ONE HUNDRED FIFTH LEGISLATURE - FIRST SESSION - 2017
COMMITTEE STATEMENT
LB51

Hearing Date: Thursday January 19, 2017
Committee On: Revenue
Introducer: Schumacher
One Liner: Change provisions relating to sales of real property for nonpayment of taxes

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye:	6	Senators Brasch, Friesen, Harr, Lindstrom, Schumacher, Smith
Nay:	2	Senators Groene, Larson
Absent:		
Present Not Voting:		

Verbal Testimony:

Proponents:	**Representing:**
Senator Paul Schumacher	Introducer

Opponents:	**Representing:**
Deana Walocha	US Assets, LLC
Lilly Richardson-Severn	Guardian Tax Partners, Inc.
Marty Barnhart	Omaha Municipal Land Bank
Ryan Hanzlick	Self - Wilsonville, NE
Terry Jessen	Express Funding

Neutral:	**Representing:**
Candace Meredith	Lancaster County Treasurer, Nebraska Association of County Treasurers

Summary of purpose and/or changes:
The property tax is a first lien on real estate and, as such, is highly secured in most cases. Delinquent property taxes are subject to a 14% interest rate. Liens on property for which property taxes are not paid on time are also subject to being "sold" by counties at public tax sales to private purchasers without competitive bidding. The 14% interest figure was set years ago in an economic period where it was appropriately higher than the rate on a certificate of deposit of similar length and reflected a reasonable rate of return for the purchaser and an incentive for the taxpayer to promptly pay the tax.

After the sale of their property tax liens, taxpayers have a number of years to pay off the taxes owed together with the 14% interest. After the expiration of the number of years given to taxpayers to pay off the taxes owed with interest, the private purchaser of a property tax lien is entitled to foreclose the tax lien in the same manner as if it is a mortgage. If a taxpayer pays off the property tax owed the county plus the interest, which is usually the case, the private purchaser receives a highly lucrative return.

As noted above, the 14% interest figure was set in an economic period where it was appropriately higher than the rate on a certificate of deposit of similar length. The advent of extremely low interest rates available to investors which followed the 2008 great recession cause the 14% rate to become usurious. The spread between 14% and interest that is available on comparable debt is nothing short of a huge windfall for the buyers of "taxes"

The purpose of LB51 is to use the bidding process to allow the market to determine the appropriate lower rate of interest. Under the bill, the spread between the market interest and 14% is the county's to keep.

Explanation of amendments:
The amendment strikes language allowing for a bid down for the amount of taxes due to purchase a tax sale certificate. It also clarifies the bid down process for interest.

Jim Smith, Chairperson