



H.B. 127

125th General Assembly
(As Introduced)

Reps. Jolivette, Young, Price, S. Patton, Hartnett, Seitz, Widowfield, Olman,
Hagan, Carano, Hollister, Koziura, Hughes

BILL SUMMARY

- Permits municipal corporations to acquire tax-delinquent real estate before the foreclosure proceeding begins without necessarily assuming the entire tax debt.
- Extinguishes the tax debt to the extent other taxing districts waive their claim to delinquent taxes on the property.
- Exempts acquired property from further taxation for as long as it is owned by the municipal corporation.
- If the municipal corporation later sells the property, requires net proceeds from the sale to be spent for redevelopment.

CONTENT AND OPERATION

Acquiring tax-delinquent property without acquiring tax liens--generally

(R.C. 5722.21)

The bill authorizes municipal corporations to acquire tax-delinquent real property without necessarily incurring the entire tax debt, and before substantial costs are undertaken by the county in proceeding with the foreclosure. The tax debt is discharged to the extent that overlapping taxing units (school districts, etc.) release their claims on the delinquent taxes. Under current law, municipal corporations and other local governments generally may acquire tax-delinquent property on relatively favorable terms only after the property has been offered for sale at public auction, and only after most of the costs of the foreclosure proceedings have been assumed; even then, the tax debt remains with the property, to be discharged, at least in part, from the eventual sale of the property by the local

government. The bill's proposed law and current law are described in more detail below.

Proposed law

Local implementing legislation

(R.C. 5722.21(B))

In order to acquire tax-delinquent property under the bill's terms, the legislative authority of a municipal corporation must adopt legislation declaring that acquiring such property is for the public purpose of redevelopment or rendering such property suitable for productive, tax-paying use. The municipal corporation then may purchase or otherwise acquire "eligible" delinquent property (described below) in a voluntary transaction; the property may not be acquired through eminent domain proceedings. Once acquired, the municipal corporation holds title to the property free and clear of prior property tax liens to the extent that other taxing units consent to release their claim to their respective shares of the delinquent taxes. If a taxing unit does not consent to release its claim, the lien continues to the extent of that taxing authority's share of the delinquency. Other liens and encumbrances, such as mortgages or federal tax liens, are not affected.

Release of claims

(R.C. 5722.21(C))

A taxing unit may consent to release its claims for delinquent taxes on an individual, parcel-by-parcel basis, or on a "blanket" basis whereby the release applies prospectively to all parcels acquired by the municipal corporation or to a specified number of parcels. The release for individual parcels must be obtained in writing from the taxing unit or an authorized officer of the taxing unit. The release may be obtained either before or after the municipal corporation takes title to the parcel.

A taxing unit may grant prospective or "blanket" release through an agreement with the municipal corporation. The agreement must provide for any terms or conditions on the release of the claim as are mutually agreeable to the taxing unit and municipal corporation. The agreement may, but need not, provide for the following:

- Prior notice to the taxing unit of property acquisitions.
- An option for the taxing unit to revoke its release regarding a parcel before the release takes effect.

- The manner in which the taxing unit notifies the municipal corporation of its revocation under that option.

The bill specifies that a taxing authority's blanket consent does not prevent it from revoking its consent to release its claim for any particular parcel, as long as it does so before the municipal corporation enters into an agreement to acquire the parcel.

"Eligible" delinquent land

(R.C. 5722.21(A))

A parcel of delinquent real property may be acquired under the bill's terms only if it has been listed on the county delinquent tax list (or delinquent vacant tax list in counties maintaining such a list) and has been certified to be delinquent, as evidenced by the county auditor certifying a copy of the delinquent land list to the county treasurer. Since the delinquent tax list must be published in a newspaper twice within 60 days after the copy of the list is delivered to the county treasurer, inclusion in the delinquent tax list ensures that at least two publications of the delinquency occur before a municipal corporation may seek to acquire a delinquent parcel under the bill's terms.

In counties that sell the right to collect delinquent taxes to private parties through the "tax certificate" process, any parcel that has been selected for such treatment may not be acquired by a municipal corporation under the bill's terms.

Property tax exemption for acquired property

(R.C. 5721.21(E))

Property acquired by a municipal corporation under the bill's terms is entitled to exemption from property taxation for as long as it is owned by the municipal corporation.

Subsequent sale of property

(R.C. 5721.22(F))

If a municipal corporation sells property acquired under the bill's terms, the net proceeds from the sale must be used for the municipal corporation's redevelopment purposes, as directed by the municipal legislative authority.

Current "land reutilization" law

(R.C. 5722.01 to 5722.15)

Current law authorizes municipal corporations, counties, and townships to acquire tax-delinquent property under somewhat favorable terms (relative to a private buyer), but the tax liens must be satisfied out of the proceeds from the eventual sale of the property to the extent the sale price covers those liens after covering the acquiring subdivision's expenses. Alternatively, the property may be devoted to a public use instead of being sold, but current law appears to require all property acquired in this manner to be offered for sale after 15 years. This authority, known as "land reutilization" or "land banking," applies only to so-called "nonproductive land," which is property that has become subject to a foreclosure proceeding, that is unoccupied by people, and that either has no dwelling on it, has buildings on it that have been declared nuisances, or has buildings on it that the subdivision declares as necessary for effective reutilization.

Under the land reutilization law, a subdivision may acquire delinquent property directly from the owner before foreclosure (as proposed in the bill), but the tax lien remains with the property, and the other overlapping taxing districts are still entitled to their share of the proceeds when the subdivision sells the property.

HISTORY

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