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Testimony of Arthur Towers

OTLA Political Director

In Support of HB 4056-A

Before the Senate Finance and Revenue Committee

March 6, 2024

Chair Meek, Vice-Chair Boquist, members of the committee, thank you for the opportunity to provide testimony in support of HB 4056-A.

Special thanks also to Representative Conrad and House Revenue Chair Nathanson. Without their hard work and leadership, the progress represented by HB 4056-A would not have been achieved.

Counties have engaged in a process of keeping all the proceeds of the sale of tax-foreclosed property. A person could have \$100,000 in equity in their home and owe \$20,000 in property taxes, administrative fees, and penalties. If the county sold the property, post-foreclosure for \$100,000, the property owner would be out \$80,000.

The practice was legal at the time, but a recent US Supreme Court decision deemed this behavior unconstitutional and now requires counties to return the money they have received in the sale of these properties – less taxes owed, fines, and administrative costs.

HB 4056-A provides a roadmap by which a fair process can be developed that is workable for counties, preserves the rights of property owners and lienholders, and pass Constitutional muster.

HB 4056-A does five important things.

- Requires the Department of Revenue to work with the counties and stakeholders to develop a process to determine the surplus and determine what the counties can subtract.

- Requires the counties to put the proceeds of sales in an interest-bearing escrow account.
- Requires the Department of Revenue to bring everyone to the table to hash out a bill for the 2025 session by Sept 15th.
- Places a moratorium on counties foreclosing on properties until December 31st, 2025. Counties can go through every step up of the foreclosure process up to taking possession of the deed.
- Protects the rights of lienholders (including DOJ which is concerned about child support enforcement and victim restitution) to whom the original property owner may own money.

The beauty of 4056-A is that it does not put a flawed process into statute that would just have to be unwound in 2025.

The debate in the House underscored the complexities that were unable to be ironed out in a 35-day short session. These complexities include:

- Definition of a claimant.
- Process for determining the value of the property.
- Role of the counties in maximizing the value of the property (should they have one?).
- Process for establishing a formula for the amount to be retained by the county for administrative costs.
- Statutes of limitations on upcoming claims and on claims from years past.
- Notice requirements, including processes to assure that notice gets out in communities disproportionately affected by foreclosure.
- Nuisance properties.
- How to address liens from the state for child support enforcement and victim restitution.
- How to handle liens from private entities like unpaid contractors and lenders.

The entire process has also been plagued by a lack of data.

We are proud to stand with a diverse group of organizations ranging from the Oregon Bankers Association to Oregon Consumer Justice, from the Oregon Collectors Association to AARP, from the credit unions to Oregon Law Center to affordable housing corporations in urging a yes vote on HB 4056-A.