

PROPERTY TAXES: PAYMENT PLANS

Senate Bill 5705

**Implementation of Current Year & Delinquent Year
Payment Plans**

Agenda

- Legislative changes - Senate Bill 5705
- Background
- Recommendation
- Managing payment plans
- Request to the BOCC
- Future legislative possibilities
- Questions and comments

Legislative changes - SB 5705

- Provides County Treasurers with the authority to enter into payment agreements for current and delinquent property taxes.
- Under RCW 84.56.020, County Treasurer's may collect prepayments of current year taxes provided the first half taxes are collected by April 30, and the second half is collected by October 31 of each year.
- County taxpayers that wish to enter into payment plans for delinquent property taxes are also required to pay for their current year taxes timely, due April 30th and October 31st.

Background

- There are currently 3 Washington Counties (Kitsap, Walla Walla, and Benton) offering a program for current year payment plans. For each of these counties, the participation rate is less than 1% of the total customer base.
- Counties offering payment plans for delinquent taxes are processing these manually, and are placing responsibility upon the taxpayers to manage the payment agreement. Should a taxpayer default on their agreement, they will be removed from the program.
- Since 2003, Clark County has had delinquency rates of 2.7% on average. Roughly 97.3 % of all Clark County property owners pay property taxes timely. In 2012, 98.06% of current year taxes were paid as of 12/31/2012.

Background continued

- Our current tax software, the PACS application developed by True Automation, does not have the functionality to manage either current year or delinquent year payment plans in an automated fashion.
- The County Treasurer's Office requested an estimate from True Automation to update the application to manage payment plans in an automated fashion. The estimate for the enhanced functionality is \$120,000.00
- The request to share or allocate the cost of this new development with the other 12 PACS Washington counties based upon the parcel counts of the respective counties was rejected.
- The general consensus has been that the expected low volume of payment installment agreements does not merit the additional cost for custom development within the PACS application.

Treasurer's payment plan options

Option 1

Provide services manually for delinquent payment plans only, without investment to enhance the PACS application.

Option 2

Provide funding to further enhance the PACS application to automate payment agreements for both current and delinquent payment plans.

Recommendation

At this time, the Treasurer's Office recommends implementing Option 1 for accepting payment plans for delinquent accounts only, on an account by account basis.

The Treasurer's Office does not recommend option 2, which allows for functional enhancements to the PACS application for implementing monthly payment plans for current year taxes until such time as collection rates become substantially less than they currently are.

Managing payment plans

- The analysis and preparation of the agreement, amortization schedule, and account documentation may consume up to 2 hours of staff time per delinquent property account. Accepting and posting delinquent monthly payments against customer statements and individual levy bills will also require an unknown amount of additional labor resources.
- Under RCW 84.56.020, the Treasurer may establish an application fee to offset the cost to provide payment plan agreements for each property account. The Treasurer will assess a fee of \$75.00 to be included as part of the first payment installment, which will be deposited into the County Treasurer's service fund.
- Prior to entering into a payment agreement for delinquent taxes, current year taxes must be paid when due.
- Requirements relative to participation in this program will be available as a PDF document on the Treasurers web page along with a sample amortization schedule.
- Once accepted into the program and the first payment has been made, no additional monitoring of the account will occur until the point in time that a property becomes subject to the foreclosure process or taxes have been paid in full.
- This process will be performed manually due to lack of automation for this activity in our current software application.

Request to the Board

The Treasurer's Office plans to review the cost of administering partial payments at such time as there are 50 active agreements.

Should Option 1 exceed 50 active agreements and with respect to the Treasurer's review of the cost of administration for this program, the BOCC is committed to provide additional staffing resources to the Treasurer to address this additional manual workload.

Future legislative possibilities

Future legislative changes could require partial payment agreements to be standard.

If such action is mandated, additional resources will be required and the BOCC will have to address either automating this process through PACS or provide additional resources to the Treasurer's Office relative to man power.

Questions and comments