



## King County

### **Dow Constantine**

King County Executive

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February 2, 2021

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, Treasury Operations is required to submit annually to the Council 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 on businesses 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 uncollectable.

After diligent collection efforts, the taxes as identified in the 2020 write-off list are now considered uncollectible.

The enclosed affidavit from the Treasury Operations Manager requests authority to cancel 524 uncollectible personal property tax accounts totaling \$924,750 for the years 2013 through 2020, 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 \$157,208 of which \$78,604 is attributed to the County's general fund.

For comparison purposes, in 2019 there were 473 accounts identified in the write-off report, totaling \$778,436. There are many different factors involving business ownership and economic trends that may contribute to changes from year to year.

The collection process for personal property taxes is administered effectively and efficiently and this aligns to the financial stewardship goal of King County's Strategic Plan. The estimated staff time and cost to produce this report was 8 hours or \$424 dollars in direct salary costs (this excludes the staff time involved to research the write-off accounts). I respectfully request that the Council approve the enclosed ordinance authorizing the Treasury Division to cancel the uncollectible personal property taxes in the amount of \$924,750.

If your staff have questions regarding this matter, please contact Carol Basile, Treasury Operations Manager, at 206-263-2867.

Sincerely,

 for  
Dow Constantine  
King County Executive

Enclosures

cc: King County Councilmembers  
    ATTN: Carolyn Busch, Chief of Staff  
        Melani Pedroza, Acting Clerk of the Council  
Shannon Braddock, Deputy Chief of Staff, Office of the Executive  
Karan Gill, 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  
Carol Basile, Manager, Treasury Operations Section, FBOD, DES