

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 350 - SB 1263

April 1, 2019

SUMMARY OF ORIGINAL BILL: Removes a county from certain liabilities based on contractual fees and restrictive covenants imposed by a non-governmental entity on properties purchased by the county at a delinquent property tax sale under certain circumstances.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Expenditures – Exceeds \$200,000/Per Occurrence

SUMMARY OF AMENDMENT (004743): Deletes and rewrites all language after the enacting clause such that the substantive changes (1) authorize a non-governmental entity to enforce contractual rights to certain properties through the exercise of a lien and, (2) limit applicability to Hardeman County.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- Tennessee Code Annotated § 67-5-2501 provides the county shall make the first bid on certain properties in a delinquent property tax sale, and if no other bids are received, the county becomes owner of the property.
- The proposed legislation would:
 - Apply to properties purchased by Hardeman County at a delinquent property tax sale upon which a non-governmental entity has contractual right;
 - Authorize a non-governmental entity to only enforce contractual rights to such property through the exercise of a lien against Hardeman County; and
 - Requires Hardeman County to pay contractual fees assessed against such property by the non-governmental entity if the county utilizes the property.
- The non-governmental entity will enforce a lien for contractual rights to the property, resulting in the non-governmental entity taking possession of the property from

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Hardeman County, but without Hardeman County being required to pay any contractual fees owed on the property.

- In 2010, a suit was filed against Coffee County (*Travis v. Trustees of Lakewood Park v. Coffee County*) by a non-governmental entity that resulted in the court finding the county liable for payment of fees assessed by the non-government entity in excess of \$200,000.
- Removing Hardeman County from certain liabilities involving non-governmental entities in certain circumstances will result in a decrease in local government expenditures; however, the precise decrease in local expenditures is dependent upon the amount of fees assessed by the non-governmental entity and the extent of costs related to suits.
- Non-governmental entities enforcing a lien for contractual rights to a property purchased at a delinquent property tax sale by Hardeman County will result in the removal of such property from the delinquent property tax roll and ultimately result in a decrease in local revenue for non-collection of delinquent property taxes owed on the property. The precise decrease in local revenue is unknown.
- While a precise decrease in local revenue and decrease in local expenditures for Hardeman County is unknown, each impact to local government is estimated to be not significant.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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