SALE OF DELINQUENT PROPERTY TAXES

City of Memphis
Division of Finance
December 21, 2010

LEGISLATIVE AUTHORITY

TCA-67-5-2012

- Any taxing agency, by resolution of its governing body, may elect to sell its tax receivables to public or private parties. All interest and penalties imposed by law shall continue to accrue on the unpaid original amount of the tax in the same manner as if the tax receivables had not been sold.

WHAT IS THIS?

- AN OPTION THAT ACCELERATES THE COLLECTION OF DELINQUENT PROPERTY TAXES
  - May be sold to any third party, in bulk or selected properties

WHY PERSUE THIS STRAGEGY?

- Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments – generally a single lump sum.

ENTITIES THAT SELL THEIR DELINQUENT TAXES

- Nashville/Davidson County, Tennessee
- New York, New York
- Camden, New Jersey
- Erie, Pennsylvania
- Blair County, Pennsylvania
- Erie County, New York
- Kansas City, Kansas
- Fulton County, Georgia

POTENTIAL BUYERS

- XSPAND
- AMERICAN TAX FUNDING SERVICING
- MOORING FINANCIAL CORPORATION

SOME CONSIDERATIONS

- Governments using a tax lien sale as a one-time mechanism to address a current year budget gap should assess the short-and-long term implications on the government's credit quality.
- Governments should also consider how gaps will be closed in later years and whether structural budgetary balance is able to be achieved without future tax lien sales.
- GFOA recommends that governments contemplating the sale of property tax liens undertake a careful analysis of benefits and risks both in the current fiscal year and over the long-term.

ESTIMATE OF FINANCIAL IMPACT

- Outstanding taxes (@11/30/2010)
  - 2001-2010 $88,602,011

- FY 2011 General Fund P & I
  - $6.9 million

ELIGIBLE ACCOUNTS

- All prior year taxes are delinquent and may be sold at any time.

CASE STUDIES

- Nashville/Davidson County, Tennessee
  - Completed 4th Sale
- Fulton County, Georgia
  - Has sold to 3rd parties since 1997