PROGRESS POINTS

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**

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PROGRESS POINTS

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

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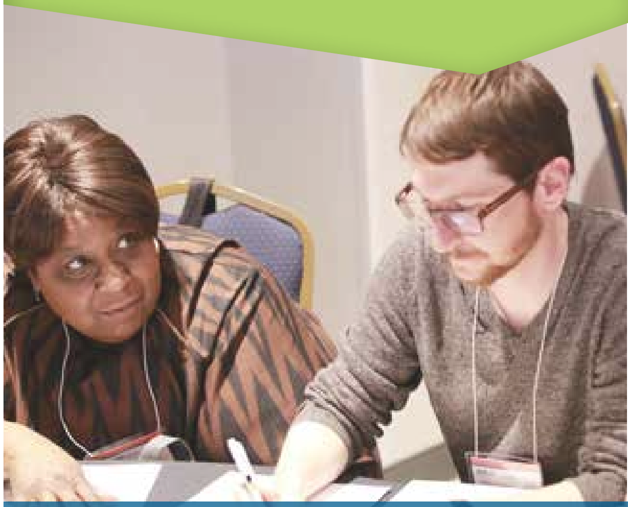

The Downside of Tax Liens

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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American Rescue Plan Act (ARPA)

Why should ARPA funds be invested in delinquent property tax relief and enforcement?

The American Rescue Plan Act's (ARPA) $350 billion State and Local Fiscal Recovery Fund distributes federal relief to every US state, local, territorial, and Tribal government, which must be obligated by December 31, 2024 and expended by the end of 2026. This once-in-a-lifetime infusion of flexible funding is focused on catalyzing broader community recovery and rebuilding and addressing the immediate and long-term negative impacts of the COVID-19 pandemic, particularly on low-income communities and people of color.

NEED: Many low-income homeowners and landlords are facing property loss because the economic impacts of the pandemic led them to fall behind on property tax payments. Financially strapped local governments are also struggling to address the health and safety risks posed by vacant properties languishing with delinquent property taxes.

OPPORTUNITY: Dedicating ARPA funding to implement **an equitable, effective, and efficient approach to delinquent property tax relief and enforcement is an ideal investment** given the following:

1. Direct assistance to low- and moderate-income households, which are **explicitly eligible ARPA expenses**, could bring households current on property taxes preventing housing loss through property tax foreclosure.
2. Vacant, tax-delinquent properties **pose serious health and safety risks to surrounding residents, a stated ARPA concern**, which local government can address by securing and maintaining the properties during the foreclosure process and using the foreclosure process to remove significant barriers to property reuse like and property tax liens and clouded title.
3. Through efficient property tax foreclosure processes and with partners like land banks or nonprofits, **vacant, tax-delinquent properties can be a critical pipeline of properties to serve community goals** like quality, affordable housing and greenspace like parks and urban gardens.
4. Nonprofit entities, which could partner to help with resident outreach and financial counseling, and land banks, which could help convey foreclosed vacant properties to new, responsible owners, are **eligible to receive ARPA funding** given that it allows local or state governments to transfer funding to nonprofit organizations or other special purpose units of state or local government to carry out eligible activities.

ARPA ON THE GROUND

- Orange County, NC is using ARPA funding to pilot their Longtime Homeowner Assistance program, which reduces tax bills for lower income residents that have lived in their property for over 10 years.
- Detroit, MI proposed to use $3 million to support a program that helps low-income renters and owners avoid tax-foreclosure related displacement.
- Gwinnett County, GA is using $1.5 million to waive fees for paying property taxes online.
- Broome County, NY is using $2 million to partner with their land bank on the rehabilitation of tax foreclosed properties for affordable housing.

POTENTIAL IDEAS FOR ARPA USE

- Create a property tax abatement, forgiveness, credit, or repayment program for lower income or unemployed homeowners or landlords.
- Help residents secure property tax relief through a multi-faceted outreach program, including tactics like partnership with community organizations, multilingual materials, and door-to-door outreach.
- Fill any temporary revenue gaps created by ending the sale of tax liens, to be replaced with a more equitable system of publicly controlled tax foreclosure.
- Fund the purchase of tax foreclosed properties by land banks or nonprofit partners at tax sales or auctions, preventing those properties from going to harmful absentee speculative purchasers.
- Invest in a data system that connects property tax data to other local data like Register of Deeds, Code Enforcement, and Housing to improve assessment accuracy and support neighborhood stabilization activities.

Learn More about the American Rescue Plan Act at **communityprogress.org/resources/arpa/**

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