

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 871** HLS 24RS 1694
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 24, 2024 11:29 AM **Author:** HENRY, CHANCE
Dept./Agy.: Local ad valorem taxing jurisdictions **Analyst:** Deborah Vivien
Subject: Changes to ad valorem tax sale, enforcement and notice

TAX/AD VALOREM TAX RE SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides for procedures for the collection of delinquent ad valorem taxes and statutory impositions, tax auctions, tax auction certificates, and the redemption of certain property
Current law provides for provisions regarding sales of property to satisfy delinquent ad valorem tax debt, including interest, penalties, liens, titles, notifications, and enforcement, among other issues.

Proposed law maintains current interest and penalty rates but contains numerous amendments and repeals to the language regarding ad valorem tax sales, including but not limited to securing tax auctions with a lien in the amount of statutory impositions instead of property title, tempering notification procedures regarding actions during delinquency (but mandatory notice 6 months prior to redemption period expiration), adjusts foreclosure guidelines to mandatory judgment of seizure and sale, transfers unclaimed equity proceeds from debtor to tax auction purchaser 18 months after seizure and sale, repeals the English advertisement mandate, and prohibits automated (bot) bidding. The bill impacts delinquent debt, tax auctions and tax redemptions that become effective on or after January 1, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					

Annual Total

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					

Annual Total

EXPENDITURE EXPLANATION

The expenditure impact to local taxing jurisdictions in regard to this bill is indeterminate as local governments appear to be grappling with the magnitude of changes in the bill. It is assumed that local taxing jurisdictions can incorporate the changes in the bill as per notifications, nomenclature and tax sale (auction) procedures without the need for significant resources. It is possible that system adjustments with employee training, printing/publication and advertising expenses may be incurred. Should unforeseen expenditures be necessary, additional resources may be requested, presumably as a local appropriation.

REVENUE EXPLANATION

The revenue impact to local taxing jurisdictions in regard to this bill is indeterminate. The LFO has been in communication with multiple associations and agencies representing local governmental entities, though specific impacts have not yet been submitted as a fiscal note response.

It is not clear if changing the tax sale security from title to lien with foreclosure requirements would shift marketability, and thus local collections, though a more direct path to a clear title may be a consideration. The bill appears to shift the tax sale process toward more sophisticated purchasers willing to undergo foreclosure proceedings with possibly a higher cash flow availability than is necessary under current law. Comparison with the existing tax sale appears to rely on leverage during foreclosure and possibly forfeited claims of excess proceeds to match appreciation of or excess property value under the existing system. If the political subdivision with delinquent debt deems the property blighted, abandoned or in violation of property standards, the tax auction purchaser may bring the property up to standard and add the expense as a statutory imposition owed by the debtor.

Should property not be redeemed during the redemptive period, which remains at 3 years, the tax auction purchaser would have 7 years to begin foreclosure proceedings, in which the court shall find for seizure and sale of the property. Any equity proceeds from the sale, which are sale proceeds in excess of that owed, are to be deposited to the registry of the court and, if not claimed by the debtor within 18 months, then disbursed to the tax auction purchaser. Currently, these funds remain within the registry of the court indefinitely unless the court specifically orders a transfer to the state treasury as unclaimed property.

LFO makes no determination whether any component of the law will lead to a change in redemption patterns, and thus local collections, beyond those currently experienced. However, any recipient of ad valorem taxes including those with direct millages or those with dedicated funds initiated from ad valorem taxes may be impacted positively or negatively by portions of the bill.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Legislative Fiscal Officer