

# DEPARTMENT OF TAXATION

## 2011 Fiscal Impact Statement

1. **Patron** Algie T. Howell, Jr.

3. **Committee** House Finance

4. **Title** Real Estate Tax Administration; Transfer of  
Certain Tax-Delinquent Properties to the  
Locality

2. **Bill Number** HB 1532

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would increase the number of tax-delinquent properties that may be conveyed to localities by lowering the threshold percentage of taxes and liens, together with penalty and accumulated interest, on property from 50 percent to 20 percent of the assessed value of the parcel. The bill would also lower the threshold percentage if only taxes from 25 percent to 10 percent of the assessed value of the parcel for a special commissioner to convey the real estate to the locality in lieu of a public sale at auction.

Under current law, localities may petition the circuit court to appoint a special commissioner to convey the tax-delinquent property to the locality in lieu of the sale at public auction if such property: 1) has delinquent real estate taxes or a lien against the parcel for certain specified reasons; 2) has an assessed value of \$50,000 or less; and 3) the taxes or liens, together with penalty and accumulated interest, must exceed 50% of the assessed value of the parcel, or the taxes alone must exceed 25% of the assessed value of the parcel.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

### 8. **Fiscal implications:**

This bill would have no impact on state revenues. To the extent that the bill would allow more properties to be conveyed to localities in lieu of public sales at auctions, this bill would have an unknown impact on local revenues.

### 9. **Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No.

## 11. Other comments:

### Generally

Localities have a broad array of tools to collect delinquent taxes including collection from the taxpayer's bank account, wages, income tax refunds, suits against the taxpayer personally, and sale of the real estate to which the tax lien has attached. When taxes are delinquent on the last day of the year following the two-year anniversary date on which such taxes were due, localities may sell the real estate for the purpose of collecting all delinquent taxes on such property. Localities may sell property that has been declared blighted on the first anniversary of the date on which delinquent taxes are due. Real estate with an assessed value of \$100,000 or less are subject to sale at public auction 1) when taxes are delinquent on the last day of the year following the first anniversary date on which such taxes were due or 2) there is a lien on the real estate for certain reasons, which lien remains unpaid on the last day of the year following the first anniversary of the date on which such lien was recorded.

Localities are required to provide notice to the property owners and all other parties who have an interest in the real property, including any trustee under a deed of trust or mortgagee. Owners of the property may redeem it at any time prior to the date of the sale by paying all accumulated delinquent taxes, penalties, reasonable attorney's fees, interest and costs, and in some instances, are permitted to set up installment payment agreements with the local treasurer for a maximum period of 24 months.

In certain instances, localities may petition the circuit court to appoint a special commissioner to convey the tax-delinquent property to the locality in lieu of the sale at public auction. In order to qualify the parcel must: 1) have delinquent real estate taxes or have a lien against the parcel for removal, repair or securing of a building or structure, removal of trash, or the cutting of grass; 2) have an assessed value of \$50,000 or less; and 3) the taxes or liens, together with penalty and accumulated interest, must exceed 50% of the assessed value of the parcel, or the taxes alone must exceed 25% of the assessed value of the parcel. In order to initiate proceedings for the appointment of a special commissioner or for the sale of the real estate, the locality must file a bill in equity to subject the real estate to the lien for the delinquent taxes.

### Proposal

This bill would lower the threshold percentage of taxes and liens, together with penalty and accumulated interest, on property from 50 percent to 20 percent of the assessed value of the parcel to allow a special commissioner to convey the real estate to the locality in lieu of a public sale at auction. The bill would also lower the threshold percentage if only taxes from 25 percent to 10 percent of the assessed value of the parcel for a special commissioner to convey the real estate to the locality in lieu of a public sale at auction.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 1470** would authorize circuit courts for any locality to appoint up to two alternate board members to serve on local boards of equalization if a member of the board is absent or abstains.

**House Bill 1526** would allow statements of income and expense to be used in a complaint before a Board of Equalization and in an action for relief in court from the determination of the Board of Equalization even if the statements were not timely presented to the assessor. The bill provides that the statements must be submitted to the Board of Equalization at least 30 days prior to the hearing before the Board.

**Senate Bill 784** would require that owners of four or more rental units of real property furnish statements of income and expenses attributable to that property to a real estate assessor, board, or department to determine whether the property is affordable rental housing.

**Senate Bill 785** would clarify that the partial exemption from the assessed value of real property subject to real property tax for improvements to rehabilitated, renovated, or replacement residential structures may not be reduced during the period of exemption and would clarify that the exemption runs with the land.

cc : Secretary of Finance

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