

# DEPARTMENT OF TAXATION

## 2015 Fiscal Impact Statement

1. **Patron** Bryce E. Reeves

2. **Bill Number** SB 1229

3. **Committee** Passed House and Senate

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

4. **Title** Real Property Tax; Transfer of Certain Tax  
Delinquent Properties

**Second House:**

           **In Committee**

           **Substitute**

      X       **Enrolled**

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

This bill would add the city of Fredericksburg to the list of cities that are authorized to have a special commissioner convey tax-delinquent real estate to the locality in lieu of a public sale at auction when the property has an assessed value that falls below certain specified amounts, and the percentage of taxes and other liens, together with penalty and accumulated interest or the percentage of taxes alone exceeds certain amounts.

Under current law, the Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton are authorized to have a special commissioner convey real estate in lieu of a public sale at auction when: 1) the tax-delinquent property has an assessed value of \$50,000 or less; and 2) 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. The special commissioner may also convey real estate to the specified cities when: 1) the tax-delinquent property has an assessed value of \$100,000 or less; 2) the percentage of taxes and other liens, together with penalty and accumulated interest exceeds 20 percent of the assessed value of the parcel or the percentage of taxes alone exceeds 10 percent of the parcel's assessed value; 3) the property is unoccupied; and 4) the locality contracts to sell the parcel to a nonprofit organization that will renovate or construct a single-family dwelling on the parcel for sale as a residence for a person whose income falls below the area median income.

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 this bill would expand the pool of properties that could be conveyed to the City of Fredericksburg in lieu of a sale at public auction, the bill would have an unknown revenue impact to the City of Fredericksburg.

This bill would have no impact on state revenues.

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

City of Fredericksburg

**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 36 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. For example, a locality may wish to take title to the property in order to convey it to an organization that will address its blighted condition, such as a redevelopment authority or a housing nonprofit organization. A locality may also exercise this option in order to place restrictions on the property's subsequent conveyance, or if the locality wishes to retain the property for public use.

In order to qualify for conveyance to the locality in lieu of a sale at public auction, 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 percent of the assessed value of the parcel, or the taxes alone must exceed 25 percent of the assessed value of the parcel. The cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton are authorized to have a special commissioner convey real estate in lieu of a public sale at

auction when: 1) the tax-delinquent property has an assessed value of \$50,000 or less; and 2) 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. The special commissioner may also convey real estate to the specified cities when: 1) the tax-delinquent property has an assessed value of \$100,000 or less; 2) the percentage of taxes and other liens, together with penalty and accumulated interest exceeds 20 percent of the assessed value of the parcel or the percentage of taxes alone exceeds 10 percent of the parcel's assessed value; 3) the property is unoccupied; and 4) the locality contracts to sell the parcel to a nonprofit organization that will renovate or construct a single-family dwelling on the parcel for sale as a residence for a person whose income falls below the area median income.

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 add the city of Fredericksburg to the list of cities that are authorized to have a special commissioner convey tax-delinquent real estate to the locality in lieu of a public sale at auction when the property has an assessed value that falls below certain specified amounts, and the percentage of taxes and other liens, together with penalty and accumulated interest or the percentage of taxes alone exceeds certain amounts.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 2173** would authorize any locality to waive delinquent taxes on real property in exchange for the owner's donating the property to an I.R.C. § 501(c)(3) or § 501(c)(4) organization that builds, renovates, or revitalizes affordable housing for low-income families.

cc : Secretary of Finance

Date: 2/23/2015 KP  
DLAS File Name: SB1229FER161