

# Fiscal Note & Local Impact Statement

122<sup>nd</sup> General Assembly of Ohio

BILL: Sub. S.B. 59 DATE: June 12, 1997

STATUS: As Reported by House Ways and Means SPONSOR: Sen. Nein

LOCAL IMPACT STATEMENT REQUIRED: No — Minimal cost

CONTENTS: Extends the real property tax prepayment system to all taxpayers and makes other changes to the county treasurer laws, provides a means to remove uncollectible mineral rights from the delinquent tax list

## State Fiscal Highlights

- No direct fiscal effect on the state.

## Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1997	FY 1998	FUTURE YEARS
<b>Counties (Excluding Cuyahoga)</b>			
Revenues	In excess of \$50,000 gain	In excess of \$50,000 gain	In excess of \$50,000 gain
Expenditures	Minimal decrease	Minimal decrease	Minimal decrease
<b>Cuyahoga County</b>			
Revenues	\$2,400 loss	\$2,400 loss	\$2,400 loss
Expenditures	Minimal decrease	Minimal decrease	Minimal decrease

- Excluding Cuyahoga county, counties will collect a minimum of \$50,000 in returned check fees. This minimum amount assumes the minimum fee allowed by the legislation is collected.
- Cuyahoga currently charges \$10 per returned check to cover administrative costs and bank charges for returned checks but will be required to reduce the fee by approximately \$2 per check.
- Counties are provided a means to remove uncollectible taxes from minerals or mineral rights taxed separately from the land. This will allow counties to reduce the outstanding delinquent tax list and may result in a slight improvement of a county's bond rating.
- Counties are granted the power to refuse to enter into a payment agreement for taxpayers seeking to redeem property that is under a foreclosure order if the owner has previously defaulted on such an agreement. Therefore counties may avoid entering into some high risk agreements and may have minimal reductions in costs associated with the termination of such undertakings.



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## ***Detailed Fiscal Analysis***

### ***Tax Prepayment Programs***

Under current law, owners of residential property may enter into a tax prepayment agreement for payment of real property taxes. This bill extends that option to all taxpayers for real and public utility property. By allowing taxpayers to pay taxes in smaller monthly payments, a small reduction in the number of delinquent tax bills may occur. However, it is not possible to accurately estimate the fiscal impact of this reduction.

### ***Returned Check Fees***

This provision will allow counties to impose a fee of \$5 plus any bank charge for checks returned or automatic bank transfers declined due to insufficient funds. Cuyahoga county is the only county currently known to be imposing such a fee. Cuyahoga estimates that the treasurer receives approximately 1,200 returned checks or declined automatic bank transfers per year. The bank assesses a fee of approximately \$3 per transaction and the county charges the citizen who has written the check a fee of \$10 for the returned deposit. Therefore, this legislation will require Cuyahoga to reduce their fee to approximately \$8 per transaction. For other counties in the state it is estimated that approximately 11,000 deposit transactions per year are returned for insufficient funds and the counties will be able to assess a minimum fee of \$5 per returned check. This will result in a minimum of \$55,000 gain in county revenues.

### ***Delinquent Mineral Rights***

Under current law, when mineral rights are listed and taxed separately from soil rights, delinquent taxes remain on the delinquent tax list with no remedy for declaring the taxes uncollectible for removal from the list. The bill provides a method for the county treasurer to instigate foreclosure proceedings for the delinquent minerals or mineral rights. In addition, if the tax has been delinquent for five years and no payment has been made to reduce the delinquency, the county treasurer is provided a means to declare the taxes uncollectible and remove the taxes associated with these items from the delinquent tax list. Because the amount of delinquent taxes is one indication of a county's financial health, the reduction in the size of the delinquent tax list may result in an improvement of a county's bond rating and reduce the costs associated with long term debt financing.

### ***Delinquent Property – Redemption Payment Plans***

Under current law, after a foreclosure order has been issued but prior to the foreclosure sale, the property owner may redeem the land by entering into an agreement with county auditor for the payment of taxes, assessments, penalties, interest, and charges due. All taxpayers have the right to enter into such an agreement. Under the bill, county auditors have the right to refuse to enter into such an agreement with an individual who has previously defaulted on a written undertaking for the redemption of property under a foreclosure order. Counties will be able to avoid known credit risks and may see a slight reduction in the costs associated with terminating such undertakings.

Once an owner has decided to redeem foreclosure property, current law requires that all charges be paid in five consecutive, equal, semi-annual installments. The bill provides that payments may be paid over a five year period and an individual redeeming owner occupied residential property may request, and the county is required to grant, a payment plan that provides for a minimum of two years of payments. By allowing for greater flexibility in the structure of redemption payments, county auditors may avoid some foreclosure sales and the associated costs.

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