taxpayer's property and for collecting all taxes levied on personal and real property of the county.

Collection of Property Taxes. All taxes due on real and personal property are due and payable to the treasurer. To avoid interest and penalties, at least half of the amount owed is due by April 30th and the balance is due by October 31st. If the tax is less than $50, the entire payment must be paid in full by April 30th.

Delinquent tax payments are subject to interest and penalties. Interest for delinquent tax payments accrues at 12 percent a year—1 percent for each month of delinquency—from the month of delinquency until paid in full. In addition, delinquent taxes are subject to penalties as follows:

- a penalty of 3 percent is assessed on the amount of tax delinquent on June 1st of the year in which the tax is due; and
- an additional 8 percent is assessed on the total amount of tax delinquent on December 1st of the year in which the tax is due.

A treasurer must provide a payment agreement to each taxpayer for payment of current year taxes including any prepayments of collection charges. In instances where tax payments are past due, the treasurer may provide a payment agreement for payment of any past due delinquent taxes. The agreement for past due delinquencies must include a requirement that current year taxes are paid timely. The taxpayer and treasurer must sign a payment agreement prior to the treasurer using any electronic billing. A treasurer may accept partial payment of current and delinquent taxes due using electronic billing and payments. If a taxpayer is successfully participating in a payment agreement the county may not assess additional penalties on delinquent taxes included in the payment agreement.

Tax Foreclosure Costs. Prior to filing a certificate of delinquency, treasurers may assess and collect tax foreclosure avoidance costs against real property for costs that can be identified specifically with the administration of properties subject to and prior to foreclosure. Tax foreclosure avoidance costs include (1) compensation of employees for the time devoted and identified specifically to administering the avoidance of property foreclosure; and (2) the cost of materials, services, or equipment acquired, consumed, or expended specifically for the purpose of administering tax foreclosure avoidance prior to the filing of a certificate of delinquency.

The county's current expense fund must include credits from all collections of interest on delinquent taxes. The treasurer's operation and maintenance fund, used as a revolving fund, must include any amounts collected from the cost of foreclosure and sale of real property and the costs of distraint and sale of personal property, for delinquent taxes. This revolving fund defrays the cost of further foreclosure, distraint, and sale of real and personal property for delinquent taxes without regard to budget limitations.

Summary of Bill (First Substitute): A county legislative authority may reduce or eliminate the penalties imposed on delinquent property taxes.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Removes language eliminating the penalties on delinquent property taxes; and maintains current penalty amounts but gives counties the option to eliminate or reduce penalties.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The state is in a housing crisis. Addressing home foreclosure is one way of addressing the housing crisis. The current combined interest and penalty rates are up to 23 percent. A 12 percent interest is enough of a penalty. Counties have used penalties to create a sustainable revenue source for county operations but that was never the Legislature's intent. Individuals, such as veterans, low-income persons, seniors, and the disabled are struggling to stay in their homes, and penalties are enough to push them over the edge so they are never be able to catch up. The penalties are excessive and imposed on the most vulnerable in society. Penalties have become an income source for local governments because they retain all of the interest and penalties but only a small portion of property taxes. State law prohibits charging over 12 percent for private entities but there is an exemption for government. Most people who do not pay their taxes are not bad actors but those with health problems, family emergencies, or the elder who miss a statement, and then have a massive tax bill at the end of the year. This is a good bill but does come at cost to the county general fund. The bill will help the less fortunate and those who cannot afford a penalty at the current rate.

CON: This bill will add millions of dollars in costs to county governments and the people they serve. There are no housing advocates signed in to testify on this bill and that is likely because of legislation passed last session that put in place a number of protects for low-income homeowners and people facing foreclosures. Counties should not base their budgets off penalties but they do not have a lot of options. Counties cannot afford to lose this money. Junior taxing districts, such as fire districts and cemetery districts, are going to be the most hurt by this bill because they rely on every dollar. This bill encourages landowners to avoid paying on time or at all. The system works well as it is today. The revenue from penalties goes to county treasurer's office to help support the process.

Persons Testifying: PRO: Senator Jeff Holy, Prime Sponsor; Mike Volz, Chief Deputy Treasure—Spokane County; Mike Baumgartner, The Treasurer of Spokane County.

CON: Mellani McAleenan, Washington State Association of Counties; Arny Davis, Washington Association of County Treasurers.

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