

# SENATE BILL REPORT

## ESHB 1410

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As Passed Senate - Amended, April 5, 2021

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

**Brief Description:** Protecting taxpayers from home foreclosure.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Volz, Valdez, Ybarra, Stokesbary, Chase, Dufault, Leavitt, Vick, Dolan, Sutherland, Walen, Chambers, Walsh, Robertson, Caldier, Griffey, Riccelli, Jacobsen, Fitzgibbon, Ormsby and Harris-Talley).

**Brief History:** Passed House: 3/5/21, 97-0.

**Committee Activity:** Ways & Means: 3/15/21, 3/18/21 [DPA].

**Floor Activity:** Passed Senate - Amended: 4/5/21, 49-0.

### Brief Summary of Amended Bill

- Temporarily eliminates penalties on delinquent property taxes for all properties.
- Permanently eliminates penalties on delinquent property taxes for residential parcels with four or fewer units.
- Reduces interest on delinquent property taxes to 9 percent for residential parcels with four or fewer units.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking Member, Capital; Braun, Carlyle, Conway, Darneille, Dhingra, Gildon, Hasegawa, Hunt, Keiser, Liias, Mullet, Muzzall, Pedersen, Rivers, Wagoner, Warnick and Wellman.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Alia Kennedy (786-7405)

**Background:** County Treasurers. A county treasurer is the custodian of county money and the administrator of the county's financial transactions. Treasurers have many duties enumerated in statute, which include receiving and disbursing money, issuing receipts for money received, and maintaining financial records reflecting receipts and disbursements.

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 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.

Tax Delinquencies and Payment Options. Delinquent tax payments are subject to interest and penalties. Interest is charged at 1 percent per month on the full amount due from the month of delinquency until the delinquency is paid in full. A 3 percent penalty is also imposed on the unpaid amount of current taxes on June 1st, with an additional 8 percent penalty imposed on the unpaid amount of current taxes as of December 1st. Taxpayers are authorized to participate in a payment agreement with the treasurer for past due tax delinquencies. If a taxpayer is participating in a payment agreement, the treasurer may not assess additional penalties on any taxes included within the payment agreement.

**Summary of Amended Bill:** The 3 percent penalty on delinquent property taxes on June 1st and the 8 percent penalty on December 1st are permanently eliminated for residential parcels with four or fewer units, including manufactured and mobile homes, and eliminated until December 31, 2022 for non-residential real property and real property with more than four units per parcel. Delinquent property taxes on non-residential real property and residential real property with more than four units per parcel become subject to these penalties again January 1, 2023.

Interest charged on delinquent property taxes is reduced from 12 percent to 9 percent for residential parcels with four or fewer units, including manufactured and mobile homes. Delinquent property taxes on non-residential real property and residential real property with more than four units per parcel remain subject to the 12 percent interest rate.

Interest assessed prior to any payment agreement remains due. Penalties assessed prior to the effective date of the bill and assessed prior to any payment agreement remain due.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill takes effect on January 1, 2022.

**Staff Summary of Public Testimony on Engrossed Substitute House Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: This proposal has come up in the past but has been narrowed down to exclude commercial and large residential properties. The current interest and penalty rates for delinquent property taxes have been in law for years and it is time they are adjusted. Penalties have long shown they do not work for making people to pay their bills. Interest and penalties have an impact on homeowners of color.

OTHER: The bill needs an effective date of January 1, 2022, to allow county treasurers time to implement the new interest and penalty structure, and should also clarify that manufactured homes are included in residential real property. There is support for preventing homeowners from foreclosure, but this bill is a significant hit to county revenue, for which the Legislature should consider backfilling.

**Persons Testifying:** PRO: Representative Mike Volz, Prime Sponsor; Shaun Scott, Statewide Poverty Action Network.

OTHER: Brenda Snyder, Washington State Treasurer's Office; Jeff Gadman, Thurston County Treasurer and Washington State Association of County Treasurers, legislative chair; Mac Nicholson, King County Council.

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