

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

- 1. **Patron** Robert D. Orrock, Sr.
- 3. **Committee** Passed House and Senate
- 4. **Title** Local taxes; Nonjudicial sale of tax delinquent properties; thresholds

- 2. **Bill Number** HB 1792
- House of Origin:**
 - Introduced
 - Substitute
 - Engrossed
- Second House:**
 - In Committee
 - Substitute
 - Enrolled

5. Summary/Purpose:

This bill would permit the nonjudicial sale of improved and unimproved real property valued \$15,000 or less, if taxes levied upon it are delinquent for at least three years. Current law allows nonjudicial sales of unimproved real property valued under \$10,000.

The bill would also allow the treasurer or other duly authorized official responsible for collecting taxes to sell, at public auction, any parcel of real property that is assessed at more than \$30,000 but no more than \$40,000, provided that the taxes on such parcel are delinquent for at least three years and the property (i) is not subject to a recorded mortgage or deed of trust lien, (ii) is within an area designated by the local governing body as an urban redevelopment or revitalization zone, and (iii) is unimproved and measures no more 0.5 acre. Current law permits the sale of this type of parcel provided it is assessed at more than \$25,000 but no more than \$40,000.

The bill would also permit the nonjudicial sale of any real property valued at more than \$15,000 but no greater than \$30,000, if taxes are delinquent for at least three years and the property (i) is unimproved and measures no more than one acre; (ii) is unimproved and has been determined to be unsuitable for building; (iii) has a structure on it that has been condemned by the local building official; (iv) has been declared a nuisance by the locality; (v) contains a derelict building; or (vi) has been declared to be blighted by the locality. Current law permits the nonjudicial sale of this type of parcel provided it is assessed at more than \$10,000 but less than \$25,000.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Costs

This bill may have an unknown impact on local administrative costs but state administrative costs would be unaffected.

Revenue Impact

Localities may experience an unknown revenue impact from this bill since it would change the valuation thresholds for different types of nonjudicial sales of unimproved real property.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Nonjudicial Sales of Tax Delinquent Properties

Local treasurers are authorized to sell at public auction small parcels of real property on which delinquent taxes have accrued for three years or more. The parcels must be unimproved and assessed at \$10,000 or less. Lots valued at between \$10,000 and \$25,000 may be sold at public auction if taxes are delinquent for at least three years and the property (i) is unimproved and measures no more than one acre; (ii) is unimproved and has been determined to be unsuitable for building due to the size, shape, zoning, floodway, or other environmental designations; (iii) has a structure on it that has been condemned by the local building official; (iv) has been declared a nuisance by the locality; (v) contains a derelict building; or (vi) has been declared to be blighted by the locality.

Local treasurers or other duly authorized officials responsible for collecting taxes may sell, at public auction, any parcel of real property that is assessed at more than \$25,000 but no more than \$40,000, provided that the taxes on such parcel are delinquent for at least three years and the property (i) is not subject to a recorded mortgage or deed of trust lien, (ii) is within an area designated by the local governing body as an urban redevelopment or revitalization zone, and (iii) is unimproved and measures no more 0.5 acre.

The treasurer conducting the sale must send notice by certified or registered mail to the owners of record and anyone else appearing to have an interest in the property, such as mortgage or judgment lien holders, post a notice of sale at the property and the courthouse at least 30 days before the sale, and advertise the sale in a newspaper of general circulation between 7 and 21 days before the sale. The costs of posting sufficient notice may be recovered as part of the tax.

The owner may redeem the property at any time before the sale by paying the delinquent taxes, penalties, interest, and pro-rata cost of advertising the sale. The treasurer may

enter into an installment payment agreement with the owner for up to 12 months to pay the full redemption amount.

Any parcel that has not been redeemed by the owner may be sold to the highest bidder at public auction. Any sale made is free and clear of the tax lien, but does not affect any easements recorded prior to the date of sale. If the sale proceeds are insufficient to pay the taxes in full, the remaining delinquent taxes remain the personal liability of the former owner. The sale proceeds must be applied first to the costs of sale, then to the taxes, penalty and interest due on the parcel, then to any other taxes or other charges owned by the former owner to the jurisdiction. Excess proceeds remain the property of the former owner and are kept by the treasurer in an interest-bearing escrow account. The former owner has two years from the date of the sale to make a claim for payment of the excess proceeds, after which time, the treasurer must deposit the excess proceeds in the jurisdiction's general fund. If there is no successful bidder at the public auction, the treasurer must add the costs of sale incurred by the jurisdiction to the delinquent real estate account.

Proposal

This bill would permit the nonjudicial sale of improved and unimproved real property valued \$15,000 or less, if taxes levied upon it are delinquent for at least three years.

The bill would also allow the treasurer or other duly authorized official responsible for collecting taxes to sell, at public auction, any parcel of real property that is assessed at more than \$30,000 but no more than \$40,000, provided that the taxes on such parcel are delinquent for at least three years and the property (i) is not subject to a recorded mortgage or deed of trust lien, (ii) is within an area designated by the local governing body as an urban redevelopment or revitalization zone, and (iii) is unimproved and measures no more 0.5 acre.

The bill would also permit the nonjudicial sale of any real property valued at more than \$15,000 but no greater than \$30,000, if taxes are delinquent for at least three years and the property (i) is unimproved and measures no more than one acre; (ii) is unimproved and has been determined to be unsuitable for building; (iii) has a structure on it that has been condemned by the local building official; (iv) has been declared a nuisance by the locality; (v) contains a derelict building; or (vi) has been declared to be blighted by the locality.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

cc : Secretary of Finance

Date: 02/19/2025 VB
HB1792FER161