

DEPARTMENT OF TAXATION 2025 Fiscal Impact Statement

1. **Patron** Candi Mundon King

3. **Committee** Passed House and Senate

4. **Title** Sale of real estate for delinquent taxes;
procedure; enforcement of liens; orders of
publication

2. **Bill Number** HB 2362

House of Origin:

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

Second House:

☐ **In Committee**

☐ **Substitute**

☒ **Enrolled**

5. **Summary/Purpose:**

The bill would eliminate the requirement that, before starting any judicial proceedings to collect delinquent taxes, the tax officer of the locality wherein the real property lies, shall send a notice at least 30 days prior to the last known address of any trustee, mortgagee, or lien creditor involved.

This bill would also clarify that any party or entity with an interest in the subject real estate, including a lienor, a person with a claim of title, or the beneficiary and trustees under a deed of trust, shall be named as party defendants in a proceeding for the sale of the real estate.

In addition, the bill would provide that the former owner and related parties of the real estate sold is entitled to any surplus proceeds from the sale after covering taxes, penalties, interest, attorney fees, costs, and liens, and the court shall refer the matter to a commissioner in chancery to determine the proper recipients of the surplus.

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. This bill would have no impact on state administrative costs.

Revenue Impact

The bill may have a negative impact to local revenues. 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:

Background

Localities have a broad array of tools to collect delinquent taxes including collection from the taxpayer's bank account, wages, income tax refunds, suits against the taxpayer personally, and sale of the real estate to which the tax lien has attached. When taxes are delinquent on the last day of the year following the two-year anniversary date on which such taxes were due, localities may sell the real estate for the purpose of collecting all delinquent taxes on such property. Localities are required to provide notice to the property owners and all other parties who have an interest in the real property, including any trustee under a deed of trust or mortgagee. Owners of the property may redeem it at any time prior to the date of the sale by paying all accumulated delinquent taxes, penalties, reasonable attorney's fees, interest and costs, and in some instances, are permitted to set up installment payment agreements with the local treasurer for a maximum period of 72 months.

In certain instances, localities may petition the circuit court to appoint a special commissioner to convey the tax-delinquent property to the locality in lieu of the sale at public auction. In order to qualify the parcel must: 1) have delinquent real estate taxes or have a lien against the parcel for certain specified reasons; 2) have an assessed value of \$75,000 or less; and 3) the taxes or liens, together with penalty and accumulated interest, must exceed 50% of the assessed value of the parcel, or the taxes alone must exceed 25% of the assessed value of the parcel.

In order to initiate proceedings for the appointment of a special commissioner or for the sale of the real estate, the locality must file a bill in equity to subject the real estate to the lien for the delinquent taxes. All parties with an interest in the real estate are required to file a claim to the real estate within 90 days after notice of such proceedings or are barred from filing claims in the future.

Proposal

The bill would eliminate the requirement that, before starting any judicial proceedings to collect delinquent taxes, the tax officer of the locality wherein the real property lies, shall send a notice at least 30 days prior to the last known address of any trustee, mortgagee, or lien creditor involved.

This bill would also clarify that any party or entity with an interest in the subject real estate, including a lienor, a person with a claim of title, or the beneficiary and trustees under a

deed of trust, shall be named as party defendants in a proceeding for the sale of the real estate.

In addition, the bill would provide that the former owner and related parties of sold real estate is entitled to any surplus proceeds from the sale after covering taxes, penalties, interest, attorney fees, costs, and liens, the court shall refer the matter to a commissioner in chancery to determine the proper recipients of the surplus.

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

cc : Secretary of Finance

Date: 03/07/2025 KS
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