

Delinquent Property Tax Enforcement

How to make the process more equitable, effective, and efficient

Every year, in any community, a small number of property owners will not pay their taxes by the due date and their property will become tax delinquent. Nonpayment may result from the owner's decision to not pay, failure to observe due dates, or financial challenges that create hurdles to paying. Regardless of the reason, tax delinquency is the single greatest indicator of property distress and it is crucial for local governments to utilize a tax collection and enforcement process that is equitable, effective, and efficient.

Delinquent property tax enforcement is a powerful tool for municipalities to interrupt the cycle of decline and ensure the property ends up both in responsible hands and an asset to the neighborhood.

Property tax enforcement processes are complex and vary by state, and even within states. The way these processes are defined by law and how they are put into practice locally play a large role in a community's ability to fund public services, stabilize and strengthen neighborhoods, protect vulnerable property owners, and minimize the harm caused by vacancy and abandonment to residents.

Unfortunately, many delinquent property tax enforcement systems are currently antiquated and deficient in some form. Some basic changes can help these systems better support vacant property goals.



Today, local governments have few options for addressing delinquent property taxes. These options are usually determined by state laws, and can include:

- 1. Collection of outstanding debt,*
- 2. Administering the transition of property to new ownership, including public ownership.*



Learn More about delinquent property tax enforcement at communityprogress.org/propertytax

Why take action on tax delinquent properties?

Tax delinquent properties have higher rates of vacancy, are more likely to have outstanding code violations, and inspire a higher frequency of calls to police and fire. Tax delinquent properties can sit vacant for many years, negatively impacting the value and safety of surrounding properties.

In addition, property taxes are typically the largest source of revenue for local government and delinquent taxes will come at the cost of other services. Delinquent property tax enforcement is key to funding services that support a healthy, safe, and vibrant community.

Delinquent Property Tax Enforcement in Practice

The best delinquent property tax enforcement processes follow the three E's: they are Equitable, Effective, and Efficient. Here is what that looks like in practice:

EQUITABLE

- Activate underutilized space
- Protect legacy residents and community members
- Add hardship payment plans for target populations
- Avoid foreclosures on small debts owed - set a minimum amount that must be exceeded before foreclosure can proceed
- Focus on delinquency outreach programs for targeted populations
- Direct interest and penalties to public purse
- Prevent tax liens sales to private third parties

EFFECTIVE

- Yield maximum payments and redemptions
- Motivate compliance with compelling penalties and interest
- Avoid abandonment and deterioration
- Generate insurable and marketable property titles
- Allow a predictable transfer of property to responsible owner

EFFICIENT

- Collect delinquent taxes in a timely manner
- Clarify redemption amount
- Leverage "automatic" time frames for each enforcement stage
- Leverage maximum notice
- Transfer the property and the debt to new ownership when there are unpaid taxes



The Downside of Tax Liens

Some local governments opt to sell property tax liens (debts encumbering a property in the amount of delinquent taxes and associated interest and penalties) to private investors. In essence, this privatizes the collection and enforcement process.

While this approach allows the government to access immediate cash and eliminates associated maintenance costs, privatizing collection and enforcement also transfers the incredible power of foreclosure to investors who care more about generating profit than safeguarding a neighborhood's future. Research and community-level experience shows tax lien sales can be harmful to homeowners and neighborhoods, and is not an equitable, effective, and efficient approach to property tax delinquency.

Making delinquent property tax enforcement more equitable, effective, and efficient is an important part of any community's approach to addressing vacant properties.

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