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February 10, 2016

The Honorable Marvin KleeB, Chairman  
House Tax Committee  
Capitol Building, Room 582-N  
Topeka, KS 66612

Re: H.B. 2476 - Testimony in Support

Dear Chairman KleeB and Members of the Committee:

As Commissioner Wells told you, the Board of Riley County Commissioners unanimously supports H.B. 2476. I can provide some tax foreclosure numbers which may be of interest to this Committee.

A primary reason this bill would be an effective supplement to the existing real property tax foreclosure process is that tax foreclosure delays collection, as current law requires. Statutes require that delinquent real property taxes cannot be collected immediately. A delinquent property tax must be allowed to exist for at least 2 years, and up to 3 years, before that property is first eligible for tax foreclosure.

During Riley County's 2010 tax foreclosure case, there were delinquent taxes owed on properties as far back as 2007. There were 123 separate properties eligible for sale in 2010. Those delinquent taxpayers were mailed notice that their property would be placed in an upcoming foreclosure lawsuit unless they paid their oldest year(s) of delinquency. The delinquent taxes outstanding on those 123 real properties totaled \$416,392.94 at the beginning of the process. As generally happens, multiple delinquent property owners then took advantage of their statutory right to "redeem" their real property from the impending filing of a foreclosure action and paid enough of their oldest delinquencies to keep their property out of the lawsuit. Delinquent tax payments of \$123,887.84 were received by the county, representing almost 30% of the original delinquent total in this "pool" of real properties. Riley County then filed a tax foreclosure lawsuit on the 70% of the real properties remaining in the delinquent pool. By statute, the delinquent owners now named in the foreclosure suit could only "redeem" their properties from public sale at an auction by paying, before the auction date, all of their delinquent property taxes, plus their share of the costs of the suit. So some of the delinquent property taxpayers sued paid an additional \$18,756.78 before the auction. That brought the total of delinquent taxes paid before auction to \$142,644.62. That meant in 2010

delinquent taxpayers paid just over 34% of their delinquent property taxes before public auction. By the day of the auction the original pool of 123 properties had shrunk to just 24. Those 24 parcels were auctioned off publicly, generating \$22,699.00 in sale proceeds. As the law requires, after payment of the costs of the necessary publication notices, title work and associated costs of sale, and refunds to individual parcel owners if their parcel's sale price was more than needed to pay its delinquency, \$14,583.43 was available for application to the remaining delinquent taxes and accrued interest on the 24 real properties. The law required that Riley County then cancel existing delinquent real property taxes from those 24 properties in the amount of \$6,912.44.

On behalf of my client, I submit the above demonstrates there are important inefficiencies in the existing real property tax foreclosure process which H.B. 2476 can help alleviate, without changing any portion of the tax foreclosure process. First, remember that out of 123 real properties eligible for tax foreclosure in 2010, once their owners became convinced foreclosure would actually occur, 99 real properties paid enough of their delinquencies to stay out of the sale. That means 80% of the delinquent taxpayers found a way to pay enough of their delinquent taxes to avoid foreclosure and sale. Second, it was the imminent threat of public sale, not the sale itself, which resulted in payment of 34% of the delinquent taxes owed in 2010. The public sale generated only 3.5% of the delinquencies owed on those same properties. Third, that original pool of delinquent property tax included delinquencies as old as 2007. Years-long delay in collection is an unavoidable element of every real property tax foreclosure action.

In my opinion, H.B. 2476 addresses each one of these inefficiencies. Its passage will speed every county's ability to collect their delinquent real property taxes, though admittedly on a very small percentage of the county's population. Only vendors of the county will be subject to the requirement that their income on a county project will be reduced according to the amount of delinquent taxes owed. But those in that relationship with the county will not be allowed to delay payment of their delinquent real property taxes for up to 3 years if they want full payment for their county contract.

Please support passage of H.B. 2476. It is a rationale means of speeding county collection of delinquent property taxes owed. It is a fair supplement to the existing tax foreclosure process.

Thank you for allowing me the opportunity to express my client's unanimous support of H.B. 2476.

Sincerely,



Clancy Holeman  
Riley County Counselor

cc: Ben Wilson, Chairman  
Robert L. Boyd Jr., Vice Chair  
Ronald E. Wells, Member