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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

RELATING TO TAXATION -- TAX SALES

Introduced By: Representatives Vella-Wilkinson, Jackson, and Williams

Date Introduced: February 27, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-5.1-3 of the General Laws in Chapter 44-5.1 entitled "Real
2 Estate Nonutilization Tax" is hereby amended to read as follows:

3 **44-5.1-3. Imposition of tax.**

4 (a) Providence. The city of Providence is empowered to impose a tax upon the privilege
5 of utilizing property as vacant and abandoned property within the city during any privilege year
6 commencing with the privilege year beginning January 1, 1984, and every privilege year
7 thereafter. The tax shall be in addition to any other taxes authorized by the general or public laws.

8 (b) Pawtucket. The city of Pawtucket is empowered to impose a tax upon the privilege of
9 utilizing property as vacant and abandoned property within the city during any privilege year
10 commencing with the privilege year beginning January 1, 1997, and every privilege year
11 thereafter. The tax shall be in addition to any other taxes authorized by the general or public laws.

12 (c) Cranston. The city of Cranston is empowered to impose a tax upon the privilege of
13 utilizing property as vacant and abandoned property within the city during any privilege year
14 commencing with the privilege year beginning January 1, 1997, and every privilege year
15 thereafter. The tax shall be in addition to any other taxes authorized by the general or public laws.

16 (d) North Providence. The town of North Providence is empowered to impose a tax upon
17 the privilege of utilizing property as vacant and abandoned property within the town during any
18 privilege year commencing with the privilege year beginning January 1, 2001, and every
19 privilege year thereafter. The tax shall be in addition to any other taxes authorized by the general

1 or public laws.

2 (e) East Providence. The city of East Providence is empowered to impose a tax upon the
3 privilege of utilizing property as vacant and abandoned property within the city during any
4 privilege year commencing with the privilege year beginning January 1, 2000, and every
5 privilege year thereafter. The tax shall be in addition to any other taxes authorized by the general
6 or public laws.

7 (f) Woonsocket. The city of Woonsocket is empowered to impose a tax upon the
8 privilege of utilizing property as vacant and abandoned property within the city during any
9 privilege year commencing with the privilege year beginning January 1, 2000, and every
10 privilege year thereafter. The tax shall be in addition to any other taxes authorized by the general
11 or public laws.

12 (g) Cities and towns. Any city or town not previously empowered is empowered to
13 impose a tax upon the privilege of utilizing vacant and abandoned property within the city or
14 town during any privilege year commencing with the privilege year beginning January 1, 2002,
15 and every privilege year thereafter. The tax shall be in addition to any other taxes authorized by
16 the general or public laws.

17 (h) Implementing ordinance. Cities and towns that are empowered to impose this tax and
18 who choose to impose this tax shall adopt an implementing ordinance. The ordinance shall:

19 (1) Designate a municipal entity responsible for determining which properties are vacant
20 and abandoned;

21 (2) Establish the mechanism by which the tax is imposed and how the tax is removed
22 from the property once the property has been rehabilitated;

23 (3) Designate a reviewing entity to review and approve a development plan submitted by
24 a nonprofit housing organization or an abutter;

25 (4) Empower the tax assessor to abate the tax if it is imposed in error or if a nonprofit
26 housing organization or an abutter acquires the property for rehabilitation and submits a
27 development plan that complies with the provisions of subdivision (i)(2) of this section;

28 (i) Exemptions.

29 (1) The non-utilization tax authorized by this chapter shall not be imposed on property
30 owned by an abutter or a nonprofit housing organization if:

31 (i) The abutter or nonprofit housing organization submits a proposed development plan
32 which has been approved by the Rhode Island housing resources commission or Rhode Island
33 housing and mortgage finance corporation to the reviewing entity;

34 (ii) The proposed development plan contains a reasonable timetable for the development

1 or reuse of the property; and

2 (iii) The reviewing entity determines that the proposed development plan is in accordance
3 with the approved comprehensive plan of the city or town and approves it.

4 (2) The reviewing entity shall deliver a copy of the approved development plan to the tax
5 assessor who shall certify the property as exempt from the non-utilization tax.

6 (3) Failure of the nonprofit housing organization or abutter, without good cause, to carry
7 out the development or reuse of the property in accordance with the timetable set forth in the
8 approved development plan shall result in the property being subject to the non-utilization tax as
9 of the first date of assessment following the expiration of the timetable in the approved
10 development plan.

11 (4) The decision of the reviewing entity denying approval of a development plan may be
12 appealed as provided in § 44-5.1-6.

13 (5) The property is acquired by the Rhode Island housing and mortgage finance
14 corporation pursuant to the provisions of §§ 44-9-8.3, 44-9-10 and 44-9-11.

15 SECTION 2. Sections 44-9-8.3 and 44-9-12 of the General Laws in Chapter 44-9 entitled
16 "Tax Sales" are hereby amended to read as follows:

17 **44-9-8.3. Sale of owner-occupied residential property to housing agency.**

18 (a) Where the property subject to tax sale is owner-occupied residential and contains
19 three (3) or less units, the Rhode Island Housing and Mortgage Finance Corporation shall have a
20 right of first refusal to acquire the tax lien at tax sale, and may assist the owner to discharge the
21 lien or take title and acquire the property in its own name pursuant to regulations to be developed
22 by the corporation, consistent with its purposes. The corporation shall notify the collector of its
23 intention to exercise this right by the later of: (i) thirty (30) days from its receipt of the certified
24 mail notice set forth in § 44-9-10; or (ii) ten (10) days before the date of sale or any adjournment
25 of the sale. Failure of the corporation to notify the collector as provided herein shall extinguish
26 the right of first refusal provided in this section.

27 (b) There shall be an advisory board consisting of six (6) members: one person appointed
28 by the Rhode Island League of Cities and Towns; ~~one person appointed by the Consumer Credit~~
29 ~~Counseling Services of Rhode Island;~~ one person appointed by Rhode Island Legal Services; one
30 person appointed by the Housing Network of Rhode Island; ~~one appointed by the Urban League~~
31 ~~of Rhode Island;~~ one person appointed by the Rhode Island Housing Resources commission; one
32 person by LISC Rhode Island and one appointed by the Center for Hispanic Policy and
33 Advocacy. The advisory committee shall provide advice and recommendations to the governing
34 board of the Rhode Island Housing and Mortgage Finance Corporation regarding that

1 corporation's activities under this section. The members of the advisory board shall receive no
2 compensation for the performance of their duties, but may be reimbursed for reasonable expenses
3 incurred in carrying out their duties.

4 **44-9-12. Collector's deed -- Rights conveyed to purchaser -- Recording.**

5 (a) The collector shall execute and deliver to the purchaser a deed of the land stating the
6 cause of sale; the price for which the land was sold; the places where the notices were posted; the
7 name of the newspaper in which the advertisement of the sale was published; the names and
8 addresses of all parties who were sent notice in accordance with the provisions of §§ 44-9-10 and
9 44-9-11; the residence of the grantee; and if notice of the sale was given to the Rhode Island
10 housing and mortgage finance corporation or to the division of elderly affairs under the
11 provisions of § 44-9-10. The deed shall convey the land to the purchaser, subject to the right of
12 redemption. The conveyed title shall, until redemption or until the right of redemption is
13 foreclosed, be held as security for the repayment of the purchase price with all intervening costs,
14 terms imposed for redemption, and charges, with interest; and the premises conveyed, both before
15 and after either redemption or foreclosure, shall also be subject to, and have the benefit of, all
16 easements and restrictions lawfully existing in, upon, or over the land or appurtenant to the land.
17 The deed is not valid against any intervening interests unless recorded within sixty (60) days after
18 the sale. If the deed is recorded, it is prima facie evidence of all facts essential to the validity of
19 the title conveyed by the deed. It shall be the duty of the collector to record the deed within sixty
20 (60) days of the sale and to forward said deed promptly to the tax sale purchaser. The applicable
21 recording fee shall be paid by the purchaser. The purchaser shall be reimbursed for said fee upon
22 redemption by the redeeming party, if any. Except as provided, no sale shall give to the purchaser
23 any right to either the possession, or the rents or profits of the land until the expiration of one year
24 after the date of the sale, nor shall any sale obviate or transfer any responsibility of an owner of
25 property to comply with any statute of this state or ordinance of any municipality governing the
26 use, occupancy, or maintenance or conveyance of property until the right of redemption is
27 foreclosed.

28 (b) The rents to which the purchaser shall be entitled after the expiration of one year and
29 prior to redemption shall be those net rents actually collected by the former fee holder or a
30 mortgagee under an assignment of rents. Rents shall not include mere rental value of the land, nor
31 shall the purchaser be entitled to any rent for owner-occupied, single-unit residential property.
32 For purposes of redemption, net rents shall be computed by deducting from gross rents actually
33 collected any sums expended directly or on behalf of the tenant from whom the rent was
34 collected. Such expenditure shall include utilities furnished, repairs made to the tenanted unit, and

1 services provided for the benefit of the tenant. However, mortgagee payments, taxes, and sums
2 expended for general repair and renovation (i.e. capital improvements) shall not be deductible
3 expenses in the computation of the rent.

4 (c)(1) This tax title purchaser shall not be liable for any enforcement or penalties arising
5 from violations of environmental or minimum-housing standards prior to the expiration of one
6 year from the date of the tax sale, or five (5) years from the date of the tax sale if the Rhode
7 Island housing and mortgage finance corporation is the tax title purchaser pursuant to § 44-9-8.3,
8 except for violations that are the result of intentional acts by the tax sale purchaser or his or her
9 agents.

10 (2) The Rhode Island housing and mortgage finance corporation as the tax title purchaser
11 pursuant to § 44-9-8.3 shall have the right to petition for foreclosure of the right of redemption of
12 tax liens one year from the date of the tax in the following situations:

13 (i) The mortgage has been foreclosed upon; or

14 (ii) The property is abandoned pursuant to the provisions of § 34-44-2.

15 (d) Upon the expiration of one year after the date of the sale, the tax title holder shall be
16 jointly and severally liable with the owner for all responsibility and liability for the property and
17 shall be responsible to comply with any statute of this state or ordinance of any municipality
18 governing the use, occupancy, or maintenance or conveyance of the property even prior to the
19 right of redemption being foreclosed; except, however, that if the Rhode Island housing and
20 mortgage finance corporation is the tax title holder pursuant to § 44-9-8.3, then joint and several
21 liability shall arise upon the expiration of five (5) years after the date of the sale. Nothing in this
22 section shall be construed to confer any liability upon a city or town that receives tax title as a
23 result of any bids being made for the land offered for sale at an amount equal to the tax and
24 charges.

25 (e) In the event that the tax title is acquired by the Rhode Island housing and mortgage
26 finance corporation, and the corporation has paid the taxes due, title shall remain with the owner
27 of the property, subject to the right of the corporation to take the property in its own name,
28 pursuant to applicable statutes and any regulations duly adopted by the corporation. Upon such
29 notice by the corporation, the collector shall execute and deliver a deed to the corporation as
30 herein provided.

31 (f) The priority of any tax title with respect to other tax titles shall be determined by the
32 chronological order in which the underlying tax sales were conducted, with subsequent tax titles
33 being superior to earlier tax titles.

34 (g) The holder of an earlier tax title shall be entitled to exercise the right of redemption

1 with respect to any subsequent tax title, in the manner provided in this chapter, unless and until
2 the right to redeem the subsequent tax title is foreclosed in accordance with this chapter. The
3 holder of an earlier tax title shall be entitled to notice of any proceedings to foreclose the right of
4 redemption with respect to a subsequent tax title.

5 (h) The mere existence of a subsequent tax title shall have no effect upon:

6 (1) The existence or validity of an earlier tax title; or

7 (2) The validity of any proceedings to foreclose the right of redemption with respect to
8 the earlier tax title, so long as the right of redemption with respect to a subsequent tax title has not
9 been foreclosed.

10 (i) Any proceeding to foreclose the right of redemption with respect to an earlier tax title
11 shall have no effect upon a subsequent tax title, and in any such proceeding, the holder of a
12 subsequent tax title is not a necessary party.

13 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- TAX SALES

1 This act would:

2 (1) Exempt property acquired by the Rhode Island housing and mortgage finance
3 corporation (RIHMFC) pursuant to unpaid tax liens from the nonutilization tax;

4 (2) Allow RIHMFC to foreclose on tax liens after one year if the mortgage is foreclosed
5 or the property is abandoned; and

6 (3) Replace two (2) defunct organization members to the advisory board with members of
7 existing organizations.

8 This act would take effect upon passage.

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