

Property Tax Bureau
Informational Guideline Release (IGR) No. 97-201
May 1997

BULK SALES OF TAX RECEIVABLES AND LIENS
AND
DURATION OF TAX LIENS

Chapter 375 of the Acts of 1996
(Adding G.L. Ch. 60 §2C and Amending G.L. Ch. 60 §37)

This Informational Guideline Release informs local officials about legislation enacted in 1996 that authorizes collectors and treasurers to make bulk assignments of uncollected real and personal property taxes, and other receivables secured by municipal tax liens. The legislation also extends the duration of municipal tax liens.

Topical Index Key:

Collection Procedures

Distribution:

Collectors
Treasurers
Accountants/Auditors
Mayors/Selectmen
Finance Directors
City Solicitors/Town Counsels

BULK SALES OF TAX RECEIVABLES AND LIENS
AND
DURATION OF TAX LIENS

Chapter 375 of the Acts of 1996
(Adding G.L. Ch. 60 §2C and Amending G.L. Ch. 60 §37)

SUMMARY:

A recent amendment to the General Laws, Chapter 60 §2C, authorizes collectors and treasurers to make bulk assignments of their delinquent property tax receivables. The new powers are in addition to collectors' existing power to make tax sales under G.L. Ch. 60 §§40 - 50, and to treasurers' existing power to make assignments of tax titles under G.L. Ch. 60 §52. The new power applies to delinquent personal property taxes as well as to real estate taxes. In the case of real estate taxes, the assignment must include non-tax obligations - such as water and sewer charges - that have been added to the tax and are secured by the tax lien.

The duration of local property tax liens has also been extended by 15 months, whether or not they are assigned. The earliest date tax liens will now expire is three years and six months after the end of the fiscal year to which the tax relates. G.L. Ch. 60 §37. Previously, the earliest expiration date would have been three years and nine months after the January first assessment date of the tax.

GUIDELINES:

I. DURATION OF TAX LIENS

The minimum duration of municipal property tax liens has been extended by 15 months. Municipal tax liens will now expire three years and six months from the end of the fiscal year for which the taxes were assessed, or upon a recorded alienation of the property, whichever is later, unless discharged by a municipal lien certificate. This means such tax liens will be valid for a minimum of five years, arising on the January first assessment date and ending the fifth December 31st after the assessment date. The liens will continue indefinitely if a proper taking is made in a timely manner. Every taking made within five years of the assessment date is timely; a later taking may still be timely if it is made before any alienation of the property is recorded.

EXAMPLE

Liens for fiscal year 1997 property taxes arose on January 1, 1996 (the FY97 assessment date) and will continue at least until December 31, 2000 (three years and six months from the end of FY97 on June 30, 1997). Previously, the earliest the liens would have expired was October 1, 1999 (three years from October 1 after January 1, 1996 assessment date).

The extended duration is applicable to all municipal tax liens under G.L. Ch. 60 §37 that were still valid on November 20, 1996 (the effective date of the change in the law), whether or not assigned.

Liens for municipal charges that are coterminous with municipal tax liens, such as water, sewer and electric charges timely added to taxes, are likewise extended. The minimum duration of liens for other municipal charges, however, are unaffected by this change. This means those liens will continue to expire before the liens for the taxes to which they are added unless a timely taking has been made.

Collectors may have to adapt municipal lien certificate forms currently in use (whether pre-printed or computer-generated) to ensure they can list unpaid taxes not in tax title for all years for which valid liens exist.

II. AUTHORITY TO ENTER INTO ASSIGNMENT AGREEMENTS; WHAT MAY BE ASSIGNED

Treasurers and collectors should consult with other municipal officers or bodies including the mayor or selectmen, the assessors, the accountant or auditor, and the chief financial officer before deciding whether to use their new authority, and what classes of receivables to assign.

A. Receivables Eligible for Assignment

1. Assignment by a Collector

A collector who assigns tax receivables must assign in one transaction all receivables that are not secured by a tax title and that belong to the same class - residential, open space, commercial, industrial or personal property - with the following exceptions:

- a. Taxes on parcels that are part of the estate of a bankrupt.
- b. Taxes on parcels which are or may be subject to liens for environmental problems under G.L. Ch. 21E.
- c. Taxes on parcels with respect to which an assignee of a prior year has a right of first refusal to purchase the tax obligation (See Section IV-L below).
- d. Taxes with respect to which the taxpayer has entered into and is complying with a payment agreement with the collector or treasurer.
- e. Taxes deferred under statutes such as G.L. Ch. 40 §42J, Ch. 59 §5(41A), Ch. 80 §13 and Ch. 83 §16G.

Taxes involving parcels in bankruptcy or parcels with environmental problems may still be assigned, either individually or in bulk; they simply do not have to be assigned with other delinquent accounts in their respective classes. A collector's uncollected real estate taxes on parcels subject to a municipal tax title cannot be assigned; instead, they must be certified to the tax title accounts by the collector before any assignment is made. A collector who has more than one fiscal year's real estate tax receivables outstanding on parcels not in tax title may assign older years' receivables without assigning the new receivables, but cannot assign newer receivables if the municipality will still have older real estate tax receivables outstanding. This means that current real estate tax receivables on parcels not in tax title can only be assigned together with all prior fiscal years' collector's receivables of the same class. Personal property tax receivables for different fiscal years may be assigned separately without regard to what receivables the municipality will retain.

2. Assignment by a Treasurer

A treasurer may assign receivables secured by tax titles, but must assign in one transaction all tax titles on the same class of property together, subject to the exceptions set out in Section II-A-1 above.

B. Notice Requirements

1. Before treasurers or collectors assign delinquent taxes, they must cause to be published a list of those accounts that may be assigned. The list must be published in a newspaper printed in the city or town, if any, otherwise in a newspaper published in the county. The list must include the names of the assessed owners and, in the case of real estate taxes, the addresses of the parcels involved.

In the case of residential property taxes, the publication must precede the assignment by at least six months; in the case of property taxes in the other four classes, publication of the list must precede the assignment by at least three months. Parcels that are partly residential in their use must be treated as residential property for purposes of this publication requirement, and must be assigned with the residential class. Other mixed-use parcels may be grouped with any of the use classes to which they belong for purposes of both publication and assignment.

A collector intending to assign a given class of taxes should not make tax takings for any of the taxes to be assigned during the grace period between the publication of the list and the intended assignment, but must certify real estate taxes to existing tax title accounts.

2. During the grace period between the publication of the list and the assignment of the taxes, taxpayers may enter into payment agreements with the treasurer or collector, depending upon whether the taxes are in tax title or not. If a taxpayer has made such a payment agreement, and is in compliance with its terms when the other taxes in the same class are assigned, his delinquent tax may not be included in that assignment. If the taxpayer later fails to comply with the terms of his payment agreement, the balance of the delinquent tax may then be assigned, either in accordance with the terms of the assignment of the other taxes in the same class, or under a separate assignment agreement. Collectors and treasurers must offer equivalent payment plans to all taxpayers of the same class.

III. ASSIGNMENT AMOUNT; DISCOUNTS

A. Assignment by Sale or Auction

Tax receivables must be sold to the highest qualified bidder at a public sale or auction. The only qualifications that may be established for bidders are standards relating to the bidders' ability to supply timely information in conformity with Section IV-J below. Treasurers and collectors must inform prospective bidders, by the issuance of bid specifications and amendments thereto, or otherwise, of the scope of the proposed sale, including the classes and fiscal years of tax receivables to be assigned, the number and dollar amount of receivables in each class or other group of accounts to be assigned, and the terms of the assignment agreement.

If interest may be discounted in the bids (see Section III-B below), the information provided to prospective bidders must state the maximum percentage discount that will be considered responsive and must separately state the amount of interest due on each receivable. In the case of an assignment by a treasurer, if the discount may apply to collector's interest - that is, interest that had accrued before the creation of the tax title or before certifications of subsequent taxes to the tax title - then prospective bidders must be notified of the amount of such collector's interest due for each tax title.

B. Price

Because the actual amount of receivables to be assigned in a given class may change between the request for and the submission of bids, and because a prior assignee may have first refusal rights, the bids should be in the form of a percentage of the amount of the receivables to be assigned, which must be at least equal to 100% of the taxes and other charges, exclusive of interest. Treasurers and collectors may also assign receivables by auction if they give notice by publication of the auction in accordance with G.L. Ch. 60 §1. The assignee must pay the bid price upon execution of the agreement, except that interest and charges accruing after the commitment, or - in the case of an assignment by a treasurer - after the taking or certification of taxes to the tax title account, may be paid out of the assignee's first collections of the respective receivables. Any premium (percentage greater than 100 percent) will apply to the amounts payable on the date of assignment, but not to subsequently collected interest that the assignee must pay over to the city or town.

1. Assignment by a Collector

In the case of a collector, the amount payable upon execution of the instrument of assignment must at least equal the amount committed by the assessors, including all utility, betterment and other charges added to and committed as part of the tax; district taxes must be included in the assignment unless the district votes not to allow such assignments. If the request for bids or notice of sale or auction so provides, interest accrued on the receivables may be discounted up to a maximum of twenty-five percent (25%) of such interest. If a tax relating to a parcel of real estate is included in a published list of receivables to be assigned, any unapportioned betterments on the parcel should be apportioned before the assignment. Interest and charges that accrue after the commitment on each receivable that is assigned must be paid to the city or town from the first amounts collected by the assignee on account of that receivable.

2. Assignment by a Treasurer

In the case of a treasurer, an assignment may be made at a discount of up to twenty-five percent (25%) of the amount of interest included in the tax title. The percent of the discount must be uniform for all the tax titles being assigned. A discount on interest in a tax title has a different impact on the value of a receivable depending on whether the discount applies to collector's or treasurer's interest. In a tax title, treasurer's interest is simple, not compounded. Collector's interest is part of the "principal" of such a receivable, that is, the amount payable on the date of assignment and the amount upon which the accrual of additional (treasurer's) interest is calculated. Therefore, to the extent that collector's interest in a tax title account is discounted, the assignee pays less for the tax title than the principal - or interest-earning - amount of the tax title. A discount of treasurer's interest reduces the assignee's obligation to pay over to the municipality the first dollars collected after assignment on account of the receivable.

If a discount may be applicable to collector's interest, it is essential that prospective bidders know that, in order to have fair and efficient bidding. It is also essential that the municipality be able to produce a listing of both types of interest for every parcel in tax title. The solicitation of bids for an assignment of treasurer's receivables (tax titles) must therefore specify not only the maximum discount percentage that may be accepted (up to 25%) but also whether the discount percentage can apply to collector's interest as well as treasurer's interest. If the discount can apply to collector's interest, the treasurer must furnish a listing of all tax titles included in the offering, with the total amount of interest broken down between collector's interest for the original sale or taking and for all subsequently certified taxes, and treasurer's interest. If the discount will apply only to treasurer's interest, the treasurer must furnish as part of the bid documentation a listing of each parcel in tax title with the sum of the amount for which the parcel was taken and the all subsequently certified taxes, charges and interest, and the amount of accrued treasurer's interest for each tax title.

Even if discounts of collector's interest are permitted by the terms of the bid, any discount percentage must be applied first against accrued treasurer's interest; if the discount percentage requires a greater discount than the total treasurer's interest in a tax title, the remainder of the discount will be taken as a reduction of the collector's interest. After the successful bidder is determined, an updated listing of the receivables must be produced showing the amount due at that date, net of any discount on collector's interest, and the amount of accrued treasurer's interest due from post-sale collections, net on any discount on treasurer's interest.

The amount of the purchase price payable at the execution of the instrument of assignment shall be equal to the sum of the amount for which the property was taken and the amount of all taxes and other charges later certified to the tax title account, reduced by any discount of interest. Accrued tax title interest on each receivable assigned must be paid to the city or town from the first amounts collected by the assignee on account of that receivable.

EXAMPLE

A tax title has a redemption value on the date of assignment of \$6,000, with \$4,000 in taxes and charges, \$1,600 in collector's interest, and \$400 in treasurer's interest. It is assigned as part of a package of receivables at a 25% discount that applies only to treasurer's interest. The sale price of that tax title would be \$5,900 with \$5,600 payable on the date of the assignment and \$300 payable from the first collections from that account. If the discount applied to collector's interest also, then \$500 of interest (25% of \$2,000) would be discounted, all \$400 of the treasurer's interest and \$100 of collector's interest. The sale price would be \$5,500, all of which would be payable on the date of assignment. Note that in both cases, the taxpayer would still have to pay \$6,000 in order to redeem the parcel, and that interest at 16% would continue to accrue on the balance of \$5,600.

IV. ASSIGNMENT AGREEMENT TERMS

A. Agreement Binding on Subsequent Transferees

The agreement must be binding upon any subsequent transferees of the assignee.

B. Required Information in Agreement

An agreement by a collector to assign tax receivables must:

1. Be in writing.
2. Include the information contained in the assessors' commitment for each tax being assigned.
3. State the remaining balance of the tax and other charges being assigned.
4. State for each receivable the amount of interest and charges accrued that will be payable from the first amounts collected by the assignee.

An agreement by a treasurer to assign tax receivables subject to tax titles must:

1. Be in writing.
2. Include the information contained in the collector's deed or instrument of taking for each tax being assigned, as well as the amount of all taxes and other charges subsequently certified to the tax title account.
3. State the remaining balance of the each title account being assigned.
4. State for each receivable the amount of interest and charges accrued that will be payable from the first amounts collected by the assignee.

C. Charges to Taxpayer whose Taxes Are Assigned

An assignment agreement must prohibit the imposition by the assignee, his agents or transferees, of any fees or charges other than those that could have been added to the amount due by the collector or treasurer in accordance with the provisions of G.L. Ch. 60.

D. Adjustments to Purchase Price and Repurchases of Assigned Receivables

1. Agreements may provide for the repayment of the purchaser's actual costs incurred in connection with receivables that the municipality repurchases. If the agreement provides for such a repayment, it must set a separate dollar limit on the repayment, and that limit must be encumbered against the expense budget of the collector or treasurer making the agreement.
2. Agreements must provide for the repurchase of, or adjustments to, tax receivables that:
 - a. Do not conform to the terms of the sale. For purposes of this subsection a, the terms of an assignment agreement are those provisions of the agreement identifying the receivables by amount, persons assessed, and, in the case of real estate receivables, the parcel subject to the lien. Those terms do not constitute representations (See Section IV-H below). The following constitute non-conforming receivables:
 - (1) Invalid assessments that are not cured by a reassessment under G.L. Ch. 59 §77. An example of such an invalid assessment would be a real estate tax assessed against a governmental entity.
 - (2) Receivables for which the municipal lien has been lost through an error on the part of the municipality.

- b. Are less than the amount for which they were purchased. Such a short-fall occurs when:
 - (1) The amount of the commitment - or, in the case of an assignment by the treasurer, the amount of the tax taking and later certifications - is misstated in the assignment agreement.
 - (2) Payments on account of the receivable are not properly credited to the account before the assignment.
 - (3) An abatement of taxes secured by a tax title reduces collector's interest that made up part of the purchase price. In this case, only the abated tax could be charged against the overlay; collector's interest that had been included in the tax title account would have to be treated as an adjustment subject to the agreement's percentage limitation.

E. Substitutions Instead of Reimbursements

- 1. Instead of requiring payments on account of a receivable that does not conform with the terms of a sale or is less than the amount for which it was assigned, the assignment agreement may provide for the substitution of a similar receivable instead of a repurchase.
- 2. Because entire classes of receivables must be assigned together after publication of a list, and because no representations may be made about the bankruptcy or environmental status of parcels whose taxes are assigned, the only cases in which substitution is likely to be feasible is a case where a tax is invalid because of an assessment error that can be corrected by a reassessment under G.L. Ch. 59 §77.

F. Time and Dollar Limits on Adjustments and Repurchases

- 1. Agreements must specify a time limit, which may not exceed three years, within which the municipality may be required to:
 - a. Make payments of the purchaser's costs.
 - b. Repurchase or make adjustments to receivables which do not conform to the terms of the sale, *i.e.*, those listed in Sections IV-D-2-a and b above.
- 2. Agreements must also specify the maximum net amount of repurchases of, and adjustments to, receivables that the municipality may be required to make. This maximum cannot exceed 10 percent of the purchase price.

3. This 10 percent maximum amount does not apply to:
 - a. Amounts of receivables abated.
 - b. Amounts by which the assignment price exceeds the amount of a receivable, *i.e.*, those listed in Section IV-D-2-b above.
4. The time limit does not apply to amounts abated.

G. Interest on Abated Receivables

1. Abatements

If any receivable is abated, the amount abated shall be paid to the purchaser. For abated property taxes, the purchaser shall also be paid interest at the rate set out in G.L. Ch. 59 §69, from the date of the purchase by the purchaser to the date of the repurchase by the municipality, provided the purchaser certifies that it has not yet been paid on account of the receivable.

2. Other Reimbursements

No interest accrues on a repurchase by the municipality of a receivable that is less than the amount for which it was assigned.

H. Representations Prohibited

An agreement must expressly state that no representations are made by the municipality about the receivables assigned. See IV-D-2-a above.

I. Receivables Assigned for Less than Actual Value

1. The agreement must provide that if a receivable has been assigned for less than its actual value -or discounted value if sold at a discount - the assignee must pay the difference between the assignment amount and the actual -or discounted - value of the receivable when notified of the correct amount. The difference must be increased by the amount of any premium in the original bid.
2. The collector or treasurer making the assignment shall give the assignee an amended instrument of assignment reflecting any such adjustments or repurchases. See Section V below for form of instrument of assignment generally.

3. Such adjustments could occur when a payment is credited to the wrong account. Where both the account to which the payment was credited and the account to which it should have been credited have been assigned, there would be offsetting adjustments to the instrument of assignment.

J. Payments by Taxpayers; Municipal Lien Certificates; Redemption

1. The assignment agreement must specify how the assignee or its agent will keep the municipal treasurer and collector informed about the collection status of the assigned receivables, and how the collector or treasurer will inform the assignee of and transfer to it any payments received on account of assigned receivables.
 - a. The agreement must require the assignee to furnish the treasurer and collector with copies of any tax takings, instruments of redemption or petitions to foreclose filed by it, and notices of any transfers, reassignments or appointments of service agents by it.
 - b. The agreement must require the treasurer and collector to furnish the assignee with copies of any lien certificates or instruments of redemption issued by the municipality.
 - c. All assignment agreements must provide for reports of total collections to be made at least as often as quarterly to the municipal accounting officer, and to the collector or treasurer, and as of June 30 if it is not otherwise a reporting date.
2. The assignment agreement must provide that the municipal collector will be an agent of the assignee for the receipt of payments on account of an assigned receivable that is made before the recording of any tax taking. The assignment agreement must also make the municipal treasurer an agent of the assignee (1) for the receipt of payments made on account of an assigned receivable that is secured by a tax title, and (2) for issuing certificates of payment with respect to tax receivables on parcels of real estate in tax title in accordance with G.L. Ch. 60 §63. A treasurer may issue such a certificate only when the full amount necessary to redeem a parcel in tax title has been paid. A treasurer, before issuing a certificate of payment, must get a written statement of the balance due on each assigned receivable from the holder of the receivable.

3. The municipal collector will still be required to issue lien certificates in accordance with G.L. Ch. 60 §23 for all outstanding charges - including assigned tax receivables - that are not secured by a tax title. Municipal lien certificates must list all outstanding real estate receivables that have been assigned before a taking or sale by the collector, including receivables for which the assignee has made a tax taking after the assignment. A collector, before issuing a municipal lien certificate, must get a written statement of the balance due on each assigned receivable from the holder of the receivable.

An agreement by a collector must require the assignee or its agent to provide within three days of a request by the collector all information in its possession needed to complete a municipal lien certificate under G.L. Ch. 60 §23 or other lien release form.

K. Recording Requirements

An agreement by a collector to assign real estate tax receivables must require the assignee, or its agents or transferees, to record at the registry of deeds a copy of the instrument of assignment together with a list of owners and parcels of recorded land that will be taken or sold. If taxes on registered land are assigned, a copy of the instrument of assignment must be registered, together with a list of such owners, parcels and certificate of title numbers. This recording or registration must be made on or before the date any tax takings or sales are recorded by the assignees, or its agents or transferees.

In the case of an assignment of receivables for real estate taxes by a treasurer, the agreement must require that the assignee record or register a copy of the instrument of assignment at the registry of deeds within 10 business days of the assignment. The identification of owners and parcels shall conform to the requirements of G.L. Ch. 60 §40, and in the case of an assignment by a treasurer, shall conform to the information contained in the respective instruments of taking or collector's deeds.

Assignment agreements must also require that any such recording or registration include the name and address of the person or persons who are authorized to receive payment and execute certificates of redemption on behalf of the assignee, and that if receivables subject to a tax title are transferred, the transferee must also record or register statements identifying the persons authorized to receive payment and execute certificates of redemption.

L. Right of First Refusal

1. An assignment may give the purchaser a right of first refusal to purchase subsequent years' receivables with respect to any parcel on which at the time of a later assignment there is still an unpaid balance of the assigned receivable outstanding.
2. The collector or treasurer must notify every assignee that has such a right of first refusal of every proposed subsequent assignment at least two weeks before bids for the subsequent assignment are due.
3. The notice shall include a list of parcels tentatively scheduled for inclusion in the subsequent assignment.
4. The list should include all parcels belonging to the class which is subject to the proposed assignment for which prior years' taxes were assigned.
5. Prospective bidders at the subsequent assignment must be informed of the right of first refusal.
6. Holders of the right of first refusal must furnish the treasurer or collector issuing bid specifications for the subsequent assignment auction a list of those parcels to which the right of first refusal still applies by reason of unpaid balances of the previously assigned taxes.
7. The list must be provided at least one week before the date bids are due on the subsequent assignment.
8. After the winning bid is chosen for the subsequent assignment, if it has not been made by the holder of the right of first refusal, then the holder of the right of first refusal shall be notified of the ratio of the winning bid price to the amount of the liabilities to be assigned.
9. The holder must pay to the collector or treasurer within three days of such notice an amount equal to that same ratio multiplied by the assignment amount for each parcel upon which it wishes to exercise its right of first refusal.
10. Whenever right of first refusal is not exercised at a subsequent assignment with respect to any parcel to which it applies, it shall be extinguished with respect to that parcel.

M. Statement of Residence and Place of Business

A holder of a tax title under a collector's deed (see G.L. Ch. 60 §§43-45) is required to file with the treasurer and in the registry of deeds a statement of his residence and place of business within the town, or, if not a resident, to appoint a resident agent authorized to release tax titles. G.L. Ch. 60 §47. These requirements will not apply to assignments under the new G.L. Ch. 60 §2C unless the assignment agreement expressly makes them applicable.

The notice requirements for individual assignments by a treasurer under G.L. Ch. 60 §52 will not apply to assignments under the new G.L. Ch. 60 §2C.

V. ASSIGNMENT INSTRUMENT

The instrument of assignment must include a list containing the following information for each receivable, to the extent that the information is available: (1) the amount of the receivable, separately stating the after-accrued interest and charges to be paid by the assignee upon collection; (2) the fiscal year; (3) the bill number; (4) the assessed owners; (5) the collector's billing address for the tax; and (6) for real estate, the parcel street address, the assessors' map and lot reference, and book & page reference or certificate of title number.

The instrument must state that it is an assignment of the receivables of the city or town and must give the name, address and telephone number of the assignee. The instrument of assignment must list the total purchase price, and be signed by the treasurer or collector making the assignment. See G.L. Ch. 60 §2C(g)(1). A copy of the instrument of assignment must be given to the city auditor, town accountant or other accounting officer of the municipality.

VI. REVENUE RECOGNITION

A. Proceeds of Assignments of Current Receivables

For purposes of the statute, "current receivables" are not receivables of the current fiscal year; they are receivables no more than one year overdue. Current receivables are defined in G.L. Ch. 60 §2C as those that are assigned within a year of the last date on which the taxes could have been paid without incurring interest charges, which would normally be May 1.

Proceeds of assignments of current receivables will be credited to revenue in the fund in which the receivable is recorded; for example, water lien revenue collected as part of the proceeds would be credited to revenue in the water enterprise fund if the town accounts for its water operations in an enterprise fund. The amount of revenue recognized at the time of the sale will be equal to the proceeds received on the date of sale - net of any premium - less the amount required to be reserved for repurchases or adjustments. Where district taxes or other receivables are involved, the city or town will retain the amount reserved on behalf of the district.

The amount required to be reserved must be the sum of the amount stated in the instrument of assignment that the municipality may be required to repurchase plus an amount at least equal to 25 percent of the proceeds (not including any premium received) to provide for adjustments not subject to the limitation on repurchases. The director of accounts may require a larger reserve based upon concerns about the municipality's accounting records, collection results or assessment practices. For example, a larger reserve may be required where there are major discrepancies between the collector's or treasurer's records of outstanding balances and the records of the accountant or auditor. The reserve will be recorded as Deferred Revenue-Bulk Sales of Property Taxes in each fund to which revenue is credited. Amounts required to be paid back to the assignee will be charged to this account in the appropriate fund. The balance remaining will be recognized as revenue when the time limit set out in the agreement for such repurchases or adjustments has expired. To the extent that repurchases or adjustments in favor of an assignee exceed the amount of the deferred revenue account established with respect to an assignment agreement, the excess must be raised as a revenue deficit in the following fiscal year.

B. Proceeds of Assignments of Non-current Receivables

Non-current receivables are those that are assigned more than one year after the last date on which taxes could have been paid without incurring interest charges. The date would normally be May 1.

Proceeds of assignments of non-current receivables will be credited to revenue in the fund in which the receivable is recorded. Where district taxes or other receivables are involved, the city or town will hold the amount retained on behalf of the district. The amount of revenue recognized at the time of the sale will be equal to the amount of the proceeds received on the date of sale - net of any premium - less the amount required to be reserved for repurchases or adjustments.

At the end of the fiscal year, all or a part of the revenue recognized on the assignment of the tax receivables must be reserved as Bulk Sale Proceeds Reserved for Capital Purposes. These funds may only be appropriated for purposes for which the municipality could borrow for five years or more. The portion of the revenue that must be reserved is determined by a community's free cash position as most recently certified by the Director of Accounts.

If the most recent certified free cash was negative, the revenues must first be used to reduce the deficit. Revenues recognized from the sale in excess of the prior year free cash deficit must be credited to the Bulk Sale Proceeds Reserved for Capital Purposes. If the most recent certified free cash was positive, then at the end of the fiscal year, the revenue that was recognized must be credited to the Bulk Sale Proceeds Reserved for Capital Purposes.

The amount required to be reserved for repurchases and adjustments must be equal to the amount stated in the instrument of assignment that the municipality may be required to repurchase plus an amount equal to 25 percent of the proceeds (not including any premium received) to provide for adjustments not subject to the limitation on repurchases. The director of accounts may require a larger reserve based upon concerns about the municipality's accounting records, collection results or assessment practices. For example, a larger reserve may be required where there are major discrepancies between the collector's or treasurer's records of outstanding balances and the records of the accountant or auditor. The reserve will be recorded as Deferred Revenue-Bulk Sales of Property Taxes in each fund to which revenue is credited. Amounts required to be paid back to the assignee will be charged to this account in the appropriate fund. The balance remaining will be recognized as revenue when the time limit set out in the agreement for such repurchases or adjustments has expired. This revenue will be used first to reduce any free cash deficit as of the prior June 30 and then to augment the Bulk Sale Proceeds Reserved for Capital Purposes.

C. Premium Received on Sale of Property Tax Receivables

Any premium received on the assignment of tax receivables will be credited to the general fund as an other financing source on the date received. The premium is the amount of proceeds received in excess of the taxes, charges and interest committed to the collector or in the case of the treasurer the amount of the taxes and interest for which the land was taken or subsequent certifications to the tax title.

D. Income from Interest and Charges Received after the Date of Assignment

Amounts of interest and charges collected by assignee and paid over to collector or treasurer after assignment will be credited to revenue when received.

E. Free Cash Updates

A municipality may petition the Director of Accounts between July 1 and March 31 for an update of its free cash certification for revenues recognized from the assignment or the expiration of the time limit on repurchases and adjustments.

VII. REPORTING REQUIREMENTS

A collector or treasurer who enters into an assignment agreement under G.L. Ch. 60 §2C must within 30 days of the date of the assignment file with the Bureau of Accounts a copy of the attached report.

REPORT OF ASSIGNMENT OF TAX RECEIVABLES

(A separate form must be submitted for each assignment)

City / Town _____
 Date of Assignment: _____

By (Check one): Collector ____
 Treasurer ____

Class of Property	I Residential	II Open Space	III Commercial	IV Industrial	V Personal	
	Amount of Assignment	Amount of Assignment	Amount of Assignment	Amount of Assignment	Amount of Assignment	
FY _____	\$ _____	_____	_____	_____	_____	(par value)
Premium/Discount	\$ _____	_____	_____	_____	_____	
Interest Due From						
Purchaser	\$ _____	_____	_____	_____	_____	
FY _____	\$ _____	_____	_____	_____	_____	(par value)
Premium/Discount	\$ _____	_____	_____	_____	_____	
Interest Due From						
Purchaser	\$ _____	_____	_____	_____	_____	
FY _____	\$ _____	_____	_____	_____	_____	(par value)
Premium/Discount	\$ _____	_____	_____	_____	_____	
Interest Due From						
Purchaser	\$ _____	_____	_____	_____	_____	
Tax Titles	\$ _____	_____	_____	_____	_____	(par value)
Premium/Discount	\$ _____	_____	_____	_____	_____	
Interest Due From						
Purchaser	\$ _____	_____	_____	_____	_____	
TOTAL	\$ _____	_____	_____	_____	_____	

Percentage Limit on Repurchases: ____% (See page/paragraph __ of the agreement)

Time Limit on Adjustments/Repurchases: _____ (See page/paragraph __ of the agreement)

Signed: _____
 Collector/Treasurer

Date: _____

A COPY OF THE ASSIGNMENT AGREEMENT MUST BE ATTACHED TO THIS REPORT