



King County

Dow Constantine

King County Executive
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www.kingcounty.gov

January 14, 2022

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

Dear Councilmember Balducci:

Pursuant to RCW 84.56.240, King County Treasury Operations is required to submit a report annually to the King County Council of a list of personal property accounts found to be uncollectible after diligent collection efforts have been made. The Council is required to “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 one or more of the following situations which lead to a write-off of the tax debt:

- 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.
- 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 uncollectible.
- Personal property is collected on mobile homes. If a mobile home is uninhabitable and is destroyed, it is identified as a write-off account.

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After diligent collection efforts, the taxes as identified in the 2021 write-off list are now considered uncollectible.

The enclosed affidavit from the Treasury Operations Manager requests authority to cancel 161 uncollectible personal property tax accounts totaling \$843,396 for the years 2015 through 2021, as summarized in Attachment A. Because the County collects taxes on behalf of the state and all local districts in King County, the cancelled accounts will proportionally reduce accounts receivables for the various taxing districts. The one-time revenue loss to King County is an estimated loss of \$143,377, of which \$71,689 is attributed to the County's general fund.

When compared to the prior year, there are fewer accounts listed in the 2021 write-off report. In 2020 there were 524 accounts identified in the write-off report, totaling \$924,750. It is hoped that over time, struggling businesses that remain on the tax rolls will find a path to financial recovery following the COVID-19 pandemic. Flexible payment plans and new legislation reducing late charges will assist in the recovery. Many other factors involving business ownership and economic trends may also contribute to changes from year to year.

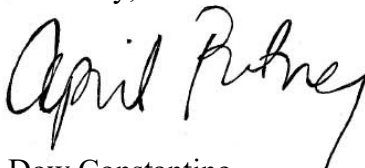
The collection process for personal property taxes aligns with the efficient, accountable regional and local government goal of King County's Strategic Plan.

It is estimated that this report cost approximately \$1,200 to produce.

Thank you for consideration of this proposed legislation. Approval of the proposed Ordinance will authorize the Treasury Division to cancel the uncollectible personal property taxes in the amount of \$843,396.

If your staff have any questions, please contact Nora Bennett, Treasury Operations Manager, at 206-477-0081.

Sincerely,

 for
Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
ATTN: Janine Weihe, Acting Chief of Staff
Melani Pedroza, Clerk of the Council
Shannon Braddock, Chief of Staff, Office of the Executive
Karan Gill, Deputy Chief of Staff, Office of the Executive

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Mina Hashemi, Director, Council Relations, Office of the Executive
Dwight Dively, Director, Office of Performance, Strategy and Budget
Caroline Whalen, Chief Administrative Officer, Department of Executive
Services (DES)

Ken Guy, Director, Finance and Business Operations Division (FBOD), DES

Nora Bennett, Manager, Treasury Operations Section, FBOD, DES