

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** David E. Yancey

3. **Committee** House Finance

4. **Title** Real Property Tax; Conditional Sale of  
Certain Tax-Delinquent Property

2. **Bill Number** HB 875

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would authorize a locality to condition the sale of certain tax-delinquent real property on the purchaser's investing a certain amount in improvements to the property, provided that the amount of the investment is included in the total proceeds accruing to the locality.

Under current law, occasionally localities may petition the circuit court to appoint a special commissioner to convey certain tax-delinquent property to the locality in lieu of a sale at public auction. In order to qualify for such conveyance, 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% 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:**

To the extent that any improvements to real property resulting from this bill increase real property values in the affected localities, this bill would increase 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:

### 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. 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 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.

Any profit from the sale of the land is payable to the beneficiaries of any liens against the property and to the former owner, his heirs, or assigns.

### Proposal

This bill would authorize a locality to condition the sale of certain tax-delinquent real property that has been conveyed to the locality, on the purchaser's investing a certain amount in improvements to the property. The locality would be permitted to determine the amount of the investment, which amount would be added to the total amount of proceeds accruing from the sale of the land.

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. It would also add the City of Lynchburg to the list of qualifying localities.

**House Bill 499** would reduce to three years the number of years of tax payment delinquency before a locality may sell real property that measures less than 4,000 square feet or is determined unsuitable for building.

**House Bill 772 and Senate Bill 483** (identical) would authorize a third party who pays the delinquent taxes due on the taxpayer's real property to be assigned the tax lien on the property, if the taxpayer agrees.

cc : Secretary of Finance

Date: 1/24/2014 KP  
DLAS File Name: HB875F161