

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2517  
**Version:** As introduced

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**Authors:** Simon and others

**Subject:** Interest rates on unpaid property taxes – homestead property under confession of judgment

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This bill provides a lower interest rate for homesteaded property (both regular and farm) on which the taxpayer/property owner has agreed to an installment payment agreement (commonly referred to as “confession of judgment”). The bill sets the rate for these installment payment as the greater of:

1. 5 percent; or
2. 2 percentage points over the prime rate charged by banks to their most creditworthy borrowers.

The commissioner of revenue will annually determine the prime rate based on Federal Reserve data. The rate at the time the installment payment agreement is entered into will be fixed (regardless of fluctuations in the prime rate over the term of the installment payment) for the duration of the confession of judgment.

**Background.** Under present law, the interest rate on confession of judgments fluctuates between a minimum of 10 percent and maximum of 14 percent. For 2014 it is 10 percent. By contrast, the interest rate on unpaid state taxes is currently 3 percent. Over the last ten years it has fluctuated between 3 percent and 8 percent.