

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** Robert D. Orrock, Sr.

2. **Bill Number** HB 2173

3. **Committee** Passed House and Senate

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

4. **Title** Real Property Tax; Waiver of Delinquent Taxes

**Second House:**

           **In Committee**

           **Substitute**

      X       **Enrolled**

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

This bill would authorize localities to fully release any unpaid taxes, penalties, interest, and other costs on tax-delinquent real property in exchange for the conveyance of the tax-delinquent property to a qualifying tax-exempt organization. To qualify, the organization would need to be tax-exempt under Internal Revenue Code § 501(c)(3) or § 501(c)(4) and be engaged in building, renovating, or revitalizing affordable housing for low-income families. Tax-delinquent real property would be eligible for this treatment once the taxes are delinquent on December 31 following the second anniversary of the tax due date. Alternatively, real property would qualify for this treatment on the first anniversary of the tax's due date if it: 1) contains a nuisance, a derelict building, or a structure that has been condemned by the local building official; or 2) has been declared blighted.

Under current law, localities may sell tax-delinquent real property on December 31 of the year following the two-year anniversary of the tax due date. Tax-delinquent blighted real property may be sold one year after the taxes become due. Tax-delinquent real estate assessed at \$100,000 or less may be publicly auctioned: 1) on December 31 of the year following the first anniversary date the taxes became due or 2) when there is an unpaid lien on the real estate on December 31 of the year after the first anniversary of the date the lien was recorded.

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:**

To the extent that a locality exercises the authority granted by this bill to treat unpaid taxes on certain tax-delinquent property transferred to qualifying tax-exempt organizations as paid in full, the bill would result in a revenue loss to the locality, the magnitude of which is unknown. This bill would have no impact on state 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. Judicial proceedings must be filed in the circuit court of the county or city in which the tax-delinquent real estate is located in order to subject the real estate to a lien for delinquent taxes.

Prior to instituting any judicial sale, localities must provide at least 30 days' 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 mortgage. Localities must also publish a list of real estate which will be offered for sale in a generally circulated newspaper in the locality at least 30 days prior to the commencement of the judicial proceedings. 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, interests, and costs, and in some instances, are permitted to set up installment payment agreements with the local treasurer for a maximum period of 36 months.

Proposal

This bill would authorize localities to fully release any unpaid taxes, penalties, interest, and other costs on tax-delinquent real property in exchange for the conveyance of the tax-delinquent property to a qualifying tax-exempt organization. To qualify, the organization would need to be tax-exempt under Internal Revenue Code § 501(c)(3) or § 501(c)(4) and be engaged in building, renovating, or revitalizing affordable housing for low-income families. Tax-delinquent real property would be eligible for this treatment once the taxes are delinquent on December 31 following the second anniversary of the tax due date. Alternatively, real property would qualify for this treatment on the first anniversary of the tax's due date if it: 1) contains a nuisance, a derelict building, or a structure that has been condemned by the local building official; or 2) has been declared blighted.

The effective date of this bill is not specified.

Similar Legislation

**House Bill 1567** would allow for a suit in a single jurisdiction for the judicial sale of real property on which delinquent taxes are owed, where such property is situated in two or more jurisdictions, provided: 1) the taxes are delinquent in all jurisdictions for not less than the specified periods under law and 2) both treasurers consent.

**House Bill 1711** would clarify that any official designated by the locality to administer its zoning ordinance is qualified to make a determination as to whether certain tax-delinquent real property meets the requirements for a nonjudicial sale.

cc : Secretary of Finance

Date: 3/10/2015 KP  
DLAS File Name: HB2173FER161