Fiscal Note & Local Impact Statement
127th General Assembly of Ohio

Ohio Legislative Service Commission
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Internet Web Site: http://www.lsc.state.oh.us/

STATUS: As Reported by House Ways & Means SPONSOR: Rep. Huffman
LOCAL IMPACT STATEMENT REQUIRED: No — Permissive
CONTENTS: To allow certain counties to use surplus delinquent tax collections for nuisance abatement of foreclosed residential property and other specified purposes

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

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<tr>
<td>Revenues</td>
<td>- 0 -</td>
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<td>Expenditures</td>
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Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill permits counties with populations of more than 100,000 to use up to $3 million annually in Delinquent Tax and Assessment Collection (DTAC) funds to assist municipalities and townships abate nuisance residential properties that are in foreclosure. Twenty-eight counties meet this criterion.

- The bill also permits eligible counties to use DTAC moneys to pay for the prosecution of certain real estate such as mortgage fraud and other similar violations. This could potentially allow prosecutors to more aggressively pursue such violations, increasing prosecution costs.

- The bill authorizes county treasurers to apply the proceeds from the sale of foreclosed residential properties toward property taxes that remain a lien against the property. This would reduce what these proceeds would otherwise be used for. However, if a purchaser does not have to pay any unpaid taxes, such properties could be sold more quickly or at a higher price than if property taxes were still owed.
Detailed Fiscal Analysis

Background

Current law requires 5% of all delinquent real property, personal property, and manufactured and mobile home taxes and assessments to be deposited in a county's delinquent tax and assessment collection (DTAC) fund, to be used solely to pay the costs associated with the collection of those taxes and assessments. Current law further requires that half of the funds be appropriated to the county treasurer and half to the prosecuting attorney. In addition, uncodified law contained in Section 757.30 of Am. Sub. H.B. 119, the FY 2008-FY 2009 budget bill, temporarily permits counties with a population exceeding 1.2 million (Cuyahoga County) to spend up to $3 million in DTAC revenues to prevent residential mortgage foreclosures, by providing loans to borrowers in default on their mortgages, and to help municipal corporations abate nuisance of residential buildings that are in foreclosure. The bill eliminates this temporary authority, replacing it with codified law that (1) lowers the population threshold to 100,000, and (2) limits the additional uses of DTAC funds to assisting municipalities and townships with nuisance abatement and allowing county prosecutors to tap the fund to pursue various specified violations of real estate law.

Eligible counties—use of DTAC funds

According to population estimates for 2007 prepared by the Ohio Department of Development's Office of Strategic Research, there are 28 counties that meet the population threshold specified in the bill. It would be difficult to predict how eligible counties might use these moneys. In some cases, counties might opt to help municipalities and townships raze nuisance property, but in other situations, county officials might direct the additional DTAC resources toward mortgage fraud and other related real estate violations.

County treasurer—property tax liens

The bill requires any sale proceeds to be applied to property taxes that are a lien on property when the deed is transferred. Since the lien attaches on January 1 for taxes that do not become payable until one year later, the bill would have the effect of generally requiring an additional year's taxes to be paid out of the sale proceeds. Ultimately, this provision does not alter the total proceeds gained from the sale of this property, therefore there is no revenue gained or lost due to this provision.
Residential real estate methamphetamine disclosure

Current law generally requires a seller of residential real estate to deliver to a prospective buyer a property disclosure form, prescribed by the Director of Commerce, in which the seller must disclose material matters relating to the physical condition of the property. Material matters include, among other things, the presence of hazardous materials or substances, such as lead paint and asbestos. The bill requires additional disclosure if the seller has actual knowledge of the illegal manufacture of methamphetamine on the property.

Under certain circumstances, continuing law permits prospective buyers certain rights to rescind a residential real estate sale contract if a disclosure form is not timely delivered. The bill extends this right to situations in which the methamphetamine disclosure is required. The methamphetamine disclosure requirement and applicable rescission provisions under the bill would also extend to land-contract purchases and landlord-tenant agreements.

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HB0359HR/rh