

# SENATE BILL REPORT

## ESHB 1332

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As of March 16, 2021

**Title:** An act relating to property tax deferral during the COVID-19 pandemic.

**Brief Description:** Concerning property tax deferral during the COVID-19 pandemic.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Sullivan, Ramel, Leavitt, Dufault, Hackney, Wylie, Santos, Ortiz-Self, Ormsby, Rule, Stokesbary, Callan, Pollet and Macri).

**Brief History:** Passed House: 3/5/21, 96-1.

**Committee Activity:** Ways & Means: 3/16/21.

### Brief Summary of Bill

- Requires county treasurers to grant a deferral of 2021 property tax payments for certain businesses via establishment of a payment plan.

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### SENATE COMMITTEE ON WAYS & MEANS

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

**Background:** Property 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 on real and personal property are due and payable to the county treasurer. To avoid interest and penalties, at least half of the amount owed is due by April 30th, and the full 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. 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

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unpaid amount of current taxes as of December 1st.

Payment Options. A county treasurer may accept prepayments for current year taxes provided the payments are paid in full by the statutory tax payment due dates. A treasurer may also provide a payment agreement to a taxpayer for payment of any current or delinquent taxes owed.

**Summary of Bill:** County treasurers must grant a deferral of taxes due in 2021 via the establishment of a payment plan for qualifying businesses. To qualify, a business must demonstrate a loss of at least 25 percent of revenue for calendar year 2020 compared to calendar year 2019. A deferral must be requested from the county treasurer on forms developed by the Department of Revenue. Penalties and interest are not be applied to taxes due under the deferral payment plan so long as the terms of the payment plan are fully met.

An owner of real property receiving a deferral must pass on the entire benefit to a tenant or sublessee if the tenant or sublessee is required by the lease or other contract to pay the property tax expense of the owner.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Staff Summary of Public Testimony:** PRO: Businesses supporting the fitness and wellness needs of people across the state have spent most of the year closed or at limited capacity. This bill is another step in helping businesses on the road to recovery and getting people back to work. The hospitality industry was most economically impacted by the pandemic. Washington businesses have the fifth highest closure rate in the country and people are still out of work. Impacted businesses are still responsible for fixed costs like property taxes. Counties should not make money off the hardship of businesses. Property taxes are still being paid under this bill. The pandemic was the worst economic disaster to ever impact the hotel industry. Hotels will not recovery until 2024. Most businesses have already been paying high property taxes throughout the pandemic. If a business is unable to pay the property tax then they are subject to interest and penalties.

CON: Providing property tax relief to businesses is commendable but there are a number of implementation issues with this bill. County treasurers do not have the staffing necessary to determine lost revenue for businesses. The Department of Revenue is better enabled to create forms and collect revenue data from businesses impacted by the pandemic. There are issues with knowing whether taxing districts have the ability to offer deferrals and not impact bond payments. Treasurers should have discretion to say whether they are able to

offer the deferral program. Businesses and property owners still have mortgages and this does nothing to help with that. The bill does not help businesses that have already paid their taxes because treasurers cannot issue refunds on tax payments. Property taxes are the primary source of county revenue and are complicated. This bill was created before the state was aware of the amount of federal financial support it would receive. A better option would be to create a grant for targeted industries, which would be more helpful than a payment plan for property taxes.

**Persons Testifying:** PRO: Bruce Beckett, Washington Fitness Alliance; Julia Gorton, Washington Hospitality Association; Shaiza Damji, 360 Hotel Group.

CON: Jeff Gadman, Thurston County Treasurer and Washington State Association of County Treasurers Legislative Chair; Mellani McAleenan, Washington State Association of Counties.

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