

Document Code No.: FIN-11-4-EP

Title: Fees for Dishonored Payments

Affected Agencies: Offices and Agencies reporting to the Executive

Authorities: RCW 62A.3-515; KCC 4A.600.100, 4A.601.050

Keywords: Dishonored, payment, fines

Sponsoring Agency: DES / Finance and Business Operations Division



King County

Executive signature: _____

Date signed and effective: January 29, 2025

I. Purpose

This policy provides guidance to Executive Branch offices and agencies on the assessment of fees to customers whose payments are returned unpaid from their bank (“dishonored”).

Applicability and Audience This policy applies to the administrative offices and agencies supervised by the King County Executive that elect to levy a fee on dishonored payments for any reason in any Payment Channel. The audience may include other offices and agencies adopting this policy.

II. Definitions

“Dishonored” means returned from the writer’s bank unpaid regardless of reason. Common reasons include but are not limited to account closed, insufficient funds, invalid account number, and account not authorized.

“Payment Channel” means a method of accepting payments from customers. Examples include but are not limited to over the counter (sometimes called face-to-face), internet, FAX, telephone, or by mail.

III. Policy

A. Analysis of Fee Amount

1. Dishonored payment fees shall comply with requirements set forth in adopted law for the office or agency assessing the fee.
 - a. King County Code 4A.600.100 establishes the amount of this fee for checks accepted by most offices and agencies and 4A.601.050 applies these rules to electronic payments.
 - b. King County Code 10.12.055 establishes the amount of this fee for the Solid Waste Division in the Department of Natural Resources and Parks.
 - c. King County Code 27.02.030 establishes the amount of this fee for the Permitting division, Department of Local Services.
 - d. Board of Health Code 2.06.020 establishes the dishonored check penalty associated with payment of fees within the Board of Health Code.
2. Dishonored payment fee amounts will be computed using the guidance in the Comprehensive Financial Management Policies.
 - a. The fee shall include direct and indirect costs, and the costs of fee administration.
 - b. The impact of increasing or imposing the fee on the agency’s customers, particularly those that have incurred the fee in the past and on economically at-risk or disadvantaged populations.
3. Fee models shall avoid unnecessary complexity from the customer’s perspective.

- a. Fees will be disclosed in plain language to customers at point of sale, on invoices, or other payment collection locations. Fee disclosures must conform to the requirements of RCW 62A.3-520 for paper checks and 12 CFR 1005.3(b)(3) for electronic checks.
 - b. Customer classes or groups for purposes of fee administration mirror the same classes or groups used to price goods and services sold by the office or agency (e.g. CleanUp Lift, ORCA Lift, income qualification programs, etc.) to the extent possible.
4. Fees shall be uniformly assessed across Payment Channels and the reasons for the dishonor.
 - a. If the complexity of administering the fee on a specific Payment Channel is so costly that the agency cannot recover the full cost of the return item under applicable law for that Payment Channel, agencies may exempt that Payment Channel from application of the fee.
 5. Agencies shall recompute the actual costs and review the impact of their dishonored check fee structure by June 30, 2027, and at least every six years thereafter.
 - a. The fee amount shall reflect, without exceeding the maximum fee allowed by law, the cost of processing dishonored items.
 - b. Mitigation strategies for adverse fee impacts, if any, must be considered as part of this analysis.

B. Waiver of Fees

1. Agency Directors or their authorized delegates may waive a dishonored payment fee if necessary to meet the division's objectives.
2. Waiver documentation shall demonstrate the waivers are neither arbitrary nor capricious and must state the reasons why it was determined to not collect the fee. Documentation must be retained and made available for audit in accordance with either the Agency Specific or General records retention schedule published by Records Management.

C. Fee Collection

1. Customers must be notified of the dishonored payment and application of dishonored payment fees, if any, under the division's fee structure established in accordance with section III.A of this policy.
2. Following the initial notification, agencies and offices must send one dunning letter if the dishonored payment and any associated fees are not paid. If the office or agency wants the option of sending the dishonored payment to a professional collection agency, the notification must substantially conform to the requirements of RCW 62A.3-520.
3. Subsequent to the dunning notice required by this policy, billing and collection will revert to the office or agency's customary billing and collection practices.

IV. Implementation Plan

- A. This policy becomes effective for Executive Branch administrative offices and agencies on the date that it is signed by the Executive. Finance and Business Operations (FBOD) is responsible for implementation of this policy.

- B. FBOD is responsible for communicating this policy to executive branch agencies and other appropriate parties.

V. Maintenance

- A. This policy will be maintained by FBOD, or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by FBOD, or its successor agency prior to the expiration date.

VI. Consequences for Noncompliance

- A. Inconsistent administration of fees may result in lost revenue to support County operations.
- B. Fee administration that is haphazard, arbitrary, and/or capricious may not be enforceable and may damage the County's relationships with its customers and the public.