

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0610

Date: February 8, 2013

Prime Sponsor(s): Sen. Jones
Rep. Scott

Bill Status: Senate Local Government

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TITLE: CONCERNING CLARIFICATION OF THE REQUIREMENT FOR A CERTIFICATE OF TAXES DUE IN CONNECTION WITH TITLE INSURANCE.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: October 1, 2013, if no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill changes requirements for title insurance agents processing residential property transactions related to certificates of taxes due (tax certificates). It clarifies that a tax certificate is only required for residential property sales and not for refinance transactions. During the first few weeks of the year, while waiting to receive tax figures from county tax assessors, county treasurers are unable to provide tax certificates. Under current law, they are directed to provide equivalent documentation, but the type of documentation is not identified. This bill allows the Commissioner of Insurance to identify, by rule, what documentation may serve in place of a tax certificate.

Background

Title insurance protects the owner and the lender against loss arising from problems connected to the title to the property, such as unpaid liens or taxes. Title insurance is different from other types of insurance because it protects against things that have happened in the past. Before issuing a policy, title agents do significant research to make sure there are no problems with the title that could show up later in the form of a claim against the title insurance policy. Part of this research includes obtaining a tax certificate or other equivalent documentation from the county treasurer to identify the amount of taxes that a seller must pay before, or at the time of, closing.

State Expenditures

The Commissioner of Insurance, in the Department of Regulatory Agencies, is required to promulgate a rule identifying documentation that will serve as an alternative to the tax certificate. This is expected to require a minimal amount of staff time and be addressed within existing appropriations.

Local Government Impact

Because this bill eliminates the requirement for a tax certificate for residential refinance transactions, it will reduce revenue to county treasurers. The amount of this reduction depends on the size of the county and the annual number of refinance transactions. The cost of a tax certificate ranges from \$25 to \$30, and income from tax certificates for both residential sales and refinance transactions range from \$5,500 in a small rural county to over \$300,000 in a large urban county.

Departments Contacted

Regulatory Agencies

County Treasurers