

Multiple Agency Fiscal Note Summary

Bill Number: 2785 HB	Title: Prprty tx interest/penalties
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Estimated Cash Receipts

Agency Name						
	GF- State	Total	GF- State	Total	GF- State	Total
Total \$						

Local Gov. Courts *						
Local Gov. Other **		(21,215,000)		(46,552,000)		(52,643,800)
Local Gov. Total		(21,215,000)		(46,552,000)		(52,643,800)

Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	0.0	\$0	\$0	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **			92,000						
Local Gov. Total			92,000						

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 2/11/2002
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 2785 HB	Title: Prprty tx interest/penalties	Agency: 140-Department of Revenue
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Part I: Estimates

☒ No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Rick Peterson	Phone: 360-786-7150	Date: 02/03/2002
Agency Preparation: Steve Smith	Phone: 570-6080	Date: 02/08/2002
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 02/08/2002
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/08/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 of the proposal concerns interest and penalties charged on delinquent property taxes. RCW 84.56.020(5) imposes a 12% interest rate, a 3% penalty for taxes delinquent on June 1, and an additional 8% penalty for taxes still delinquent on December 1. This proposal reduces the interest rate from 12% to 7% and the December 1 penalty from 8% to 3%.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Data are from county assessors and Department of Revenue property tax sources.

It's assumed that:

the 19 counties reporting \$10.8 million losses represent 54% of statewide delinquencies;

delinquencies are growing at an average of 6.3% per year;

the proposal will be effective for taxes due in calendar year 2003.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This section is not applicable for property tax proposals.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Interest and penalties do not accrue to the state, therefore there will be no state impact.

Local jurisdictions will lose some \$21.2 million annually.

TAXPAYERS NOT CURRENTLY REPORTING (Although some taxpayers may not now be paying the tax in question, some of them will become aware of their liability in the future, as a result of normal enforcement activities or education programs by the Department. The impact for such taxpayers is based on the Department's studies of average tax compliance)

This section is not applicable to this proposal.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None.

Local Government, if applicable (cash basis, \$000):

FY 2002	-	\$	0
FY 2003	-	(21,215)	
FY 2004	-	(22,561)	
FY 2005	-	(23,991)	
FY 2006	-	(25,513)	
FY 2007	-	(27,131)	

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

None.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 2785 HB	Title: Prprty tx interest/penalties
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☒ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Reprogramming county treasurer computer systems, which may be most costly to smaller counties with less flexible systems requiring support from outside vendors.
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Expenditure projections only include reporting counties.

Estimated revenue impacts to:

Jurisdiction	FY 2002	FY 2003	2001-03	2003-05	2005-07
City					
County		(21,215,000)	(21,215,000)	(46,552,000)	(52,643,800)
Special District					
TOTAL \$		(21,215,000)	(21,215,000)	(46,552,000)	(52,643,800)
GRAND TOTAL \$					(120,410,800)

Estimated expenditure impacts to:

Jurisdiction	FY 2002	FY 2003	2001-03	2003-05	2005-07
City					
County		92,000	92,000		
Special District					
TOTAL \$		92,000	92,000		
GRAND TOTAL \$					92,000

Part III: Preparation and Approval

Fiscal Note Analyst: Steve Salmi	Phone: (360) 725-5038	Date: 02/11/2002
Leg. Committee Contact: Rick Peterson	Phone: 360-786-7150	Date: 02/03/2002
Agency Approval: Val Richey	Phone: 360-725-5036	Date: 02/11/2002
OFM Review: Mike Cheney	Phone: 360-902-0582	Date: 02/11/2002

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

Section 1 of the proposal concerns interest and penalties charged on delinquent property taxes. RCW section 84.56.020(5) currently imposes a 12-percent interest rate, a 3-percent penalty for taxes delinquent on June 1st, and an additional 8-percent penalty for taxes still delinquent on December 1st. This proposal reduces the interest rate to 7-percent and the December 1st penalty from 8 percent to 3 percent.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill would result in at least \$92,000 in start-up costs for county treasurers. These costs would relate to reprogramming computer systems.

ASSUMPTIONS:

County treasurers would need to reprogram their computer systems in order to implement HB 2785. Reprogramming costs could vary depending upon the age and type of system, e.g., whether it flexible enough to be reprogrammed in-house with relatively little effort, or would require purchasing the services of an outside vendor. King County reported that its system-modification costs would be insignificant. A dozen treasurers -- mainly representing medium and small counties -- projected reprogramming costs that average \$7,700. The LGFN estimate of total expenditures only includes reporting counties. No extrapolations for nonreporting counties are made because of the uncertainties embedded in such calculations.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill would lead to a loss in revenue to counties of \$21.2 million in FY 2003 and \$27.1 million in FY 2007.

ASSUMPTIONS:

The statewide revenue-loss projections for counties were developed by the Department of Revenue (DOR) using estimates provided by 19 reporting county treasurers. DOR assumes that delinquencies would grow an average of 6.3 percent per year, and that the bill would be effective for taxes due in CY 2003.

The enclosed attachment provides county-by-county breakdowns of treasurer estimates of revenue losses. The data itemize a larger number of reporting counties than DOR estimates (30) and distinguish losses in penalty and interest rates, but the county-by-county projections do not include a delinquency-growth factor.

The attachment also provides a ratio of projected losses to delinquent tax roll revenue (see Column G). If a county's ratio is higher than the statewide average of .09, that suggests a relatively large projected loss relative to other counties. For example, the revenue-loss projections from Pierce and Snohomish counties would together have been \$1.2 million lower if the two counties had a .09 ratio rather than a .11 ratio of projected losses to delinquent tax revenue.

It is assumed that revenue from delinquent tax penalties and interest are placed in a county's general-fund account. Thus, cities and special districts may be only indirectly impacted by revenue losses.

SOURCES OF DATA:

Washington Municipal Treasurer's Association
Washington Association of County Officials
Department of Revenue

HB 2785 REVENUE AND EXPENDITURE IMPACTS TO COUNTIES

	<u>COL. B</u>	<u>COL. C</u>	<u>COL. D</u>	<u>COL. E</u>	<u>COL. F</u>	<u>COL. G</u>
		<u>Penalty</u>	<u>Interest</u>	<u>Annual Tot.</u>	<u>Computer</u>	<u>Projections/</u>
	<u>County</u>	<u>8-3 Percent</u>	<u>12-7 Percent</u>	<u>Rev. Loss</u>	<u>Prog. Costs</u>	<u>Delinquent</u>
LARGE	King	\$ (2,635,000)	\$ (2,564,000)	\$ (5,199,000)	\$ -	0.09
	Pierce	\$ (1,603,000)	\$ (1,831,000)	\$ (3,434,000)	\$ -	0.11
	Snohomish	\$ (1,039,568)	\$ (1,947,146)	\$ (2,986,714)	\$ -	0.11
	Clark	\$ (517,380)	\$ (714,477)	\$ (1,231,857)	\$ -	0.09
	Spokane	\$ (400,000)	\$ (600,000)	\$ (1,000,000)	\$ -	0.05
	Kitsap	\$ (350,000)	\$ (582,000)	\$ (932,000)	\$ -	0.08
	Thurston	\$ (175,000)	\$ (540,000)	\$ (715,000)	\$ -	0.08
	Whatcom	\$ (228,362)	\$ (418,813)	\$ (647,175)	\$ 5,000	0.1
	Yakima	\$ (320,887)	\$ (312,685)	\$ (633,572)	\$ -	0.08
MEDIUM	Chelan	\$ (202,745)	\$ (370,139)	\$ (572,884)	\$ 10,600	0.25
	Cowlitz	\$ (175,000)	\$ (275,000)	\$ (450,000)	\$ -	0.1
	Grays Hrbr.	\$ (144,560)	\$ (237,715)	\$ (382,275)	\$ -	0.09
	Skagit	\$ (157,850)	\$ (217,983)	\$ (375,833)	\$ -	0.09
	Lewis	\$ (75,467)	\$ (299,355)	\$ (374,822)	\$ -	0.12
	Benton	\$ (128,755)	\$ (229,919)	\$ (358,674)	\$ -	0.07
	Grant	\$ (106,000)	\$ (213,427)	\$ (319,427)	\$ 10,000	0.1
	Island	\$ (127,160)	\$ (175,600)	\$ (302,760)	\$ -	0.07
	Clallam	\$ (80,092)	\$ (124,115)	\$ (204,207)	\$ 10,000	0.11
	Walla Walla	\$ (51,926)	\$ (92,724)	\$ (144,650)	\$ -	0.12
	Jefferson	\$ (38,000)	\$ (72,000)	\$ (110,000)	\$ 12,000	0.09
	Franklin	\$ (38,919)	\$ (69,499)	\$ (108,418)	\$ -	0.05
	Stevens	\$ (38,280)	\$ (68,357)	\$ (106,637)	\$ 5,600	0.05
	Okanogan	\$ (33,100)	\$ (51,250)	\$ (84,350)	\$ 2,500	0.02
	Mason	\$ (12,143)	\$ (20,754)	\$ (32,897)	\$ 10,600	0.01
SMALL	Whitman	\$ (79,200)	\$ (118,800)	\$ (198,000)	\$ 10,000	0.21
	San Juan	\$ (73,121)	\$ (83,440)	\$ (156,561)	\$ -	0.12
	Klickitat	\$ (39,817)	\$ (70,354)	\$ (110,171)	\$ -	0.1
	Kittitas	\$ (35,461)	\$ (58,107)	\$ (93,568)	\$ -	0.06
	Ferry	\$ (38,500)	\$ (38,000)	\$ (76,500)	\$ -	0.18
	Pacific	\$ (26,137)	\$ (42,829)	\$ (68,966)	\$ -	0.02
	Douglas	\$ (15,000)	\$ (50,000)	\$ (65,000)	\$ -	0.05
	Pend Oreille	\$ (6,500)	\$ (43,500)	\$ (50,000)	\$ 7,500	0.07
	Lincoln	\$ (18,000)	\$ (20,000)	\$ (38,000)	\$ 2,500	0.09
	Asotin	\$ (12,847)	\$ (21,051)	\$ (33,898)	\$ -	0.1
	Skamania	\$ (11,516)	\$ (18,870)	\$ (30,386)	\$ -	0.03
	Wahkiakum	\$ (6,000)	\$ (18,000)	\$ (24,000)	\$ 5,600	0.11
	Adams	\$ (509)	\$ (9,396)	\$ (9,905)	\$ -	0.01
	Garfield	\$ (2,548)	\$ (4,176)	\$ (6,724)	\$ -	0.15
	Columbia	\$ (1,200)	\$ (3,800)	\$ (5,000)	\$ -	0.05
		\$ (9,045,550)	\$ (12,628,281)	\$ (21,673,831)	\$ 91,900	0.09

Columns C through F are based upon estimates provided by the Washington Municipal Treasurer's Association, which provided data for 30 out of 39 counties. County data in a bold typeface are LGFN projections calculated by multiplying the the individual county's total assessed value by its cluster's total delinquent tax roll divided by assessed value.

Column F represents the costs of reprogramming computer systems. Data only include reporting counties (some may have provided revenue-loss estimates but no cost estimates for reprogramming). No LGFN projections were made for nonreporting counties because of the uncertainties in such calculations.

Column G is the ratio of a county's projected annual revenue losses due to HB 2785 divided by delinquent tax revenue. A ratio higher than the statewide average of .09 suggests an unusually large projected loss relative to other counties.