

SUBJECT: Selling state-owned land acquired from tax foreclosure

COMMITTEE: Land and Resource Management — favorable, without amendment

VOTE: 9 ayes — Bosse, B. Turner, Crabb, Hamric, Howard, Jackson, Krusee, Mowery, Staples

0 nays

WITNESSES: For — None

Against — None

On — Spencer Reid and Ken Mills, General Land Office

BACKGROUND : County sheriffs may sell to the general public property that is foreclosed on because of delinquent taxes. Proceeds from the sale of these properties are used to satisfy the unpaid tax debt. Before the state property tax was repealed in 1982, title to any unsold property was transferred to the state. In 1987, the 70th Legislature authorized the General Land Office to manage and sell this property. Under the Natural Resource Code, the School Land Board is required to deposit in the state treasury the proceeds of such sales or leases, minus expenses associated with conducting the transaction, including advertising, appraisal and administrative costs. Currently, the state has title to about 20 to 30 of these properties.

DIGEST: HB 1463 would amend the Natural Resources Code to provide that land acquired by the state from the foreclosure of a tax lien be sold or leased free of any liens, penalties or interest previously owed to a taxing unit that was a party to the judgment in the delinquent tax suit. The bill also would specify that the state is not required to pay to the taxing unit any portion of the proceeds from the sale of the property.

A sale of property under these provisions would vest the purchaser of the land with good and perfect title to the land. The purchaser would have the right to the use and possession of the property, subject to the right of redemption and any recorded restrictive covenant running with the land or valid easement recorded as of the date the property was placed in the name

of the state. The covenant or easement would only be valid if recorded before January 1 of the year in which the tax lien was attached to the property.

HB 1463 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS
SAY:**

HB 1463 would allow to state to more easily sell the remaining few pieces of properties to which it gained title because of local tax foreclosures. As the supply has diminished, the General Land Office has encountered problems in some counties where officials are attempting to collect past unpaid taxes from the new owners even though title had reverted to the state.

Although the history of these properties and current law clearly show that local taxing authorities abdicated rights to any share of the proceeds from their sale, discussions with county officials have been unsuccessful in resolving this issue. Legislative action is necessary to clearly remove the possible threat of responsibility for delinquent taxes that has discouraged individuals from purchasing such property. HB 1463 would alleviate these concerns by guaranteeing that purchasers would not have to pay delinquent taxes and fees.

HB 1463 would affect relatively few pieces of property held by the state because of accidents of history. The bill would expedite the return of these lands to the property tax rolls. As a result, local government could possibly realize an increase in tax revenue from these lands.

**OPPONENTS
SAY:**

HB 1463 would give preemptive authority to the state to erase local government tax liens and unfairly absolve the state from responsibility to share with local taxing entities the proceeds from selling this land.

NOTES:

The companion bill, SB 1559 by Wentworth, was reported favorably April 3 by the Senate Jurisprudence Committee and recommended for the Local and Uncontested Calendar.