
Finance Committee

HB 1421

Brief Description: Protecting the state's interest in collecting deferred property taxes.

Sponsors: Representatives Tharinger and Nealey; by request of Department of Revenue.

Brief Summary of Bill

- Directs proceeds from the sale of property acquired by the county at a property foreclosure sale to first be applied to pay the amount of deferred property taxes owed to the State.

Hearing Date: 2/8/13

Staff: Jeff Olsen (786-7175).

Background:

Property Taxes

Property taxes are due on April 30 each year. If one-half of the tax is paid by April 30, then the other half is due on October 31. If the first-half property tax payment is not made on time, the entire tax is delinquent and interest is charged at the rate of 12 percent per year. A penalty of 3 percent is assessed on taxes that are delinquent on June 1. An additional 8 percent penalty is assessed on taxes that are delinquent on December 1.

Property Tax Deferral Programs

Currently there are two property tax deferral programs. The first allows eligible persons of age 60 and older with incomes less than \$40,000 to defer taxes. Taxes that are deferred become a lien against the property and accrue interest at 5 percent per year. If deferred taxes are not repaid within three years after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover the taxes.

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.

The second deferral program is for limited income property owners. Individuals with an annual household income of \$57,000 or less may defer 50 percent of yearly real property taxes and special assessments. Deferred amounts, including interest, become a lien on the residence.

Foreclosure

After three years from the date of property tax delinquency, the county treasurer may begin foreclosure proceedings to recover past due property taxes. Proceeds from the sale of property must first be applied to discharge liens for general taxes. However, if the county does not receive a bid that satisfies past due property taxes, penalties and interest, the county acquires title to the land in trust for the taxing districts. Lands acquired by the county are called "tax title lands," and no claims are allowed from taxing districts. If the property is eventually resold by the county, the proceeds from the sale are distributed to other taxing districts, including the state.

In Attorney General Opinion No. 3, 2012, the Department of Revenue asked if a lien established under the senior deferral program remained in effect after a county acquires property subject to a lien at a tax foreclosure sale. The Attorney General noted that at the time the county acquired the property through foreclosure, all taxes are cancelled.

Summary of Bill:

Proceeds from the sale of property acquired by the county due to property tax foreclosure must first be applied to pay the Department of Revenue for taxes deferred under the senior and limited-income property tax deferral programs. The Department of Revenue may charge off past-due obligations from the senior and limited-income deferral program as uncollectible if the Department determines that there are no cost-effective means of collecting the amount due.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.