

Statement of Issue:

The tax sale statute in the State of Oklahoma does not possess sufficient financial enforcement mechanisms for individual landowners who become delinquent on their ad valorem taxes or those who lose their real property through this process.

What needs to be changed (statute, constitution, administrative rule)?

Two sections of title 68 need to be changed to facilitate better enforcement and better results, §§ 3113 and 3131.

In §3113, statutory redemptions should be limited to no more than three per owner per property. For each time an owner redeems, they should be required to pay a larger percentage of the delinquent taxes to get it removed from the list. This will reward timely payment of ad valorem taxes and provide consequences for those citizens who habitually use the statutory redemption process as means to delay paying property tax.

In §3131, persons who lose property through this process should face tougher financial consequences for their actions. County treasurers should be required to report them to the credit bureaus and the IRS. This change in the law will affect property owners who abuse this process by voluntarily divesting themselves of undesirable properties. Additionally, having tougher rules will bring this process into better alignment with those who lose property through foreclosure process.

Why is the change needed?

Generally, the tax sale process does not hold individual landowners accountable when they lose their property or become delinquent on their ad valorem taxes.

§3113 of the statute allows for redemption at "any time before the execution" of the tax deed. At present, if the owner of record pays the oldest of the three years of delinquent taxes they can "redeem" their property. Meaning that property will not be auctioned off at the tax sale. There are no limits on how many times an owner may do this once their property is placed on the auction list. The same property could be placed every year and there are no penalties associated (other than interest) with multiple redemptions on the same property by the same owner. This statutory scheme enables a delinquent taxpayer to delay paying their ad valorem taxes for two years in perpetuity. The current statute creates a loophole in the law that hinders municipalities in the collection of much needed ad valorem taxes.

§3131 currently does not require mandatory reporting to the credit bureaus or the IRS when a property owner loses their property. When that does occur through the tax sale

process, there are virtually no consequences except for the fact that the owner loses the property in question. In some cases, owners intentionally use this process to divest themselves of property that is considered undesirable because there are no long-term consequences. County Treasurers should be required to report individuals who lose real property through this process to the credit bureaus and the IRS. This change would discourage owners from voluntarily surrendering their property.

What are the advantages and disadvantages of the change?

The advantages would be an increased accountability and better enforcement of the statutory scheme. Another advantage could be that less property will go through the tax sale process because the penalties for losing properties are harsher.

The disadvantage would be that delinquent taxpayers would be less likely to redeem their property once it is placed on the auction list.

Who (if any) is likely to oppose the change?

Delinquent taxpayers would oppose this. Likely those on a fixed or limited income would also oppose this initiative, but there are protections built into the statute for those in that socioeconomic category.

How will you respond to those adversely impacted?

If the Legislature and Governor agree to make these changes to the statute, it will help the school systems throughout the state by providing better enforcement of ad valorem taxation.

Which legislators might sponsor or support this legislation?

Representatives Toni Hasenbeck and Daniel Pae.

Which legislators would oppose this legislation and why?

I am not aware of anyone who would oppose this at the state level.

Are there coalitions who might also support this issue?

I think public school systems in Oklahoma would whole-heartedly support this initiative.

Please provide any additional information that you think would be helpful.

Tax sales always occur on the second Monday in June in each county in Oklahoma every year.

Currently, the landowner has from the time the properties are placed on auction list (usually late February or early March) until a tax deed is issued (could be as late as mid-July) to statutorily redeem their property.

A property is placed on the auction list by the County Treasurer after three years of delinquent taxes.

Properties that are not sold at the tax sale are again auctioned or they become county property. If the property becomes county property, it comes off the tax rolls until a private party purchases it. Once property is removed from the tax rolls, no ad valorem is collected.