## STAFF REPORT

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| **Agenda Item:** | 5 | **Name:** | Brandi Vena-Paribello |
| **Proposed No**.: | 2022-0029 | **Date:** | February 9, 2022 |

**SUBJECT**

An ordinance authorizing the Manager of Treasury Operations to cancel uncollectible personal property taxes totaling $843,396 for the years 2015 through 2021.

**SUMMARY**

The Manager of Treasury Operations, as required by state law, provides the County Council each year with a list of uncollectible personal property taxes and requests for the authority to cancel these accounts, removing them from the tax rolls. The list is submitted only after the exhaustion of due diligence efforts to collect the delinquent taxes, and their cancellation does not relinquish the county’s ability to collect on the debts at a later date.

The proposed ordinance would cancel 161 uncollectible personal property tax accounts totaling $843,396 for the years 2015 through 2021, resulting in a one-time potential revenue loss to the county of $143,377, of which $71,689 is the projected impact to the General Fund.

**BACKGROUND**

King County’s Treasury Operations (Treasury), within the Finance and Business Operations Division (FBOD), is responsible for collecting personal property taxes within the County. Personal property refers to assets used in conducting a business such as machinery, equipment and furniture. Personal property taxes are assessed against businesses, utilities, airlines, timber, leasehold estates, mobile homes, floating homes and lease accounts.

When an account becomes delinquent, Treasury initiates procedures to obtain payment. After exhausting due diligence efforts to collect payment, per state law, Treasury must provide the Council with a list of delinquent tax accounts found to be uncollectible[[1]](#footnote-1). The Manager of Treasury Operations must also submit an affidavit stating that a diligent search for the delinquent taxpayers was conducted and unable to yield any property from which owed taxes could be collected. The Council may then “cancel such taxes as they are satisfied cannot be collected.” This procedure is required on an annual basis and the Council considers this type of legislation each year. Council took action to cancel uncollectible property taxes for the years 2013 through 2020 at the March 23, 2021 council meeting.[[2]](#footnote-2)

**ANALYSIS**

Proposed Ordinance 2022-0029 would authorize the Manager of Treasury Operations to cancel or “write off” 161 uncollectible personal property tax accounts totaling $843,396 for the years 2015 through 2021. These accounts are listed in Attachment A to the ordinance, with a summary report of accounts to be written off that exceed $5,000 shown in Attachment B to the ordinance. Table 1 identifies the amount of uncollectible taxes for each year between 2015 and 2021.

**Table 1. Uncollectible Personal Property Taxes from 2015 through 2021 (by Year)**

| **Year Billed** |  | **Amount** |
| --- | --- | --- |
| 2021 |  | $27,289 |
| 2020 |  | $207,248 |
| 2019 |  | $170,361 |
| 2018 |  | $150,303 |
| 2017 |  | $119,447 |
| 2016 |  | $68,600 |
| 2015 |  | $100,148 |
|  |  | **$843,396** |

The circumstances for determining an account to be uncollectible can vary, as can the amount of time needed to make the determination. Reasons from the Write-off List for 2021 include:

* The taxpayer went out of business and the assets cannot be traced;
* The taxpayer does not have real property to which the County can certify a personal property tax lien;
* The taxpayer filed for bankruptcy protection;
* The taxpayer disposed of or sold assets and the County cannot locate the assets;
* The taxpayer relocated the business and property out of the county, taking it out of the County’s jurisdiction to pursue delinquent tax payments; and/or
* Assessments were made in error.

Important to note, while cancellation removes the delinquent accounts from the tax rolls, it does not mean the County surrenders its ability to pursue appropriate legal actions to collect the debt. However, the likelihood of recovering delinquent debt at this point is low. That said, cancellation administratively helps to clear the tax rolls of those accounts that are truly unlikely to be collected.

**County Fiscal Impact.** Of the $843,396 of uncollectible personal property taxes proposed for cancellation, $143,377 impacts the County as a one-time potential revenue loss, of which $71,689 is the projected impact to the General Fund. The remaining loss would be incurred by a variety of taxing jurisdictions for which the County collects taxes.

Comparatively speaking, the proposed write-off of $843,396 for 2021 is less than the amount written off for 2020 and more than 2019[[3]](#footnote-3), however there are fewer accounts listed in the 2021 write-off report as compared to 2020.[[4]](#footnote-4)

**INVITED**

* Ken Guy, Director, Finance and Business Operations Division (FBOD)
* Nora Bennett, Manager, Treasury Operations Section, FBOD

**ATTACHMENTS**

1. Proposed Ordinance 2022-0029 (and attachments)
2. Transmittal Letter
3. Fiscal Note

1. RCW 84.56.240 [↑](#footnote-ref-1)
2. Ordinance 19263. [↑](#footnote-ref-2)
3. Amounts were $778,436 in 2020 and $924,750 in 2021. [↑](#footnote-ref-3)
4. 161 accounts in 2021 and 524 accounts in 2020. [↑](#footnote-ref-4)