

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Sam Rasoul

3. **Committee** Senate Finance and Appropriations

4. **Title** Delinquent Tax Lands; Disposition

2. **Bill Number** HB 298

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize localities to have a special commissioner appointed to, in lieu of a sale at public auction, convey certain real estate having delinquent taxes or liens to a land bank entity or nonprofit designated to carry out the functions of a land bank entity.

Under current law, the locality may petition the circuit court to appoint a special commissioner to execute the necessary deed or deeds to convey the real estate to the locality in lieu of the sale at public auction.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

This bill could result in administrative costs to localities based on the new authority. It would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown impact on local revenues. It would have no impact on state revenues.

9. **Specific agency or political subdivisions affected:** All localities

10. **Technical amendment necessary:** No

11. Other comments:

Background

The *Constitution of Virginia* and the *Virginia Code* establish that taxable real estate is segregated for and made subject to local taxation only. All real estate, except that exempted by law, is subject to annual taxation. Certain types of real estate, however, are declared to be a separate class of property and constitute a classification for local taxation separate from other classifications of real property.

Localities have a broad array of tools to collect taxes and liens including collection from the taxpayer's bank account, wages, or income tax refunds, suits against the taxpayer personally, and sale of the real estate to which the tax lien has attached.

State law provides that a locality may petition the circuit court to appoint a special commissioner to execute the necessary deed or deeds to convey the real estate to the locality in lieu of the sale at public auction, for parcels of real where:

- Each parcel has delinquent real estate taxes or the locality has a lien against the parcel for removal, repair or securing of a building or structure; removal of trash, garbage, refuse, litter; or the cutting of grass, weeds or other foreign growth,
- Each parcel has an assessed value of \$75,000 or less, and
- Either such taxes and liens, together, including penalty and accumulated interest, exceed 50 percent of the assessed value of the parcel or, (b) such taxes alone exceed 25 percent of the assessed value of the parcel.

Proposal

This bill would authorize localities to have a special commissioner appointed to, in lieu of a sale at public auction, convey certain real estate having delinquent taxes or liens to a land bank entity or nonprofit designated to carry out the functions of a land bank entity. In addition, this bill would extend the existing treatment that applies to appointments of a special commissioner so that it would apply to qualifying parcels containing a structure that is a derelict building if such taxes and liens together, including penalty and accumulated interest, exceed 10 percent of the assessed value of the parcel.

This bill would require a land bank entity or existing nonprofit entity receiving any parcel under this process to:

- Sell the property to a third party in an arms-length transaction; or
- If the land bank entity or existing nonprofit entity develops the property before selling it, make such sale within a reasonable period of time after completing such development; or
- If the land bank entity or existing nonprofit entity does not intend to sell the property, pay to the beneficiaries of any liens against the property and to the former owner, his heirs or assigns any surplus that would result if the property were sold and the proceeds distributed.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

Similar Legislation

Senate Bill 142 would authorize localities to have a special commissioner appointed to, in lieu of a sale at public auction, convey certain real estate having delinquent taxes or liens to a land bank entity or nonprofit designated to carry out the functions of a land bank entity; and would extend the existing treatment that applies to appointments of a special commissioner so that it would apply to qualifying parcels containing a structure that is a derelict building if such taxes and liens together, including penalty and accumulated interest, exceed 10 percent of the assessed value of the parcel.

cc : Secretary of Finance

Date: 2/14/2022 SK
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