F I S C A L   I M P A C T   R E P O R T

BILL NUMBER: House Bill 220

SHORT TITLE: Time of Sale or Transfer for Delinquent Taxes

SPONSOR: Herndon

LAST UPDATE: 02/04/26 **ORIGINAL DATE:** 01/31/26 **ANALYST:** Graeser

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Property Taxes		**See Narrative: Impacts will be substantial but indeterminate, primarily resulting in shifts between entities and fiscal years.**				Recurring	Property Tax Beneficiaries – Counties, Munis, Schools, Special Districts
						Recurring	State General Obligation Bond Fund
						Recurring	TRD – Property Tax Division fund
						Recurring	Taxpayers

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files
Property Tax Rate Sheet History (TY2020 – TY2025 Produced by DFA/LGD)

Agency or Agencies Providing Analysis
Taxation and Revenue Department

SUMMARY

Synopsis of House Bill 220

House Bill 220 (HB220) extends the period before a county treasurer can transmit the list of property tax delinquencies to the Taxation and Revenue Department, Property Tax Division, Delinquent Property Bureau (TRD/PTD/DPB) from the current two years to four years.

Section 2 of the bill extends the period before the Delinquent Property Bureau can conduct a sale of these referred properties from three years to five.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 20, 2026, if enacted. The provisions of the bill are applicable to property tax years beginning on or after January 1, 2026.

Effective Date Language: The provisions of the bill are applicable to property tax years beginning on or after January 1, 2026.

FISCAL IMPLICATIONS

Taxation and Revenue Department, Property Tax Division, Delinquent Property Bureau provides the definitive analysis of this bill's impact.

> The extension of time for county treasurers to collect property tax to four years from two and the sale of properties due to delinquency from three years to five, may shift potential collection from delinquent properties out by two years. When a property is sold, the proceeds are split between Tax & Rev's PTD for the administration of the tax sale and the respective county treasurer for distribution to appropriate governmental units to which delinquent tax is owed: any balance goes to the former owner after payment of the delinquent taxes. The bill is expected to slightly increase revenue retained by county treasurers as it provides them with more time to attempt collection, and decrease the amount of revenue to the PTD's enterprise fund.
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> Historically, for every $1 Tax & Rev's PTD retains from the delinquent amounts it collects, it sends $2 back to counties for distribution to all entities that owed the delinquent property tax. The amount the PTD retains from its delinquent activities pays for all PTD operations. As a result, the PTD does not rely on any General Fund for operations. By delaying involvement of PTD in collecting delinquent property taxes, this bill is likely to cause PTD to begin requiring support from the General Fund to sustain its operations.

LFC contributes the following:

1. During FY27, TRD/PTD/DPB will continue to process tax sales on delinquency lists from 2024 and prior. The bureau will not receive delinquency lists from TY2025 et seq delinquencies until FY32 et seq. The following two tables illustrate the shift in transmittal and property sales.

	Transmittal	Sale
TY20	FY23	FY24
TY21	FY24	FY25
TY22	FY25	FY26
TY23	FY26	FY27
TY24	FY27	FY28
TY25	FY28	FY29
TY26	FY29	FY30
TY27	FY30	FY31
TY28	FY31	FY32
TY29	FY32	FY33

	Transmittal	Sale
TY20	FY24	FY26
TY21	FY25	FY27
TY22	FY26	FY28
TY23	FY27	FY29
TY24	FY28	FY30
TY25	FY29	FY31
	FY30	FY32
	FY31	FY33
TY26	FY32	FY34
TY27	FY33	FY35
TY28	FY34	FY36
TY29	FY35	FY37

2. Because county treasurers would have two additional years to enforce collection and would retain penalty and interest on behalf of revenue beneficiaries, the revenue beneficiaries would probably benefit. County treasurers' workload would increase. TRD would have

fewer properties to sell depending on the success of county treasurers' collection efforts. As a general rule in taxation, the longer the duration of the delinquency, the less the likelihood of collecting that delinquency. Traditionally, "if you haven't convinced the delinquent property owner to pay up within two years, that owner will incur more delinquent obligations and you will never collect."

3. Note that counties do not have the authority to seize or sell delinquent property. Only TRD/PTD/DPB has that authority and to avoid challenges based on illegal taking, the authority to sell properties should remain with TRD/PTD/DPB.
4. This proposal will ultimately result in about the same number of sales, just with a two-year delay.
5. The two-year delay in selling the same number of properties will result in additional amounts of penalty and interest related to the two-year additional delinquency period retained by TRD. It is uncertain whether this will be approximately revenue neutral for TRD's budgetary purposes.
6. There will be considerable amounts of shifting of revenues between TRD and county treasurers. County treasurers will contribute more revenue to beneficiaries and tax sales will contribute less revenue to beneficiaries. However, LFC staff believe that this will result in under a five percent change to beneficiaries.
7. One possible consequence is that a small percentage of taxpayers will withhold payment until the delinquent property has been advertised for sale. Some will even wait until a year after the sale to redeem. These strategies incur significant penalty and interest as well as TRD fees, but almost every sale results in redemptions on the courthouse steps.

Background:

1st Year delinquency typically runs as high as 5 percent. County Treasurers typically collect the bulk of that delinquency using traditional methods such as tax liens and levies. To show the order of magnitude of the liabilities transferred to TRD/PTD, LFC staff extracted the following table that assumes delinquencies have been reduced after two years to 2 percent of total liabilities.

TY	Total Residential/ Nonresidential NTV	Yield	Est 2-year Delinquency (2%)
2020	$58,791,328,181	$1,795,108,983	$35,902,180
2021	$60,630,888,801	$1,839,373,275	$36,787,465
2022	$65,133,135,236	$2,195,460,313	$43,909,206
2023	$69,456,776,943	$2,359,898,011	$47,197,960
2024	$73,661,421,197	$2,474,131,034	$49,482,621
2025	$77,009,438,357	$2,606,963,351	$52,139,267
2026	$80,897,743,763	$2,824,620,776	$56,492,416
2027	$84,740,766,328	$2,999,705,999	$59,994,120
2028	$88,583,788,893	$3,174,791,222	$63,495,824
2029	$92,426,811,458	$3,349,876,446	$66,997,529
2030	$96,269,834,023	$3,524,961,669	$70,499,233

NTV is net taxable value. This chart does not include Oil and Gas Ad Valorem Production Tax or Oil and Gas Ad Valorem Production Equipment Tax or Copper Production Tax. The combined NTV for residential and non-residential properties grew about 5 percent annually in the period from 2020 to 2025. This average annual growth has been used to project NTV and yield for the 2026 through 2020 tax years.

SIGNIFICANT ISSUES

County treasurers currently deal with property tax delinquencies using liens and levies. If these collection procedures have not worked to result in collection after two years, the county treasurer prepares a delinquency list and transfers the liability and collection effort to TRD/PTD/DPB. With a delay of one year, DPB researches the title and prepares to sell the property "on the courthouse steps." DPB establishes a minimum sale price for the property that includes TRD's fees and any penalty and interest on the delinquency. When the property sells, TRD remits the collected funds, less fees, interest and penalties which are retained by TRD to the county treasurers.

What this bill would do is to allow county treasurers two additional years to collect delinquent property taxes. If the collection effort were successful, the county would retain the full amount of taxes plus the penalty and interest amounts and would not be obliged to reimburse TRD for its efforts to sell the properties. There would be fewer property sales and the properties would be retained by the delinquent property owner.

TRD notes that this change may not be in the best interest of taxpayers.

> Allowing a homeowner to stay in a property accruing delinquent taxes and interest does not benefit the homeowner. The earlier an owner becomes aware of the delinquency and the possibility that the property may be auctioned, the better the chances the owner can catch up on the tax due. If allowed to wait for five years, there may be no reasonable possibility of paying the delinquency property tax and the accrued penalty and interest. During the longer time frame, there is a risk that property's condition deteriorates. The longer the taxes are delinquent, and dilapidated properties are not occupied, it creates higher vacancy rates and code violations, negatively impacting the value and safety of surrounding properties in the community, potentially leading to further economic decline.
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> Adding more time for counties to collect property taxes would likely intensify the issue by causing a concentration of tax bills for property owners and further delaying critical revenue for local services, ultimately worsening the financial situation for both taxpayers and local government.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met. Property tax issues have never been adequately disclosed. Annually, TRD remits assessment records from the 33 county assessors to the Department of Finance and Administration, Local Government Division (DFA/LGD). LGD then performs the complex calculations required for yield controlled rates and transmits those rates to the County Treasurers for inclusion in the annual property tax bills. By November of the tax year, DFA/LGD publishes the property tax rate sheets that list – county-by-county, municipality-by-municipality, school district-by-school district and special district-by-special district for the five types of tax imposition: residential; non-residential; Ad Valorem OGAS production; Ad Valorem OGAS production equipment; and Copper Ad Valorem. However, data on deductions and exemptions, delinquencies and total payments have traditionally been difficult to find. Improvements in this area might be warranted.

ADMINISTRATIVE IMPLICATIONS

TRD would have a period of two years where the PTD would not be administering sales and then would resume a new normal cycle. PTD is likely to require general fund appropriations as a result of delaying PTD's administration in delinquent properties as discussed above under "Methodology for Estimated Revenue Impact."

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