

SENATE BILL REPORT

EHB 1982

As Reported by Senate Committee On:
Ways & Means, February 28, 2022

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

Committee Activity: Ways & Means: 2/22/22, 2/28/22 [DP].

Brief Summary of Bill

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

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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

Staff: Jeffrey Mitchell (786-7438)

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

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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. 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 four units; or
- 9 percent per year for all residential real property with four or fewer units.

A 3 percent penalty is 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. 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 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.

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.

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: PRO: This bill is a fix to last year's HB 1410, which reduced interest rates on delinquent residential property taxes starting in 2023 and eliminated penalties temporarily. Inadvertently, HB 1410 eliminated interest and penalties on personal property taxes. This bill fixes the issue. Passing this legislation will prevent

counties from having to reprogram their property tax systems, which is very expensive.

Persons Testifying: PRO: Meredith Green, Kitsap County Treasurer & Washington State Association of County Treasurers.

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