



STATE OF WASHINGTON
DEPARTMENT OF REVENUE

July 14, 2014

**TO: All County Assessors
All County Treasurers**

FROM: Harold Smith, Exemption Programs Manager, Property Tax Division

SUBJECT: Property Taxes Assessed against HUD Properties

A handwritten signature in black ink, appearing to read "Harold Smith", positioned to the right of the "FROM:" line.

The Department of Revenue has been contacted by the U.S. Department of Housing and Urban Development (HUD) regarding the property tax status of its foreclosure properties in our state. HUD has requested that the Department clarify with local officials that the federal agency does pay property taxes on certain properties and its payments should be accepted.

Properties owned by federal agencies are generally exempt under **RCW 84.36.010**. However, some federal agencies that administer home loan programs permit taxation of the properties they hold as a result of foreclosures. These properties can be subject to property tax, but only when federal law specifically permits it. **RCW 84.40.315** provides:

"Notwithstanding the provisions of RCW 84.36.010 or anything to the contrary in the laws of the state of Washington, expressed or implied, the United States and its agencies and instrumentalities and their property are hereby declared to be taxable, and shall be taxed under the existing laws of this state or any such laws hereafter enacted, whenever and in such manner as such taxation may be authorized or permitted under the laws of the United States."

Most notable among the agencies that permit local taxation of real property is HUD. HUD permits taxation of its foreclosure properties pursuant to **12 U.S.C. §1714** which states in pertinent part:

"Nothing in this subchapter shall be construed to exempt any real property acquired and held by the Secretary under this subchapter from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed."

As a result, real property acquired through foreclosure remains subject to property taxes while owned by HUD.

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Several other exempt federal agencies make similar provisions for assessment of property taxes on the real property parcels that they hold in this manner:

The **Federal National Mortgage Association** (Fannie Mae)
12 U.S.C. § 1723A(c)(2).

The **Federal Home Loan Mortgage Corporation** (Freddie Mac)
12 U.S.C. § 1452(e).

The **Veterans Administration** (VA)
38 U.S.C. § 3720.

Farmers Home Administration (FmHA)
7 U.S.C. § 1984.

Federal Housing Administration (FHA)
12 U.S.C. § 1706b.

Please note

These agencies provide for taxation of real property. Personal property owned by these agencies as a result of foreclosure would be exempt as of the date acquired by the U.S.

Not all federal agencies follow this practice. The **Small Business Administration** (SBA) *does not permit taxation* of its real property in 15 U.S.C. § 631 et seq. The Housing Assistance Program (HAP) operated by the Defense Department has the option of paying local property taxes, but has recently declined to pay them in Island County. If you are unsure of a particular federal agency's policy, give us a call. We'll be glad to assist.

The federal provisions above do not make the government agencies subject to Real Estate Excise Tax (REET). Under **WAC 458-61A-205 (2)**, government sellers, including agencies of the United States, are exempt from REET.

For questions about a specific property, HUD may be contacted at:
U.S. Department of Housing & Urban Development, REO Division - Branch 2, 34 Civic Center Plaza, Santa Ana, California 92701 or by phone at (714) 796-1200

Questions

If you have additional questions or comments in this regard, please contact me at harolds@dor.wa.gov or (360) 534-1411.