

# FINAL BILL REPORT

## HB 2485

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C 185 L 04

Synopsis as Enacted

**Brief Description:** Revising the rate of interest on certain tort judgments.

**Sponsors:** By Representatives Lantz, Carrell, Newhouse, Alexander, Jarrett, Moeller, Sommers, Kagi, Upthegrove, Schual-Berke and Darneille.

**House Committee on Judiciary**

**House Committee on Appropriations**

**Senate Committee on Judiciary**

### **Background:**

Interest accrues on a tort judgment from the date of entry of the judgment at a rate determined as prescribed in statute. That rate is set at the maximum rate allowed under the state's general usury law. It is the higher of the two following rates:

- 12 percent; or
- 4 points above the 26-week Treasury bill (T-bill) rate established by the Federal Reserve Board.

This method of determining the rate was enacted in 1983 and applies to tort judgments against defendants who are government entities or private entities. Prior to 1983 the interest rate on judgments against private party defendants was 12 percent, and on judgments against the state it was 8 percent.

In 1983 the 26-week T-bill rate averaged 8.75 percent. Adding 4 percent to this amount made the two alternative methods of computing the interest rate for judgments roughly equivalent. Over the past 20 years, the highest average annual T-bill rate was 9.77 percent in 1984. However, since 1991 the T-bill rate has been no higher than 5.59 percent. As a result of these low T-bill rates, 12 percent has been the interest rate on judgments for the past decade or more.

In 1983 the legislation that created the current method of determining the interest rate on judgments expressly made the change apply only to judgments entered after the effective date of the change. There is case law suggesting that if legislation is silent on the issue, the courts may decide either way on whether the new rate will be applied to existing unpaid judgments as well. It appears, however, that the Legislature may make an interest rate change apply to existing judgments if it chooses to do so expressly. The courts of this state have said that interest on a judgment is not a matter of contractual right, but rather a matter of legislative discretion.

### **Summary:**

The interest rate on tort judgments is to be determined by adding two points to the 26-week T-bill rate.

This new method of calculating interest rates applies to interest on judgments still accruing interest on the effective date of the act, as well as to interest on judgments entered after the act takes effect.

An express statement is provided to make it clear that the act does not change the interest rate on legal obligations imposed as the result of a criminal conviction.

**Votes on Final Passage:**

House 97 1

Senate 3 (Se  
43 nate  
ame  
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House 70 27 (House concurred)

**Effective:** June 10, 2004