



King County

Dow Constantine

King County Executive
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January 23, 2024

The Honorable Dave Upthegrove
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Upthegrove:

This letter transmits the proposed Ordinance that would, if enacted, authorize the Manager of Treasury Operations of King County to cancel the attached list of uncollectible personal property taxes in the amount of \$1,455,288 for the years 2015 through 2023, as summarized in Attachment A.

Pursuant to the Revised Code of Washington (RCW) 84.56.240, King County Treasury Operations is required to submit a report on a list of personal property tax accounts found to be uncollectible after diligent collection efforts have been made annually to the King County Council. The RCW further states that, “The county’s legislative body shall cancel such taxes as they are satisfied cannot be collected.” Such cancellation, however, does not constitute forgiveness of the debt to King County, which may be collected at a later date if Treasury Operations is able to locate real or personal property from which the debt can be collected. For example, debt can be collected by the County in bankruptcy proceedings.

Personal property taxes are paid by businesses. Cancellation of unpaid personal property taxes are called “write-offs.” These taxes, penalties, and interest are deemed uncollectible following Treasury’s escalated collection efforts. As part of the determination process, Treasury may discover any of the following situations which lead to a write-off of the tax debt, including but not limited to instances when:

- An owner has dissolved the business and disposed of the taxable assets and they cannot be located (in this case the tax debt follows the assets).
- A business fails to report closure or liquidation to the Department of Assessments, resulting in ongoing automated annual revaluation and billing. Thus, delinquent amounts accrue with no basis in fact and are ultimately uncollectible and need to be written off.
- A business closure may be discovered by Treasury staff based upon a review of Department of Revenue and Secretary of State databases or through media reports and internet searches.

The Honorable Dave Upthegrove

January 23, 2024

Page 2

- As part of a bankruptcy claim, assets may be sold with little or no recoverable tax debt.
- All available funds may have already been collected by Treasury prior to a business closure, or assets are repossessed by a creditor, thus leaving the remaining tax debt uncollectable.
- Personal property is collected on mobile homes. If a mobile home is uninhabitable and is destroyed, it is identified as a write-off account.

Because the County collects taxes on behalf of the state and all local districts in King County, the canceled accounts will proportionally reduce accounts receivables for the various taxing districts. The one-time revenue loss to King County is an estimated loss of \$261,952, of which \$130,976 is attributed to the County's General Fund.

As required by state law, an affidavit from the Chief Treasury Officer stating diligent efforts have been made to collect the outstanding taxes and requesting the authority of the Council to cancel the uncollectible accounts is enclosed.

If your staff have questions, please contact Nora Bennett, Chief Treasury Officer, at 206-477-0081.

Sincerely,



for

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
ATTN: Stephanie Cirkovich, Chief of Staff
Melani Hay, Clerk of the Council
Karan Gill, Chief of Staff, Office of the Executive
Penny Lipsou, Director, Council Relations, Office of the Executive
Dwight Dively, Director, Office of Performance, Strategy and Budget
Lorraine Patterson-Harris, Chief Administrative Officer, Department of Executive Services (DES)
Ken Guy, Director, Finance and Business Operations Division (FBOD), DES
Nora Bennett, Chief Treasury Officer, FBOD, DES