Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL:	**Am. H.B. 371**	DATE:	**November 13, 1997**
STATUS:	**As Reported by Senate Finance and 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; Cross-referencing social security numbers; Infrastructure general obligations**

State Fiscal Highlights

STATE GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
Division of Unclaimed Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- No direct fiscal effect on the state from allowing certain counties to sell tax lien certificates
- Allows the Department of Commerce to use social security numbers to carry out the responsibilities of the department and to locate the owners of unclaimed funds.
- Permits the state to issue general obligation debt in support of Highway Capital Improvement Bonds in the event that federal funds are no longer available.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	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).

- Counties with 1990 populations of 1.4 million or more (Cuyahoga) can sell certificates at premium or discount and can accept noncash considerations as payment for the certificates. Counties can establish their own criteria as to what constitutes acceptable forms of noncash considerations.

- 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

Sale of Tax Lien Certificates- 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.

Use of social security numbers by the Department of Commerce- allows the Department of Commerce access to social security numbers to carry out the responsibilities of the department and to locate owners of unclaimed funds. This will have no additional impact on the state in regards to unclaimed funds but merely reiterates current practice.

Issuance of general obligation debt- Permits the Commissioners of the Sinking Fund to issue general obligation debt in support of Transportation Infrastructure Bank Bonds. Support for these bonds would be needed in the event that federal funds used in payment for highway projects would no longer be available. While it is unlikely that federal funds to back these particular infrastructure projects will become unavailable, the ability of the state to issue general obligation debt serves as a stop gap measure and helps to allay the fears of bond rating agencies. This general obligation debt, if issued, would be subject to the same fiscal year limitations and maximum principal amounts which may be outstanding.

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