



## King County

### **Dow Constantine**

King County Executive

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January 30, 2023

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

Dear Councilmember Upthegrove:

Please find the enclosed proposed Ordinance that would, if enacted, authorize the Manager of Treasury Operations of King County to cancel the attached list of uncollectible personal property taxes in the amount of \$1,403,179 for the years 2015 through 2022. Pursuant to Revised Code of Washington (RCW) 84.56.240, King County Treasury Operations is required to submit a list annually to the King County Council of personal property tax accounts found to be uncollectible after diligent collection efforts have been made. Approval of the proposed Ordinance will authorize the Treasury Operations Manager of the Finance and Business Operations Division to cancel the uncollectible personal property taxes totaling \$1,403,179 for the years 2015 through 2022, as summarized in Attachment A.

Notably, the RCW requires the county legislative body 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, including but not limited to such instances when:

- An owner has dissolved the business and disposed of the taxable assets and 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.

The Honorable Dave Upthegrove

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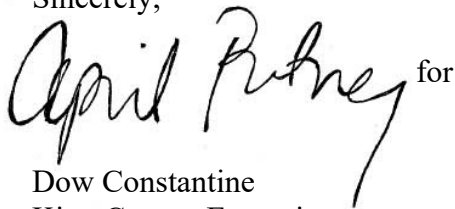
- A business closure may be discovered by Treasury staff based upon a review of Department of Revenue and Secretary of State databases or through media reports and internet searches.
- As part of a bankruptcy claim, assets may be sold with little or no recoverable tax debt.
- All available funds may 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.

Because the County collects taxes on behalf of the state and all local districts in King County, the canceled accounts will proportionally reduce accounts receivables for the various taxing districts. The one-time revenue loss to King County is an estimated loss of \$238,540, of which \$119,270 is attributed to the County's General Fund.

As required by state law, an affidavit from the Treasury Operations Manager stating diligent efforts have been made to collect the outstanding taxes and requesting the authority of the Council to cancel the uncollectible accounts is enclosed.

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: Stephanie Cirkovich, 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

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