

HOUSE BILL REPORT

HB 1105

As Reported by House Committee On:
Local Government

Title: An act relating to protecting taxpayers from home foreclosure.

Brief Description: Protecting taxpayers from home foreclosure.

Sponsors: Representatives Orwall, Ryu, Wylie, Pollet, Stanford and Frame.

Brief History:

Committee Activity:

Local Government: 1/18/19, 1/23/19 [DPS].

Brief Summary of Substitute Bill

- Requires treasurers to annually distribute tax statements by March 15.
- Requires all delinquency tax notices to specifically include current and delinquent taxes due, penalties and interest due, and information for the statewide foreclosure hotline.
- Requires county treasurers to provide the contact information of delinquent taxpayers to a homeownership resource center after the expiration of two years from the date of the property tax delinquency.
- Authorizes taxpayers to participate in payment agreements for delinquent taxes in any case where current or past taxes may be delinquent.
- Requires that all payments, received from a taxpayer participating in a payment agreement or making a partial tax payment for a delinquency, to be applied to the oldest delinquent year first unless the taxpayer requests otherwise.
- Creates counselor referral hotline and housing counseling activities accounts to be funded from a 50-cent fee for each dwelling unit located on each parcel.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Pollet, Chair; Peterson, Vice Chair; Appleton and Senn.

Minority Report: Do not pass. Signed by 3 members: Representatives Kraft, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Goehner.

Staff: Yvonne Walker (786-7841).

Background:

A county treasurer (treasurer) is the custodian of county money and the administrator of the county's financial transactions. A treasurer may also serve as the *ex officio* treasurer for a special purpose district and may provide financial services to districts and other units of local government. Treasurers have many duties enumerated in statute, which include receiving and disbursing money, issuing receipts for money received, and maintaining financial records reflecting receipts and disbursements.

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 due on real and personal property are due and payable to the treasurer. To avoid interest and penalties, at least half of the amount owed is due by April 30 and the balance is due by October 31. If the tax is less than \$50, the entire payment must be paid in full by April 30. Delinquent tax payments are subject to interest and penalties.

Each treasurer is responsible for notifying each taxpayer of the amount of taxes owed on the taxpayer's property and for collecting all taxes levied on personal and real property in the county. Each tax statement must include a notice that payments are to be made payable to the treasurer or other appropriate office. There is no specified date in statute identifying when tax statements are required to be distributed to taxpayers.

Electronic billings and payments may be made on a monthly or, other periodic basis for delinquent tax year payments only or for prepayments of current tax.

Payment Options.

A 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 provide a payment agreement to a taxpayer for payment of any current or delinquent taxes owed. In instances where tax payments are past due, the treasurer may provide a payment agreement for payment of any past due delinquent taxes; however, a taxpayer cannot participate in the payment agreement for past year delinquencies if his or her current year taxes have not been paid timely. If a taxpayer participates in a payment agreement, the agreement must be signed by the taxpayer and the treasurer.

In addition to payment agreements, a treasurer may also accept partial payments of current and delinquent taxes, including any interest and penalties. If a taxpayer is successfully

participating in a payment agreement or a partial payment program, the taxpayer may get relief from additional penalties and interest, and the county may not assess any additional penalties on delinquent taxes that are included within the payment agreement.

Tax Foreclosures.

Three years after the date real property taxes become delinquent, the treasurer is required to begin foreclosure action. The treasurer must issue a certificate of delinquency on the property for all years' taxes, interest, and costs, unless the treasurer elects to issue a certificate for fewer than all years' taxes, interest, and costs. The treasurer files the certificate of delinquency with the clerk of the court and, with the assistance of the local prosecuting attorney, institutes an action for foreclosure of the real property tax lien. A certificate of delinquency establishes that: the property was subject to property tax; the property was assessed as required by law; and the taxes or assessments were not paid at any time before the issuance of the certificate. Notice and summons of the foreclosure proceeding must be given to the property owner and any person having a recorded interest in, or lien of record upon, the property.

The superior court, in determining an action to foreclose on a tax lien, may enter an order for the sale of the affected property which allows the county treasurer to proceed with the sale of the property. The treasurer must sell the property through a public auction and upon sale of the property, a purchaser must pay all delinquent taxes, interest, or costs.

Summary of Substitute Bill:

Property tax statements are amended, counseling information is provided to delinquent taxpayers, and requirements relating to how delinquent tax payments are applied are established.

Tax Statements and Payment Due Dates.

County Treasurers must distribute tax statements, for the current year's taxes owed, to each taxpayer on or before March 15 provided that: (1) all local taxing budgets have been submitted to the county legislative authorities by November 30; (2) the county legislative authority has certified taxes levied to the county assessor by November 30; and (3) the county assessor has delivered the tax roll to the county treasurer by January 15.

A treasurer must provide a notice to each taxpayer whose taxes are delinquent. The delinquent tax notices must include: (1) any current taxes or special assessments due, including any penalties and interest; (2) any delinquent taxes or assessments due, including any penalties and interest due; and (3) where the taxpayer pays his or her property taxes directly, the contact information for the statewide foreclosure hotline as recommended by the Washington State Housing Finance Commission (HFC).

Two years after the date real property taxes become delinquent, the treasurer must provide the name and address of the delinquent taxpayer to a homeowner resource center or any other designated local or state entity recommended by the HFC within 90 days.

Electronic billings and payments may be made for both delinquent tax year payments and for prepayments of current tax.

Payment Options.

Despite whether current year taxes are paid on a timely basis, taxpayers are authorized to participate in a payment agreement with the county treasurer for past due tax delinquencies.

All payments, received by a treasurer from a taxpayer participating in a payment agreement for a tax delinquency or making a partial tax payment for a delinquency, must be applied to the oldest delinquent year first unless the taxpayer requests otherwise. In instances where a taxpayer is participating in a payment agreement for paying property taxes, the payment agreement must be signed by the taxpayer and either the treasurer or the treasurer's deputy.

Tax Foreclosures.

If a treasurer sells a foreclosure parcel at a public auction, the winning bidder is allowed no less than 48 hours to pay the winning bid by electronic fund transfer.

Treasurers are prohibited from filing a certificate of delinquency for a property foreclosure when the initial tax delinquency totals \$100 or less excluding interest and penalties.

A counselor referral hotline account and a housing counseling activities account is created. Treasurers must collect a 50-cent fee per dwelling unit located on each parcel. Proceeds from the dwelling fee must be remitted to the State Treasurer for deposit in the counselor referral hotline account and the housing counseling activities account. The Department of Commerce may authorize funding to agencies and organizations to fund the housing counselor referral hotline and housing counseling activities.

Other technical amendments, clarifications, and subtitles are added to the act.

Substitute Bill Compared to Original Bill:

A provision:

- that required treasurers to include the contact information for the statewide foreclosure hotline on the initial annual tax statements is eliminated and now, in instances where the taxpayer directly pays his or her taxes, that information will only be included on the delinquency notices;
- is added to require treasurers to provide the contact information of delinquent taxpayers to the homeownership resource center within 90 days after such taxpayer has had two years of delinquent tax payments;
- that required counties to annually remit 20 percent of unclaimed excess foreclosure funds to the State Treasurer is eliminated. Instead, treasurers must collect a 50-cent fee per dwelling unit located on each parcel with the proceeds being used to fund the counselor referral hotline and the housing counseling activities;
- is added that authorizes payment agreements to be signed by the taxpayer and either the treasurer or the treasurer's deputy in instances where a taxpayer is participating in a payment plan; and

- is added that prohibits a treasurer from filing a certificate of delinquency for a property foreclosure when the initial tax delinquency totals \$100 or less excluding interest and penalties.
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Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on January 1, 2020.

Staff Summary of Public Testimony:

(In support) Property taxes and assessments are at a rate where many property owners on fixed incomes, including seniors and those that are disabled, are struggling financially. People who have inherited family homes have been on the verge of losing their homes due to not being able to afford to pay property taxes. In some jurisdictions property taxes have increased by 30 percent. This bill is a result of a stakeholder group whose goal is to support and save taxpayers from possible home foreclosures as well as to ensure that the administration of taxes are handled uniformly throughout the state.

The bill: (1) requires that information regarding the foreclosure hotline appears on all tax statements; (2) redefines the terms of the payment plans to make it easier for taxpayers to participate in the plans; and (3) allows 48 hours after auction for housing agencies to secure funding thereby allowing them to be more competitive in obtaining affordable housing options.

This bill is supported by the treasurers as they work very hard to keep taxpayers out of foreclosure. The bill allows more flexibility for property tax payment plans and will help to keep people in their homes. However, the provision that requires the foreclosure hotline phone number to be printed on the initial tax statement should be eliminated. The phone number should only be printed on the delinquent notices as adding it to initial statements could be costly to counties.

The Housing Resource Center operates the statewide foreclosure hotline which has helped over 31,000 distressed homeowners connect to counseling and other assistance since its inception. People, especially those that own their homes outright, should not be losing their homes over property taxes. This bill increases taxpayer transparency and strengthens taxpayer protections. The creation of the activity accounts for counseling services and a housing referral hotline will help ensure counseling and services are available to homeowners who need assistance before it is too late to save their homes from foreclosure.

(Opposed) Although there is support for the programming in this bill, the main concern is that the funding source in this bill could have an impact on local government's budgets. The funds that are received from tax foreclosure sales vary dramatically from county to county and from year to year. This is a very volatile source of funding. Counties often use this

funding to clear up backlogs and make necessary one-time purchases. A different funding source would be more beneficial to the program.

(Other) Many of the homes that end up in foreclosure are those instances where the owner owns the home outright. Currently, there is no uniformity around the state in how delinquent payments are collected as some counties offer payment plans and others do not. Delinquent taxpayers are often seniors or those with a disability who cannot work. If these homeowners were connected with resources early on in the process, then this would eliminate some of the stress.

Persons Testifying: (In support) Representative Orwall, prime sponsor; Jeff Gadman, Office of the Thurston County Treasurer; Alishia Topper, Clark County; Jay Doran, Statewide Poverty Action Network; Anthony Evans; Denise Rodriguez, Washington Homeownership Resource Center; and Joanna Grist, American Association of Retired Persons.

(Opposed) Mellani McAleenan, Washington State Association of Counties.

(Other) Chelsea Hicks, Northwest Justice Project.

Persons Signed In To Testify But Not Testifying: None.