

HB496 ENGROSSED



1 HB496
2 7BPSCVE-2
3 By Representatives Drummond, Clarke, Jones (N & P)
4 RFD: Mobile County Legislation
5 First Read: 24-Feb-26



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A BILL
TO BE ENTITLED
AN ACT

Relating to Class 2 municipalities; to amend Section 11-40-62, as last amended by Act 2025-348, 2025 Regular Session, and Section 11-40-69, Code of Alabama 1975; to include adjoining homeowners as interested parties that must receive notice of municipal lien foreclosures; to allow adjoining homeowners to have bidding preference in foreclosures of municipal liens; and to make nonsubstantive, technical revisions to update the existing code language to current style.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 11-40-62, as last amended by Act 2025-348, 2025 Regular Session, and Section 11-40-69, Code of Alabama 1975, are amended to read as follows:

"§11-40-62

As used in this article, the following words and phrases have the following meanings:

(1) ADJOINING OWNERS. Property owners of owner-occupied property that share a common property line or boundary with the property.

(2) INTERESTED PARTY. a. Includes the following



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parties:

1. The person who last appears as owner of the real property in the county office of the judge of probate's property records.

2. The current mortgagee of record of the property or assignee of record of the mortgagee.

3. The current holder of a beneficial interest in a deed of trust recorded against the real property.

4. A tax certificate holder.

5. A tax sale purchaser that holds a deed of purchase in accordance with Section 40-10-29.

6. Any party having an interest in the real property, or in any part thereof, legal or equitable, in severalty or as a tenant in common, whose identity and addresses are reasonably ascertainable from the records of the Class 2 municipality or from records maintained in the county office of the judge of probate or as revealed by a full title search, consisting of 50 years or more.

7. Adjoining owners.

b. The term does not include: (i) the holder of the benefit of an easement that burdens the real property; (ii) the holder of the benefit or burden of a real covenant that burdens the real property; or (iii) the holder of the benefit of a utility easement that burdens the real property, unless the holders are adjoining owners.

~~(2)~~ (3) MINIMUM BID PRICE. The price that equals the redemption amount.

~~(3)~~ (4) MUNICIPAL CODE LIEN. Any lien ~~that has been~~



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levied against real property by a Class 2 municipality ~~which~~
~~is the result of~~ resulting from the nonpayment of any fine,
penalty, abatement cost, or enforcement cost incurred by the
Class 2 municipality ~~related to the enforcement of~~ in
enforcing state or local housing and building codes. The term
includes only those liens that arise ~~out of~~ from a failure to
comply with a Class 2 municipality's ordinance or resolution
enacted pursuant to the authority granted in Article 2 of
Chapter 40 or a failure to comply with any of the following
~~provisions of the~~ Sections 11-47-117, 11-47-118, 11-47-130,
11-47-131, 11-47-140, Chapter 53, Chapter 53B, or Article 1 of
Chapter 67 ~~Code of Alabama 1975.~~, ~~or from the failure to comply~~
~~with a Class 2 municipality's ordinance or resolution enacted~~
~~pursuant to the authority granted in Article 2 of Chapter 40;~~
~~Sections 11-47-117, 11-47-118, 11-47-130, 11-47-131, or~~
~~11-47-140, Chapter 53, Chapter 53B, or Article 1 of Chapter~~
~~67.~~

~~(4)~~ (5) MUNICIPAL CODE LIEN PAYOFF. The principal amount
of a municipal code lien, interest accrued at the rate of
seven and one-half percent per annum from the date the
municipal code lien was filed in the office of the judge of
probate, any fees or costs incurred in the collection of such
a lien under this article including, without limitations, the
cost of title examinations and the publication of notices, and
any other penalties allowable under either state law ~~or under~~
an ordinance or resolution enacted by the Class 2
municipality.

~~(5)~~ (6) OWNER OCCUPIED. Real property that is lawfully



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85 occupied as a principal residence and is either: (i) exempt
86 from ad valorem taxation under Sections 40-9-19, 40-9-19.1,
87 40-9-20, and 40-9-21; or (ii) lawfully occupied by the family
88 of a deceased individual who is eligible for an exemption
89 under these sections but has not yet been granted the
90 exemption. ~~that is any of the following:~~

91 ~~a. A homestead as described in Section 40-9-19.~~

92 ~~b. Exempt from ad valorem taxation under Sections~~
93 ~~40-9-19.1, 40-9-20, and 40-9-21.~~

94 ~~c. Eligible for the designations listed in paragraph a.~~
95 ~~or b., but which has not yet been granted such designation and~~
96 ~~which is lawfully occupied by the family of a deceased~~
97 ~~individual.~~

98 ~~(6)~~ (7) REDEMPTION AMOUNT. The sum of: (i) the full
99 amount of the municipal code lien payoff for each municipal
100 code lien on which the Class 2 municipality is seeking to
101 foreclose under this article; and (ii) any tax payoff that may
102 be applicable to the property on which the Class 2
103 municipality is seeking to foreclose under this article.

104 ~~(7)~~ (8) TAX CERTIFICATE HOLDER. Any of the following:

105 a. A tax sale purchaser that holds a certificate of
106 purchase in accordance with Section 40-10-19.

107 b. The state, ~~where~~ if it has accepted and recorded a
108 certificate of purchase obtained at a tax sale in accordance
109 with Section 40-10-20.

110 c. Any party to which a certificate of purchase
111 obtained at a tax sale has been assigned in accordance with
112 Section 40-10-21.



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d. The purchaser or assignee of a tax lien certificate as described in Section 40-10-187.

~~(8)~~ (9) TAXES. Those taxes assessed against real property by ~~either~~ the State of Alabama, the county in which the real property is situated, or the Class 2 municipality ~~which~~ that are delinquent, as defined in Section 40-11-4 or 11-51-2, as of the date a proceeding under this article is commenced or at any time before final resolution of the ~~same~~ proceeding. The term also includes any taxes assessed against real property which are unpaid from any previous year and any amounts required for redemption under Section 40-10-82, 40-10-120, or 11-51-23. As provided in Section 11-51-6, a lien for taxes shall be superior to all other liens, including municipal code liens.

~~(9)~~ (10) TAX PAYOFF. Any and all amounts necessary to satisfy any claims for delinquent taxes assessed against the real property on which the Class 2 municipality is seeking to foreclose under this article. Those amounts shall include:

a. If the taxes associated with the property are delinquent as defined in Section 40-11-4 or 11-51-2, but the property has not yet been sold for taxes, the full amount of delinquent taxes, costs, fees, and charges due to the county tax collector in accordance with Section 40-5-8;

b. If the property has been sold for taxes to the state, those amounts required for redemption and described in Sections 40-10-83, 40-10-120, 40-10-121, and 40-10-122, except that when a Class 2 municipality is the prevailing bidder, the tax payoff amount shall be the lesser of these amounts or the



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amount as determined by Section ~~40-10-132(a)(2)~~
40-10-132(b)(2);

c. If the property has been sold for taxes to a party other than the state, those amounts required for redemption and described in Sections 40-10-83, 40-10-120, 40-10-121, and 40-10-122; and

d. If a tax lien has been sold by a county in accordance with the provisions of Section 40-10-182, the amount required for redemption in accordance with Section 40-10-193."

"§11-40-69

(a) Any municipal ordinance enacted pursuant to this article shall include an avenue for input by adjoining property owners to participate in the rehabilitation and use of the property subject to this article.

(b) For all sales conducted pursuant to Section 11-40-68, the municipality shall establish procedures that allow adjoining owners to submit bids before any public auction. Bids shall be accompanied by an affidavit or declaration stating: (i) the bidder is the owner-occupant of a property that shares a common property line or border with the property being bid on; and (ii) either the bidder is exempt from ad valorem taxes under Sections 40-9-19, 40-9-19.1, 40-9-20, or 40-9-21, or the bidder is a family member of a deceased individual and is eligible for an exemption from ad valorem taxes under these sections but has not yet received the exemption. If bids are received, the municipality shall accept the highest bid from adjoining owners and cancel the



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169 public auction. The winning bid shall be due immediately upon
170 acceptance. If there are no bids from adjoining owners, a
171 public sale shall proceed pursuant to Section 11-40-68."

172 Section 2. This act shall become effective on October
173 1, 2026.



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House of Representatives

177 Read for the first time and referred24-Feb-26
178 to the House of Representatives
179 committee on Mobile County
180 Legislation
181
182 Read for the second time and placed11-Mar-26
183 on the calendar:
184 1 amendment
185
186 Read for the third time and passed17-Mar-26
187 as amended
188 Yeas 15
189 Nays 0
190 Abstains 89
191
192
193 John Treadwell
194 Clerk
195