

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Mark L. Cole

2. **Bill Number** HB 1401

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Real Property Tax; Payment Agreements for
Delinquent Taxes

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. **Summary/Purpose:**

This bill would extend the maximum permitted period for installment payment agreements between local treasurers and property owners owing delinquent taxes, penalties, and interest from 24 months to 36 months. The bill would also require that notice be given to the taxpayer that the taxpayer may request that the treasurer allow the taxpayer to enter into a payment agreement to permit the payment of the delinquent taxes, penalties and interest. Additionally, the bill would authorize the circuit court in which an action for a judicial sale is pending, on its own motion or on the motion of any party, to refer the parties to a dispute resolution proceeding.

Under current law, when taxes are delinquent on the last day of the year following the two-year anniversary date on which such taxes were due, localities are authorized to sell the real estate for the purpose of collecting all delinquent taxes on such property. 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.

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 or 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 is 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) when 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. The Cities of Norfolk, Richmond, Hopewell, Newport News, Hampton, and Petersburg are authorized to have a special commissioner convey real estate in lieu of a public sale at auction when the percentage of taxes and other liens, together with penalty and accumulated interest, exceeds 35 percent of the assessed value of the parcel or the percentage of taxes alone exceeds 15 percent 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

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the taxpayer that the taxpayer may request that the treasurer allow the taxpayer to enter into a payment agreement to permit the payment of the delinquent taxes, penalties and interest. Additionally, the bill would authorize the circuit court in which an action for a judicial sale is pending, on its own motion or on the motion of any party, to refer the parties to a dispute resolution proceeding.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/15/2013 AM
DLAS File Name: HB1401FER161