

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 261** DATE: **November 7, 2007**
STATUS: **As Introduced** SPONSORS: **Reps. Bolon and Peterson**
LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**
CONTENTS: **Revises procedures for sale of tax certificates on property with delinquent real property taxes**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	Possible gain, probably minimal	Possible gain, probably minimal	Possible gain, probably minimal
Expenditures	Possible increase, probably minimal	Possible increase, probably minimal	Possible increase, probably minimal
Other State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- By allowing the sale of tax certificates in all Ohio counties, the bill may result in an increase in the incidence of civil penalties, up to \$5,000 per occurrence, on a certificate holder who improperly contacts the owner of the parcel that is the subject of the certificate. Such penalties are to be paid to the state's General Revenue Fund. Because certificate holders would plausibly be aware of this restriction and penalty, the frequency of such contacts appears likely to be low.
- Any such civil actions, if undertaken by the Attorney General, would increase the Attorney General's costs. However, any such increases appear likely to be small.



Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties			
Revenues	Possible gain	Possible gain	Possible gain
Expenditures	Possible increase, more than offset by higher revenues	Possible increase, more than offset by higher revenues	Possible increase, more than offset by higher revenues
Other Local Governments			
Revenues	Possible gain	Possible gain	Possible gain
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Revenues realized by counties and other units of local government may rise as a result of the sale of tax certificates on properties with delinquent real property taxes, in counties not permitted under current law to sell these certificates.
- Costs will rise for administration of the tax certificate program, in counties that issue the tax certificates, but these added costs appear likely to be less than associated revenue gains.
- Civil actions for penalties on tax certificate holders who improperly contact the owners of the parcels that are the subjects of the certificates, if commenced by county prosecuting attorneys, would increase costs to the offices of those county prosecuting attorneys. Such civil actions appear likely to be infrequent, so the costs to county prosecuting attorneys appear likely to be low.

Detailed Fiscal Analysis

The bill allows county treasurers in all Ohio counties to sell tax certificates on parcels of real property with delinquent real property taxes. Under current law, such sales are limited to counties with populations of 200,000 or more. The tax certificates provide a way to recover revenues from real property taxes that are owed but have not been paid. The bill also makes various other changes in the laws governing the sale of tax certificates.

By providing local government officials with an additional tool with which to try to recover unpaid real property taxes, the certificates would likely channel additional revenue to units of local government. Costs of administering the tax certificate program fall on county governments. The tax certificate law provides for charges for program costs. Because the program is permissive, LSC assumes that county officials would not initiate tax certificate sales unless expected revenues more than offset these additional costs.

A certificate holder who initiates contact with the owner of a parcel that is the subject of the certificate may in certain circumstances be assessed a civil penalty of up to \$5,000 for each offense, under current law unchanged by the bill. This civil penalty is to be paid to the state's General Revenue Fund. By allowing the sale of tax certificates in more counties, the bill may increase the amount of such state revenues. However, persons who choose to become certificate holders appear likely to be aware of the principal features of the program including this restriction, so the frequency of penalties resulting from such contacts appears likely to be low. The county treasurer may request that action against any such violator be commenced by the Attorney General or by the county prosecuting attorney. Costs to the Attorney General or to the county prosecuting attorney may be increased by such actions; however, any such increases appear likely to be small.

The 2000 Census shows 12 of Ohio's 88 counties with populations of 200,000 or more. By 2006, the United States Bureau of the Census estimates, the population of a 13th county (Warren) had grown to more than 200,000. These 12 counties in 2000 and 13 counties in 2006 accounted for 58% of Ohio's population in those years.

Department of Taxation figures for calendar year 2005 show \$879 million in delinquent real property taxes statewide, of which 70% was in the 13 counties with estimated populations of 200,000 or more in 2006. Cuyahoga County, with \$202 million in delinquent real property taxes, accounted for 23% of the state total. The 75 counties that would be added by the bill to those that could sell tax certificates had about 42% of the state's population, in the latest year for which Census estimates are available, and 30% of the delinquent real property taxes.

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