

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1949 – HB 2343

February 8, 2016

SUMMARY OF ORIGINAL BILL: Authorizes county mayors, after no less than 90 and not more than 120 days, and following the county taking charge of all lands bought in by the county pursuant to delinquent tax sales, to evaluate any such property and determine if the potential proceeds from selling the property exceed the financial or environmental risks associated with the property.

If the county mayor determines that the risks associated with the property outweigh the potential proceeds, the county legislative body may adopt a resolution stating that due to financial and environmental risks, it is not in the best interests of the county to acquire the property. If a resolution is adopted by a two-thirds vote of the county legislative body, the county legislative body may file a petition for relief of the property in chancery court. If satisfactory proof of the financial and environmental risks is presented, the chancellor may set aside the county's bid on the property at the delinquent tax sale.

FISCAL IMPACT OF ORIGINAL BILL:

Local Expenditures – Cost Avoidance – Exceeds \$5,000/Per Property/Permissive

SUMMARY OF AMENDMENT (011861): Deletes and rewrites the bill such that the only substantive change is to add language that prohibits counties from considering any dues and assessments established through covenants and restrictions as part of the financial risk in the evaluation of property offered for sale at a delinquent tax auction.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The purpose of a delinquent property tax sale is to collect unpaid taxes and convey the tax-defaulted property to a responsible owner.

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- Pursuant to Tenn. Code Ann. § 67-5-2506, it is the duty of the county clerk to place a bid on a property that is being auctioned if no other bidder offers a bid for the amount of taxes and other fees that are owed on the property; unless the county legislative body has determined that no bid should be made by the clerk due to a determination that such property poses an environmental risk.
- During the holding period called for in the bill, no funds will be exchanged to actually purchase the property.
- Permitting counties to evaluate the financial and environmental risks of a property after a delinquent tax sale may lead to a permissive cost avoidance in counties where mayors determine within the allotted window of time that the property is an environmental or financial risk; the county legislative bodies adopts a resolution; the legislative body files a petition for relief; and the chancellor sets aside the county's bid on the property.
- This extent of any statewide permissive cost avoidance is based upon multiple unknown factors including: (1) the amount of outstanding taxes, interest, penalties, and costs owed on each impacted property; (2) the number of properties that will be impacted by this legislation; and (3) the value of each affected property for which a bid is reversed by the court. Estimating the precise fiscal impact per property is difficult; however, such permissive cost avoidance is reasonably estimated to exceed \$5,000 per property.
- According to the Administrative Office of the Courts, any fiscal impact to chancery court as a result of potential petitions will be absorbed within existing judicial resources

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/amj