

HOUSE BILL REPORT

EHB 1982

As Passed Legislature

Title: An act relating to clarifying the applicability of penalty and interest on personal property taxes.

Brief Description: Clarifying the applicability of penalty and interest on personal property taxes.

Sponsors: Representatives Volz, Caldier, Wylie and Graham.

Brief History:

Committee Activity:

Finance: 1/24/22, 1/27/22 [DP].

Floor Activity:

Passed House: 2/2/22, 94-2.

Passed Senate: 3/4/22, 48-0.

Passed Legislature.

Brief Summary of Engrossed Bill

- Clarifies the applicability of penalties and interest on personal property taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 14 members: Representatives Frame, Chair; Berg, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai, Wylie and Young.

Minority Report: Without recommendation. Signed by 3 members: Representatives Walen, Vice Chair; Stokesbary and Vick.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Rachelle Harris (786-7137).

Background:

Tax Statements and Payment Due Dates.

All real and personal property in Washington is subject to property tax, unless the law provides a specific exemption. All taxes due on real and personal property are due and payable to the State Treasurer. To avoid interest and penalties, at least half of the amount owed is due by April 30, and the balance is due by October 31. If the tax is less than \$50, the entire payment must be paid in full by April 30.

Tax Delinquencies.

Delinquent tax payments are subject to interest and penalties. In 2021 the Legislature made adjustments to the rates for different types of property.

Until December 31, 2022, interest on delinquent taxes is charged at a rate of 12 percent per year for all real property.

Beginning January 1, 2023, interest charged on delinquent taxes is:

- 12 percent per year for all nonresidential real property and for residential real property with more than 4 units; or
- 9 percent per year for all residential real property with four or fewer units.

In addition, a 3 percent penalty is imposed on the unpaid amount of current taxes on June 1, with an additional 8 percent penalty imposed on the unpaid amount of current taxes as of December 1. These penalties were temporarily suspended for 2022, and penalties on residential real property with four or fewer units were eliminated permanently.

Applicability of interest rates and penalties to personal property was inadvertently left out of the adjustments made in the 2021 session.

Summary of Engrossed Bill:

Personal property is treated the same as all real property for interest rates through 2022, with an interest rate of 12 percent per year. Beginning January 1, 2023, personal property remains at the 12 percent rate. Personal property is also subject to the same penalties as nonresidential real property and residential real property with more than four units.

It is clarified that the interest rate of 9 percent on small scale residential real property applies only to delinquent taxes that are levied in 2023 or thereafter.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This fix is needed to help effectively administer the intended changes to property tax penalties and interest.

(Opposed) None.

Persons Testifying: Representative Mike Volz, prime sponsor; Jackie Brunson, Washington State Association of County Treasurers; Steve Ewing, Department of Revenue; and Mike Hoover, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.