

FISCAL NOTE

HB 2963 - SB 2931

March 7, 2006

SUMMARY OF BILL: Authorizes certain taxing agencies, in counties with a population in excess of 100,000 according to the 2000 or any subsequent census, to sell their receivables (delinquent property taxes) to public or private parties by individual parcel or bulk sale. Any purchaser of receivables would be required to have an investment grade short-term credit rating from at least two nationally recognized credit rating agencies. Interest and penalties would continue to accrue on the unpaid amounts on any parcel regardless of whether or not the receivable on the parcel has been sold. The taxing agency would retain the right to all amounts charged and collected as trustee's fees, attorney's fees and the costs of collection. The tax receivables and any penalties and interest accrued would be exempt from taxation but any real property affected by the receivable would still be taxable.

ESTIMATED FISCAL IMPACT:

Increase Local Govt. Expenditures – Not Significant/Permissive

Other Fiscal Impact – The sale of the right to tax a receivable is a sale of a right to cash flow at a future date. Any increase or decrease in local government revenues will depend upon the price for which such receivables are sold and whether or not the debt would have been collected in the absence of the sale. If such receivables are sold on a dollar for dollar basis, there will be no change in the net amount of revenue realized by local governments, assuming that all of those receivables would have been collected; however, a change will occur in the amount of revenue realized in a given fiscal year.

If the receivables are sold at a discounted rate, there will be a decrease in local government revenue, assuming that all such receivables would have been collected by the local government entity. There will also be a change in the amount of revenue realized in a given fiscal year. These considerations do not take into account the time value of money which, if considered, might result in an increase in the realization of more purchasing power on the part of local governments by

having collected the money at a present date rather than some date in the future.

Without knowledge of how many tax receivables would be sold and at what price, a specific fiscal impact on the increase or decrease in local government revenues cannot be quantified but could be significant.

Assumptions:

- There will be an administrative cost to local governments to enter into agreements for the sale of receivables. This cost is estimated to be not significant.
- The definition of tax receivable in the bill states that it is the right to receive revenue from a tax that remains unpaid after its due date. This estimate assumes that the term due date refers to the delinquency date. Property taxes are due on the first Monday of October. They are not delinquent until March 1, of the following year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director