HB 4056 A STAFF MEASURE SUMMARY **Carrier:** Sen. Meek

Senate Committee On Finance and Revenue

Action Date:	03/06/24
Action:	Do pass the A-Eng bill.
Vote:	4-1-0-0
Yeas:	4 - Boquist, Golden, Jama, Meek
Nays:	1 - Findley
Fiscal:	Has minimal fiscal impact
Revenue:	No revenue impact
Prepared By:	Beau Olen, Economist
Meeting Dates:	3/6

WHAT THE MEASURE DOES:

Requires counties to establish a process to determine the amount of any surplus proceeds from a property tax foreclosure sale, notify all interested parties of the surplus, determine the right to the surplus and deposit the surplus in an interesting-bearing account until the amount and distribution of the surplus have been determined. Suspends the deeding of property to counties during the period from the effective date of the bill to December 31, 2025. Requires the Department of Revenue to collaborate with counties to determine a detailed, uniform process by which the counties shall comply with the bill and the ruling of the United States Supreme Court in *Tyler v. Hennepin County, Minnesota*, 598 U.S. 631 (2023). Requires the department to submit a report by September 15, 2024, to the Legislative Assembly and the interim committees on revenue that sets forth recommendations for legislation. Takes effect on the 91st day after sine die.

ISSUES DISCUSSED:

- Neutral third-party mediator
- Recommendations for legislation
- Clarity for pending litigation
- Models in other states
- Other liens
- Garnishment and interpleading funds to the court
- Uniformity of county processes
- Fair market value of property
- County allowable costs
- Lookback/statute of limitations

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 2023, the U.S. Supreme Court ruled in *Tyler v. Hennepin County* (598 U.S. 631) that the government may not take more property than it is owed, per the Takings Clause of the 5th Amendment of the U.S. Constitution.

Prior to the ruling in *Tyler v. Hennepin County*, it was considered ambiguous whether counties were required to return to the former property owner, or their heirs or successors, any surplus proceeds from a property tax foreclosure sale. Oregon counties had reimbursed themselves for the amounts owed (property taxes and interest) and additional costs (redemption penalty and fee, legal costs, property maintenance and supervision) and had made an election to distribute any surplus to taxing districts, including the county. That distribution of surplus to taxing districts was mandatory in Multnomah County.

Deeding real property to a county under ORS 312.200 is a six-year process. Tax foreclosure cases begin in year four, after property taxes have been delinquent for three years. In years five and six, certain persons can redeem the property by paying the amount owed, a penalty of five percent of the amount owed and a fee of at least $50. The county notifies property owners of delinquent property taxes, the tax foreclosure case and the end of the redemption period. Property deeded to the county, which can be in poor condition and have limited improvability, can take years for it to be sold at public auction or private sale.

Class action lawsuits have arisen in several states following the decision in *Tyler v. Hennepin County*, including several currently in Oregon in which all counties are implicated. There are also multiple individual lawsuits in various counties in Oregon.