

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1627

January 30, 2020

SUMMARY OF BILL: Authorizes the state, counties, and municipalities which purchase land at a delinquent tax sale to convey such property to an eligible veteran. Waives property taxes on the conveyed property for up to 12 months.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Due to multiple unknown factors the precise timing and impact to local government revenue cannot reasonably be determined; however any impact on local revenue is considered permissive.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-2501, § 67-5-2507, and § 67-5-2509:
 - At a delinquent property tax sale, the court clerk makes the initial bid on properties in the amount of taxes, penalties, interest, and costs;
 - If the legislative body determines there are environmental or financial risks associated with the property, the court clerk shall not offer a bid on the property;
 - If no bid is offered in addition to the initial bid by the clerk of court, the governmental entity takes charge of the property;
 - Land taken possession of by a governmental entity is exempt from taxation;
 - The property may be sold to a third party at a rate determined by the legislative body to be the highest and best sale price; and
 - In lieu of selling to a third party, the governmental entity may convey the property to certain private nonprofit entities.
- The proposed language:
 - Authorizes the state, a county, or a municipality who has purchased land at a delinquent tax sale to convey the property to a veteran, whose annual income does not exceed \$150,000 a year, and who agrees to bring the property into compliance with all applicable building codes and ordinances within 12 months of acquiring the property;
 - Requires the property taxes on the applicable property to be waived until the property is in a safe and habitable condition, or 12 months after the conveyance of the property;
 - Authorizes the veteran to use the property as a primary residence, maintain the property as a rental property for the veteran's benefit, resell the property, or donate the property to another veteran or a nonprofit entity; and

- Authorizes the veteran to request conveyance of up to two properties each calendar year.
- According to the Department of General Services, the state has never purchased property at a delinquent tax sale; therefore this analysis assumes conveyance to a veteran will only occur through the permissive action of a local government.
- The proposed language will result in a permissive decrease in local government property tax revenues:
 - If the local government opts to convey property to a veteran in lieu of selling the property to a third party;
 - The property conveyed to a veteran is subsequently exempt from assessment for a period of up to 12 months; or
 - If the veteran subsequently donates the property to an entity which is tax exempt.
- The proposed language will result in a permissive increase in local government property tax revenues:
 - If property conveyed to a veteran is ultimately brought into compliance with all local building codes and ultimately sold by the veteran, such property would be placed back on the tax roll for assessment; or
 - If after the maximum 12 month waiver of property tax payments the veteran retains the property but pays property taxes which otherwise may be forfeited because the property remained in the possession of a governmental entity and off the tax roll.
- Due the multiple unknown factors the precise timing and impact to local government property tax revenue cannot reasonably be determined; however any impact on local revenue is considered permissive.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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