

# HOUSE BILL REPORT

## SHB 2309

---

**As Passed House:**  
February 17, 2014

**Title:** An act relating to providing fairness and flexibility in the payment of property taxes.

**Brief Description:** Providing fairness and flexibility in the payment of property taxes.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Condotta, Shea, Overstreet and Taylor).

**Brief History:**

**Committee Activity:**

Finance: 1/23/14, 2/11/14 [DPS].

**Floor Activity:**

Passed House: 2/17/14, 97-0.

**Brief Summary of Substitute Bill**

- Applies interest and penalties only to the unpaid portion of property taxes as opposed to the full-year amount.
- Allows a county treasurer to waive interest and penalties on delinquent property taxes where a taxpayer paid the incorrect amount of tax due through apparent taxpayer error.
- Allows a county treasurer to accept partial property tax payments.

---

### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

---

*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.*

Property tax statements are mailed by the county treasurer in February of each year. To avoid interest and penalties, at least half of the amount due must be paid by April 30 (if the tax is less than \$50 it must be paid in full by April 30) and the balance is due by October 31. A person can pay property taxes in person or by mail. Some counties are now accepting electronic payments via the county treasurer's website. Many lending companies pay the property tax for the homeowner from a property tax reserve account. In this case, tax statements are sent directly to the lending company.

If the current year first-half taxes are not paid by April 30, the entire tax amount becomes delinquent. Interest and penalty amounts on delinquent first half taxes are calculated on the entire year's tax amount. Interest is charged at 1 percent per month on the full amount due from the month of delinquency to the month of payment. A 3 percent penalty is also imposed on the unpaid amount of current taxes on June 1 with an additional 8 percent on the unpaid amount of current taxes as of December 1.

Under certain circumstances, the county treasurer will waive interest and penalties on delinquent property taxes. This includes missed payments due to county error or taxpayer hardship associated with a family member's passing.

**Summary of Substitute Bill:**

The current law requirement that interest and penalties apply to the full-year amount of property tax, regardless of amounts already paid, is modified so that these charges only apply to the unpaid balance.

A county treasurer may waive interest and penalties on delinquent property taxes where a taxpayer paid the incorrect amount due to apparent taxpayer error and the taxpayer pays the delinquent taxes within 30 days of receiving notice that the taxes are due.

A county treasurer may accept partial payment of current and delinquent property taxes, including interest and penalties.

The bill applies to taxes levied for collection in 2015 and thereafter.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 14, 2014.

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

**Staff Summary of Public Testimony:**

(In support) This is an effort to control the cost of penalties and interest on property taxes if someone gets behind on payments due to an unfortunate situation. Treasurers are provided with more flexibility and tools with regards to accepting payment of property taxes. This bill does not require anything from the county treasurer; it is simply an additional option. The

delay in penalties on late property tax payments only applies for a year, to reduce the risk of abuse of this benefit.

If a property owner submits a check for the wrong amount, whether the check is off by a couple dollars over or under the property tax amount due, the payment is sent back to the property owner. Depending on the timing of this, property owners may be subject to penalties. This gives the treasurer the ability to waive the penalty fee if the difference is paid within a reasonable amount of time.

(Opposed) Penalties on property tax payments came about 30 years ago when the borrowing investment interest was high. At the time, it was profitable for businesses or individuals to invest their property tax dollars instead of paying their property taxes. The collection rate of property tax was low. Currently, collection rates are somewhere between 96 percent and 98 percent throughout the state. Thurston County has approximately 6,000 delinquent properties annually. The property tax penalty is an incentive to property owners to pay their property taxes.

The revenue from property tax penalties is deposited into a county's general fund. Counties depend on these funds and have for the past 30 years. These funds support services and reduce the need to cut services for the 98 percent of taxpayers who pay their property taxes in a timely matter.

This bill cause administrative challenges as well. County treasurers do not currently track the frequency of delinquency and would need to make potentially costly modifications to begin tracking this information.

Many other financial obligations charge interest for delinquent payments.

Currently, taxpayers are given 15 days to correct the amount of property tax payment submitted. County treasurers give taxpayers the benefit of the doubt and provide two weeks or more to pay the correct amount without interest or penalty.

**Persons Testifying:** (In support) Representative Condotta, prime sponsor.

(Opposed) Shawn Myers, County Treasurers Association.

**Persons Signed In To Testify But Not Testifying:** None.