

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3787S.02C
 Bill No.: SCS for SB 750
 Subject: Taxation and Revenue - Property; Counties; Cities, Towns, and Villages; Political Subdivisions
 Type: Original
 Date: March 5, 2024

Bill Summary: This proposal modifies provisions relating to the collection of delinquent property taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

* **Oversight** notes B&P does not have enough information to determine which localities would choose to opt-in or which properties and the amount of delinquency would subsequently be impacted. Oversight assumes the \$250,000 threshold would not be met from this proposal.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight notes §140.988.5 states the county collector may collect a fee for the collection of delinquent and back taxes of up to 5% on all sums collected if the county has established a land bank agency. All fees collected shall be paid to the land bank agency. Oversight assumes this would be additional revenue for the county and therefore will reflect a \$0 to positive unknown fiscal impact to counties.

Oversight notes in §141.500, subsections 2 & 3, have the potential for additional mail costs to be expensed by the county collector. Oversight assumes the county collector is provided with core funding to handle a certain amount of activity each year. Oversight assumes the county collector could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, the county collector could request funding through the appropriation process.

In response to similar legislation from 2022, HB 2177, officials from the **City of O’Fallon** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this city.

Oversight assumes this proposal is permissive, allowing cities and certain unincorporated communities to establish a land bank agency. Oversight assumes this would take further action by governing bodies of local political subdivisions and therefore, will not reflect a direct fiscal impact.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume concerning Chapter 140, RSMo, & Section 249.255: This bill modifies provisions related to how land banks are established and operated, purchase and sell property that is delinquent on taxes and distribute funds from the sale of those properties, how county collectors and land tax attorneys are compensated by the county and land bank located within the county, how suits and petitions are brought forward for the foreclosure of tax liens on properties, and how counties and municipalities sell properties that are tax delinquent. It also repeals sections on the collection of delinquent taxes and the sale of delinquent tax properties. B&P notes that qualifying localities may opt-in to this program. B&P does not have enough information to determine which localities would choose to opt-in or which properties and the amount of delinquent tax would subsequently be impacted. Therefore, to the extent that this proposal impacts delinquent tax collections, this proposal may impact TSR and the Blind Pension Trust Fund by an unknown amount.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume an unknown negative fiscal impact for this proposal. The Division of Employment Security (DES) has liens placed upon certain properties due to unpaid unemployment overpayments. This is

based on the number of properties per year to be remitted to counties upon the unsuccessful third auction of the property as outlined in the bill.

Oversight does not have information to the contrary and therefore, Oversight will reflect a \$0 to negative unknown amount as provided by the DOLIR & B&P for the Blind Pension Trust Fund. Oversight assumes the \$250,000 threshold would not be met.

Officials from **Kansas City (KC)** assume this legislation will have a negative fiscal impact of an indeterminable amount. Debts associated with properties transferred to the land bank are currently pursued with the prior owners as personal debt. This legislation states that all taxes, special taxes, fines and fees shall be deemed satisfied by transfer to the land bank. KC interprets this to mean the city will lose its ability to go after personal debt from previous owners.

Oversight does not have information to the contrary from §140.984 and therefore, Oversight will reflect a \$0 to negative unknown amount as provided by the KC to local political subdivisions.

Officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Revenue**, the **Department of Social Services**, the **Missouri Department of Agriculture**, the **Missouri Department of Conservation**, the **Office of the State Treasurer**, the **State Tax Commission**, the **Lincoln County Assessor's Office**, the **Mississippi County Recorder of Deeds Office** and the **Phelps County Sheriff's Office** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Office of the State Auditor** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, county recorders, county assessors, county collectors and local

sheriff offices were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
BLIND PENSION FUND			
<u>Loss –DSS – potential delinquent tax collections from Land Bank Agencies Chapter 140 & §249.255</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue – Counties - potential fees charged for the collection of delinquent and back taxes of up to 5% (§140.988.5)</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Loss – Cities and Counties – all taxes, fines and fees on real estate are considered satisfied once property is transferred to Land Bank (§140.984)</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to the collection of delinquent taxes.

PROPERTY TAXES

This act authorizes a county or municipality to adopt a resolution to collect delinquent taxes pursuant to the Land Tax Collection Law, currently only applicable to charter counties and Clay and Buchanan Counties. (Section 140.010, 141.220 and 141.230)

This act allows a county collector to preclude a prospective bidder from participating in the sale of lands with delinquent taxes if such prospective bidder is delinquent on his or her property tax payments. (Section 140.190)

This act provides that the state and other taxing authorities and lienholders shall be foreclosed from any unclaimed right, title, interest, claim, or equity of redemption in or to the land and of any lien upon the land upon the expiration of the right to redeem. (Section 140.420)

Current law provides for salaries to be paid to land tax attorneys and delinquent land clerks appointed by the county collector. This act provides that such compensation shall be determined by the collector. (Section 141.320 and 141.330)

Current law requires certain information to be listed in a petition for the foreclosure of a tax lien. This act adds certain identifying information of the petitioners and any person with a legal interest in the parcel of land affected by the suit. The collector shall prepare and send by first-class mail a copy of the petition within thirty days after the filing of the petition to the occupant of the parcel. (Section 141.410, 141.440, and 141.500)

This act requires a collector to obtain a title search for all conveyances, liens, and charges against the real estate involved in a delinquent tax sale, and requires a sheriff to meet certain notice requirements prior to the sale. (Section 141.520)

This act modifies provisions relating to the procedure of selling delinquent property, including the date of sales for partial opt-in counties, requiring a nonreimbursable \$200 bidder fee, and a requirement that prospective bidders submit an affidavit attesting that such bidder meets all statutory requirements. No person shall be eligible to bid unless the person has demonstrated to the satisfaction of the applicable official that the person is not the owner of any real property with two or more violations of the municipality's building or housing codes. (Section 141.550)

This act requires a court to hold a hearing to confirm or set aside a foreclosure sale within six months after the sheriff sells any parcel of real estate. The court's judgment shall include a finding that adequate notice was provided. This act allows the proceeds of a land sale in partial opt-in counties to be distributed to the school fund for the county, and also allows a county to allocate a portion of its share of proceeds to a fund for the purposes of defending against claims of insufficiency of notice. (Section 141.580)

This act requires opt-in and partial opt-in counties to establish a land trust for the management, sale, and other disposition of tax delinquent lands. (Section 141.700 and 141.821)

This act repeals provisions of law relating to land tax collections in St. Louis City. (Sections 141.820 to 141.970)

LAND BANKS

This act changes the title of the "Land Bank Act" to the "Chapter 140 Land Bank Act" and authorizes St. Louis County and any municipality with more than 1,500 inhabitants and not located in St. Louis County to establish a land bank. (Section 140.980 to 140.981)

The act requires any county establishing a land bank agency to appoint members to a board of directors, as described in the act. (Section 140.982)

This act provides that all taxes, special taxes, fines, and fees on real estate shall be deemed satisfied by transfer to a land bank agency. (Section 140.984)

This act repeals provisions relating to the distribution of proceeds of property disposed of by a land bank agency. (Section 140.985)

This act prohibits a foreign or domestic corporation or limited liability company that has failed to appoint or maintain a registered agent from buying property from a land bank agency. A land bank agency may condition the sale of a property by requiring the purchaser to make certain improvements to the parcel. (Section 140.987)

A county that has established a land bank agency may collect a fee for the collection of delinquent and back taxes in an amount up to five percent of all collections, which shall be paid to the land bank agency. (Section 140.988)

This act authorizes the governing body of the county or municipality establishing a land bank agency to issue bonds, as described in the act. (Section 140.994)

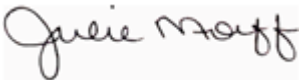
This act applies conflict of interest provisions to members of a land bank agency board in addition to employees of the land bank agency. (Section 140.1000)

This act authorizes any municipality located wholly or partially within an opt-in county to establish a land bank pursuant to current provisions of law that apply only to the city of St. Joseph. (Section 141.980 to 141.1009)

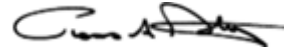
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

O'Fallon
Office of Administration - Budget and Planning
Kansas City
Department of Commerce and Insurance
Department of Economic Development
Department of Labor and Industrial Relations
Department of Revenue
Department of Social Services
Missouri Department of Agriculture
Missouri Department of Conservation
Office of the State Treasurer
Office of the State Auditor
State Tax Commission
Lincoln County Assessor's Office
Phelps County Sheriff's Office
Office of the Secretary of State
Mississippi County Recorder of Deeds Office



Julie Morff
Director
March 5, 2024



Ross Strobe
Assistant Director
March 5, 2024