

HOUSE BILL REPORT

ESHB 1410

As Amended by the Senate

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

Brief Description: Protecting taxpayers from home foreclosure.

Sponsors: House Committee on Finance (originally sponsored by Representatives Volz, Valdez, Ybarra, Stokesbary, Chase, Dufault, Leavitt, Vick, Dolan, Sutherland, Walen, Chambers, Walsh, Robertson, Caldier, Griffey, Riccelli, Jacobsen, Fitzgibbon, Ormsby and Harris-Talley).

Brief History:

Committee Activity:

Finance: 2/9/21, 2/19/21 [DPS].

Floor Activity:

Passed House: 3/5/21, 97-0.

Senate Amended.

Passed Senate: 4/5/21, 49-0.

Brief Summary of Engrossed Substitute Bill

- Eliminates penalties on delinquent property taxes for residential parcels with four or fewer units.
- Reduces interest on delinquent property taxes to 9 percent for residential parcels with four or fewer units.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick and

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Young.

Minority Report: Without recommendation. Signed by 1 member: Representative Wylie.

Staff: Rachelle Harris (786-7137).

Background:

County Treasurers.

A county treasurer (treasurer) is the custodian of county money and the administrator of the county's financial transactions. 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.

Tax Delinquencies and Payment Options.

Delinquent tax payments are subject to interest and penalties.

Interest is charged at a rate of 1 percent per month on the full amount due from the month of delinquency until the delinquency is paid in full.

In addition, a 3-percent penalty is also imposed on the unpaid amount of current taxes on June 1, with an additional 8-percent penalty imposed on the unpaid amount of current taxes as of December 1.

Taxpayers are authorized to participate in a payment agreement with the treasurer for past due tax delinquencies. If a taxpayer is participating in a payment agreement, the treasurer may not assess additional penalties on any taxes that are included within the payment agreement.

Summary of Engrossed Substitute Bill:

The 3-percent penalty on delinquent property taxes on June 1 and the 8-percent penalty on December 1 are both eliminated for residential parcels with four or fewer units. Delinquent property taxes on non-residential real property and residential real property with more than four units per parcel remain subject to these penalties.

Interest charged on delinquent property taxes is reduced from 12 percent to 9 percent for residential parcels with four or fewer units. Delinquent property taxes on non-residential real property and residential real property with more than four units per parcel remain subject to the 12-percent interest rate.

Interest that has been assessed prior to any payment agreement remains due. Penalties assessed prior to the effective date of the bill and assessed prior to any payment agreement remain due.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment:

- maintains the interest rate on delinquent property taxes of 12 percent until December 31, 2022 for all real property;
- specifies that manufactured and mobile homes are included in the category of residential property with 4 or fewer units for purposes of delinquent property tax interest rates;
- eliminates penalties on all delinquent property taxes for the year 2022, and for residential properties with 4 or fewer units permanently;
- reinstates penalties on delinquent property taxes for nonresidential properties and residential properties with more than 4 units beginning January 1, 2023; and
- adds an effective date of January 1, 2022.

Appropriation: None.

Fiscal Note: Available.

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) The state currently charges 23 percent total penalties and interest on delinquent taxes. This bill allows a more reasonable interest rate to be paid on property taxes. Counties may currently extend property tax due dates, which is currently happening in some areas. This allows prevention of foreclosure by making the tax and penalties code more fair. The COVID-19 pandemic is leading to more time spent at home and more spending on utilities and groceries. Property taxes represent a pressure point on low-income families. Exorbitant interest and penalties cause people to slide further into debt. The interest rate should be lowered as well to 9 percent, which is the rate on consumer and medical debt. People facing delinquency almost always are facing other crises such as death, divorce, mental health crises, etc. These are people in the most need of support and do not deserve exorbitant interest and penalties. The human impact when someone loses their home due to delinquency charges is enormous.

(Opposed) The Association of Washington Counties appreciates the desire to keep people in their homes. This bill also affects all properties, not just homeowners. Commercial property owners sometimes use the structure to simply not pay taxes. This creates problems for the state and all junior taxing districts. This could have an impact on both county revenues and their ability to pay bonds. Additional forgiveness during the COVID-19 pandemic would be appropriate, but restrict it only to residential properties. The cash flow from counties to smaller taxing districts could be negatively impacted by this, such as not being ready for fire season. Park and recreation districts are also likely to be impacted since they do not have much cash flow either. Treasurers should retain the ability to make decisions on a case-by-case basis. The title is to protect homeowners from foreclosure, but instead it places library and fire and other districts at financial risks. Treasurers may already waive these penalties, and send notice prior to people facing penalties. Low-income folks can apply, and treasurers can waive combined interest and penalties. Potential revenue loss will undermine essential government services. Without penalties, there is less motivation to pay properly. The City of Ruston lost huge revenue because a developer decided it was easier not to pay taxes. Elimination of penalties will remove an essential device that ensures timely payments are retained.

Persons Testifying: (In support) Representative Volz, prime sponsor; Shaun Scott, Statewide Poverty Action Network; Denise Rodriguez, Washington Homeownership Resource Center; and Morgan Sanders.

(Opposed) Derek Young, Pierce County Council; Art Swannack, Whitman County Board of County Commissioners; Alishia Topper, Clark County; and Jackie Brunson, Skagit County.

Persons Signed In To Testify But Not Testifying: None.