

November 13, 2015

Legislative Update – Clarifying treatment of deferral lien balances included in certificates of delinquency

Substitute Senate Bill (SSB) 5275 was passed by the 2015 Legislature and became effective July 24, 2015.

Sections 315 and 316 of the measure amended RCW 84.64.060 and 84.64.070:

- To clarify that when deferral lien balances are included on the certificate of delinquency, a person may redeem real property without paying the deferral lien balances when those amounts are not in collection status under RCW 84.37.080 or 84.38.130.

Deferral lien balances must be included in certificate of delinquency

Chapter 84.64 RCW was amended in 2013 by Engrossed House Bill (EHB) 1421 to require that county treasurers:

- Include deferral balances in the certificate of delinquency when the Department of Revenue (Department) has notified the treasurer in writing that the property is subject to a deferral lien.
- File an amended certificate of delinquency when the required title search reveals a deferral lien not already included in the certificate.

Discontinuing tax foreclosure proceedings when a deferral lien balance is included in the certificate of delinquency

Following enactment of EHB 1421, the Department received questions concerning whether the property can be redeemed and property tax foreclosure proceedings discontinued when the property owner pays all delinquent taxes and applicable interest and foreclosure costs, but does not repay the deferral lien balance included in the certificate of delinquency.

SSB 5275 clarifies that in these circumstances, the property may be redeemed without paying the deferral lien balance when the deferral account is not in collection status under RCW 84.37.080 or 84.38.130.

Example 1: A deferral lien balance is included on the certificate of delinquency. The deferral account is not in collection status. The taxpayer submits a renewal application for deferral and the application is approved. The Department pays all delinquent taxes including interest, penalties and costs of foreclosure. The property is considered redeemed and property tax foreclosure proceedings can be discontinued even though the taxpayer did not pay the deferral lien balance.

Example 2: A deferral lien balance is included on the certificate of delinquency. The deferral account is not in collection status. The taxpayer pays all delinquent taxes including interest, penalties and costs of foreclosure. The property is redeemed and property tax foreclosure proceedings can be discontinued even though the taxpayer did not pay the deferral lien balance.

Example 3: A deferral lien balance is included on the certificate of delinquency. The deferral account is in collection status under RCW 84.37.080 or 84.38.130. The property cannot be redeemed and property tax foreclosure proceedings must continue unless the deferral lien balance is paid in full.

Questions

Questions regarding this information should be directed to Peggy Davis, Property Tax Division, at (360) 534-1410 or PeggyD@dor.wa.gov.