

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** Henry L. Marsh III

3. **Committee** Senate Finance

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

2. **Bill Number** SB 68

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would modify the criteria for tax-delinquent real property to be conveyed to the locality in lieu of a sale at public auction in the Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton. Under the terms of the bill, parcels in those localities with an assessed value of up to \$100,000 with taxes and liens, including penalty and accumulated interest, in excess of 20 percent, or with taxes alone in excess of 10 percent of the assessed value of the parcel could be conveyed to the locality in lieu of a sale at public auction.

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 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 specified localities in lieu of a sale at public auction, the bill would have an unknown revenue impact in those localities. This bill would have no impact on state revenues.

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

Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton

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. 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 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

This bill would modify the criteria for tax-delinquent real property to be conveyed to the locality in lieu of a sale at public auction in the Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton. Under the terms of the bill, parcels in those localities with an assessed value of up to \$100,000 with taxes and liens, including penalty and accumulated interest, in excess of 20 percent, or with taxes alone in excess of 10 percent of the assessed value of the parcel could be conveyed to the locality in lieu of a sale at public auction.

The effective date of this bill is not specified.

Similar Legislation

House Bill 224 is identical to this bill.

House Bill 966 would add Portsmouth to the list of cities that may petition for appointment of a special commissioner to convey real estate with delinquent taxes, when such taxes and liens together exceed 35% or the taxes alone exceed 15% of the assessed property value, instead of 50% and 25% respectively.

House Bill 499 reduces 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 875 would allow 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.

House Bill 772 and Senate Bill 483 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: 1/12/2014 KP
DLAS File Name: SB68F161