

One Hundred Fifth Legislature - First Session - 2017

Introducer's Statement of Intent

LB51

Chairperson: Senator Jim Smith

Committee: Revenue

Date of Hearing: January 19, 2017

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

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.

Principal Introducer: _____

Senator Paul Schumacher