

HOUSE BILL REPORT

SB 5165

As Reported By House Committee On:

Law & Justice

Title: An act relating to the statute of limitations for negotiable instruments.

Brief Description: Revising the statute of limitations for negotiable instruments.

Sponsors: Senator Smith.

Brief History:

Committee Activity:

Law & Justice: 3/24/95, 3/31/95 [DP].

HOUSE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass. Signed by 14 members: Representatives Sheahan, Chairman; Delvin, Vice Chairman; Hickel, Vice Chairman; Costa, Assistant Ranking Minority Member; Campbell; Carrell; Chappell; Cody; Lambert; McMahan; Morris; Robertson; Smith and Veloria.

Minority Report: Do not pass. Signed by 2 members: Representatives Appelwick, Ranking Minority Member; and Thibaudeau.

Staff: Bill Perry (786-7123).

Background: A negotiable instrument is defined by the Uniform Commercial Code (UCC) as an unconditional order or promise to pay a fixed amount of money. The order or promise may or may not include interest charges. The most common form of negotiable instruments is the personal check, which is an order to pay known as a "draft." A draft may be "accepted" by the drawee's signed agreement to pay the draft as presented. For example, a certified check is a draft that has been "accepted" by the bank on which the check is drawn.

Under the state UCC since 1993, an action to enforce a dishonored unaccepted draft must be undertaken within three years after the dishonor of the check or within 10 years after the date of the check, whichever comes first.

The period of limitation for other forms of negotiable instruments include the following: for a note payable at a definite time, six years from the due date; for a

note payable on demand, six years from demand; for a certified check, traveller's check, or teller's check, three years after demand; for a certificate of deposit, six years after demand; and for an accepted draft, six years after acceptance or demand.

Before 1993, the state UCC did not have a specific period of limitation for negotiable instruments, and the general statute of limitations provided for a six-year period for actions on written agreements, including negotiable instruments.

Summary of Bill: The period of limitation for an action to enforce an unaccepted draft is made six years (instead of three years) after the dishonor of the draft, or 10 years after the date of the draft, whichever is shorter.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill restores the prior period of limitation and will assist in collecting amounts owed. The longer period is needed because of an increasingly mobile society and an awareness of debtors of the current three-year period.

Testimony Against: None.

Testified: Kris Tarabochia, grocery store owner (pro); Sherry Grapp, Lumbermen's (pro); Yvonne Blocher, Bailey G & G Drugs (pro); Susan Staab, Hawks Prairie Inn Corporation (pro); Karl Faler, Kitty Clinic KK Farm (pro); and Jeff Cox, Washington Retail Association (pro).