GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: Senate Bill 537 (First Edition)

SHORT TITLE: Increase In Rem Foreclosure Fee.

SPONSOR(S): Senator Hartsell

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 2011-12 FY 2012-13 FY 2013-14 FY 2014-15 FY 2015-16

REVENUES:

Local Governments:

*Increase in recovery of administrative costs
related to in rem foreclosures*

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Local Governments;

NC Dept. of Revenue

EFFECTIVE DATE: Effective for in rem foreclosures on or after July 1, 2011.

BILL SUMMARY:

Current law allows for two different foreclosure procedures available to taxing units to enforce a tax lien on property for delinquent taxes. The first involves a standard civil action filed in State court against the taxpayer(s). The second procedure is the in rem foreclosure process in which the taxing unit obtains a judgement against the property in State court. This is an expedited process and allows for the foreclosure sale to proceed within three months to two years after the judgement is filed.

In a standard civil procedure, the taxing unit may add the cost of the foreclosure action to the tax bill. The in rem procedure allows for notification costs and a \$50 fee for administrative costs to be added to the tax due. Senate Bill 537 would increase the amount of the charge for the administrative costs that may be added to the tax due in an in rem foreclosure proceeding for delinquent tax due. The current administrative cost of \$50 has not been increased since it was first allowed in 1987. Senate Bill 537 would increase the amount of the charge to \$250. Much of the administrative time required for an in rem foreclosure is spent researching the property's chain of title.

Source: Committee Counsel Summary

ASSUMPTIONS AND METHODOLOGY:

Although no data is available on the number of in rem foreclosure proceedings in the state, this method of foreclosure has become more common in recent years. The \$50 fee that is currently charged is not adequate to recover administrative costs to the taxing unit, particularly when a clear chain of title has to be established. The \$250 fee would more closely reflect the actual administrative costs associated with in rem foreclosures.

SOURCES OF DATA: NC Association of Assessing Officers; UNC School of Government

TECHNICAL CONSIDERATIONS: None

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