

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 421 Delinquent Real Property Taxes

SPONSOR(S): Ahern and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 1062

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Subcommittee		Aldridge	Langston
2) Local & Federal Affairs Committee			
3) Appropriations Committee			

SUMMARY ANALYSIS

The bill reduces the annual interest rate on delinquent real property taxes and tax certificates from 18 percent to 12 percent.

The Revenue Estimating Conference estimated that the bill would have a negative impact on local government revenues of \$1.6 million in FY 2013-14, rising to a negative \$1.8 million in FY 2017-18.

The bill has an effective date of July 1, 2013.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Chapter 197, Florida Statutes, governs tax collections, sales and liens. Pursuant to s. 197.322, F.S., the tax collector mails a tax notice to each taxpayer within 20 days of receipt of the certified ad valorem tax roll and the non-ad valorem assessment rolls. The notice states the amount due and advises the taxpayer of discounts provided for early payment.¹ This normally occurs around November 1. Taxes that are not paid by April 1 following the year in which they were assessed are considered delinquent and begin accruing interest at the rate of 18 percent per year.²

On April 30, the tax collector sends an additional tax notice to each taxpayer whose payment has not been received notifying that taxpayer that a tax certificate on the property will be sold for delinquent taxes that are not paid in full.³

On or before June 1 or 60 days after the date of delinquency, tax collectors are required to hold tax certificate auctions to sell tax certificates on properties with delinquent taxes which “shall be struck off to the person who will pay the taxes, interest, cost and charges and will demand the lowest rate of interest under the maximum rate of interest.”⁴ Tax certificates that are not sold are issued to the county at the maximum interest rate of 18 percent.⁵ The sale of the tax certificate acts as first lien on the property that is superior to all other liens; but it does not convey any property rights to the investor.⁶

A property owner can redeem a tax certificate any time before a tax deed is issued or the property is placed on the list of lands available for sale. The person redeeming or purchasing the tax certificate is required to pay the investor or county “all taxes, interest, costs, charges, and [any] omitted taxes” and a \$6.25 fee to the tax collector.⁷

The tax certificate holder is entitled to apply for a tax deed on the property on or after April 1 of the second year following the sale of the certificate and before the expiration of seven years from issuance, by filing the certificate with the county tax collector and paying all other tax certificates held on the same property, any current taxes that are due, and certain additional fees and costs. The tax collector is authorized to collect a tax application fee of \$75 at the time of application for the tax deed.⁸

If the property is not sold at the public tax deed auction held by the clerk of the circuit court, then it will be placed on the list of lands available for sale.⁹ Property that is placed on the list of lands available for sale, and is not sold three years after the public auction escheats to county in which the property is located, free and clear of all liens.¹⁰ A tax certificate that is not redeemed or for which a tax deed has not been applied for after a period of seven years is considered to be null and void.

Chapter 197, F.S., also provides certain instances in which a taxpayer can delay paying a portion of his or her combined taxes to a future date. Sections 197.252-197.3079, F.S., allow individual tax deferrals for taxpayers who are entitled to exemptions for homestead, recreational and commercial working

¹ Section 197.322 (1), F.S. *See also* s. 197.222, F.S. Taxpayers who elect to prepay their taxes by installment “based upon the estimated tax equal to the actual taxes levied upon the subject property in the prior year.”

² *See* ss. 197.333, and 197.172, F.S. There is a minimum charge of 3 percent for delinquent taxes paid prior to the sale of a tax certificate.

³ Section 197.343, F.S.

⁴ Section 197.432(5), F.S.

⁵ Section 197.172(2), F.S.

⁶ Section 197.122, F.S., *see also* s. 197.432, F.S.

⁷ Section 197.472, F.S.

⁸ Section 197.502, F.S.

⁹ *Id.*

¹⁰ *Id.*

waterfront, and affordable rental housing property. To qualify for a tax deferral, these classified property owners are required to file an annual tax deferral application with the county tax collector on or before January 31, following the year the property was assessed.

Proposed Changes

The bill reduces the annual interest rate on delinquent real property taxes and tax certificates from 18 percent to 12 percent.

B. SECTION DIRECTORY:

Section 1: Amends s. 197.192(1) and (2), F.S., to reduce the interest rate on delinquent real property taxes and tax certificates from 18 percent to 12 percent.

Section 2: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference estimated that the bill would have a negative impact on local government revenues of \$1.6 million in FY 2013-14, rising to a negative \$1.8 million in FY 2017-18.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Property owners would pay less interest when redeeming a tax certificate issued as a result of delinquent real property taxes. Some purchasers of tax certificates may earn less interest on those certificates.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The county/municipality mandates provision of Art. VII, section 18, of the Florida Constitution may apply because the bill may have a negative fiscal impact on local government revenues. However, an exemption may apply because the fiscal impact on local governments appears to be insignificant.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES