Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Am. H.B. 371**

DATE: **May 15, 1997**

STATUS: **As Reported by House Financial Institutions**

SPONSOR: **Rep. Hodges**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **Permits specified county treasurers to collect delinquent real property taxes by selling tax lien certificates**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1997	FY 1998	FUTURE YEARS
Local Taxing Districts			
Revenues	Indeterminate effect	Indeterminate effect	Indeterminate effect
Expenditures	- 0 -	- 0 -	- 0 -
County Tax Certificate Administration Funds			
Revenues	Potential gain	Potential gain	Potential gain
Expenditures	Potential increase	Potential increase	Potential increase

- Twelve counties will be eligible to sell tax lien certificates: Cuyahoga (1990 population 1,412,140), Franklin (961,437), Hamilton (866,228), Montgomery (573,809), Summit (514,990), Lucas (462,361), Stark (367,585), Butler (291,479), Lorain (271,126), Mahoning (264,806), Trumbull (227,813), and Lake (215,499).
- The threat of the sale of property tax liens may reduce the number of delinquent properties. This would increase tax revenues for any taxing district receiving real property tax revenues.
- Through the sale of delinquent property tax certificates, local taxing districts will receive payment of delinquent taxes earlier. They may receive less revenue than if the lien was redeemed at a later date, with interest, by the property holder.
- Counties participating in the sale of delinquent property liens will experience additional costs associated with the administration and recording of the sale. These costs will be offset by fees assessed against the parcel and payable by the taxpayer or the certificate holder if the taxpayer does not redeem the property.

Detailed Fiscal Analysis

The bill permits county treasurers of counties having a population of at least 200,000 to collect delinquent property taxes by selling tax certificates to private parties. The price of the certificate would be the amount of delinquent taxes, assessments, penalties, interest, and charges owed on the property at the time of the sale. The state's lien for those delinquent amounts would be transferred to the purchaser of the certificate. The sale proceeds would be distributed to the school district and other local governments to which the delinquent taxes are due.

Local taxing districts receive the delinquent tax due to them. The threat of the sale of property tax liens may reduce the number of delinquent properties. This would increase tax revenues for any taxing district receiving real property tax revenues. However, through the sale of delinquent property tax certificates, local taxing districts will receive payment of delinquent taxes earlier. They may receive less revenue than if the lien was redeemed, with interest, by the property holder at a later date. Therefore, the effect on revenue is indeterminate.

Purchasers of certificates are reimbursed or may recoup their costs in two ways. (1) The owner of the delinquent property may pay the taxes owed on the property plus interest. This payment would be used to reimburse, with interest, the tax certificate holder for the purchase price of the certificate. (2) The purchaser of the certificate is entitled, at a later time, to attempt to recoup its costs of buying the certificate by having the county institute foreclosure proceedings against the property. If the foreclosure sale is successful, the certificate holder would be reimbursed for the purchase price of the certificate plus interest that could be as high as 18%.

A Tax Certificate Administration Fund would be created in the county treasury of each county that sells tax certificates. The fund would be administered by the county treasurer and used only for the selling of tax certificates. Fees covering administrative costs paid by property owners and bidders on tax certificates would be deposited into the fund, but bidder registration fees and county prosecuting attorneys fees would not be deposited into the fund.

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