

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** Joseph R. Yost

2. **Bill Number** HB 499

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Real Property Tax; Nonjudicial Sale of Tax
Delinquent Real Properties; Statute of
Limitations

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reduce from five years to three years the period of tax delinquency before a local treasurer or other officer may publicly auction any unimproved parcel of real property that is assessed at less than \$10,000 and that either measures less than 4,000 square feet or is a parcel of any size that is determined to be unsuitable for building due to its size, shape, zoning or soils.

Under current law, local treasurers may publicly auction small parcels on which delinquent taxes have accrued for five years or more. The parcels must be assessed at less than \$10,000 and be either (1) less than 4,000 square feet (.0918 acre), or (2) a parcel of any size that the locality's zoning administrator has determined to be unsuitable for building due to the size, shape, zoning or soils 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:**

To the extent that localities are able to publicly auction and sell tax-delinquent property sooner as a result of this bill, the bill may impact local revenues by an unknown amount. 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:

Local treasurers are authorized to sell at public auction small parcels of real property on which delinquent taxes have accrued for five years or more. The parcels must be assessed at less than \$10,000 and be either (1) less than 4,000 square feet (.0918 acre, which would be a 63.25' x 63.25' lot), or (2) a parcel of any size that the locality's zoning administrator has determined to be unsuitable for building due to the size, shape, zoning or soils of the parcel.

The treasurer conducting the sale must send notice by certified or registered mail to the owners of record and anyone else appearing to have an interest in the property, such as mortgage or judgment lien holders, post a notice of sale at the property and the courthouse, and advertise the sale.

The owner may redeem the property at any time before the sale by paying the delinquent taxes, penalties, interest, and pro-rata cost of advertising the sale. The treasurer may enter into an installment payment agreement with the owner for up to 12 months to pay the full redemption amount.

Any parcel that has not been redeemed by the owner may be sold to the highest bidder at the public auction. Any sale made is free and clear of the tax lien, but does not affect any easements recorded prior to the date of sale. If the sale proceeds are insufficient to pay the taxes in full, the remaining delinquent taxes remain the personal liability of the former owner. The sale proceeds must be applied first to the costs of sale, then to the taxes, penalty and interest due on the parcel, then to any other taxes or other charges owned by the former owner to the jurisdiction. Excess proceeds remain the property of the former owner and are kept by the treasurer in an interest-bearing escrow account. The former owner has two years from the date of the sale to make a claim for payment of the excess proceeds, after which time, the treasurer must deposit the excess proceeds in the jurisdiction's general fund. If there is no successful bidder at the public auction, the treasurer must add the costs of sale incurred by the jurisdiction to the delinquent real estate account.

Proposal

This bill would reduce from five years to three years the period of tax delinquency before a local treasurer or other officer may publicly auction any unimproved parcel of real property that is assessed at less than \$10,000 and that either measures less than 4,000 square feet or is determined to be unsuitable for building due to its size, shape, zoning or soils.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 68 would change the criteria for transferring certain tax-delinquent real property to localities through a special commissioner in the Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton by reducing the percentage of taxes and liens from exceeding 35 percent to 20 percent and of taxes alone from 15 percent to

10 percent, respectively, and including parcels with an assessed value of \$100,000 or less. The bill would also add Lynchburg to the list of qualifying localities.

cc : Secretary of Finance

Date: 2/4/2014 KP
DLAS File Name: HB499F161