
Delinquent Property Tax Enforcement 101

A critical tool to address vacant and abandoned properties



The design of policies that seek to address long-term disinvestment and stabilize neighborhoods must be informed by the history of land ownership in our communities and the accompanying legal systems that impact property and shape markets.



Delinquent Property Tax Enforcement Agenda

- 1 Why do we care?
- 2 What is it?
- 3 What does the Supreme Court say?
- 4 How do we reform?

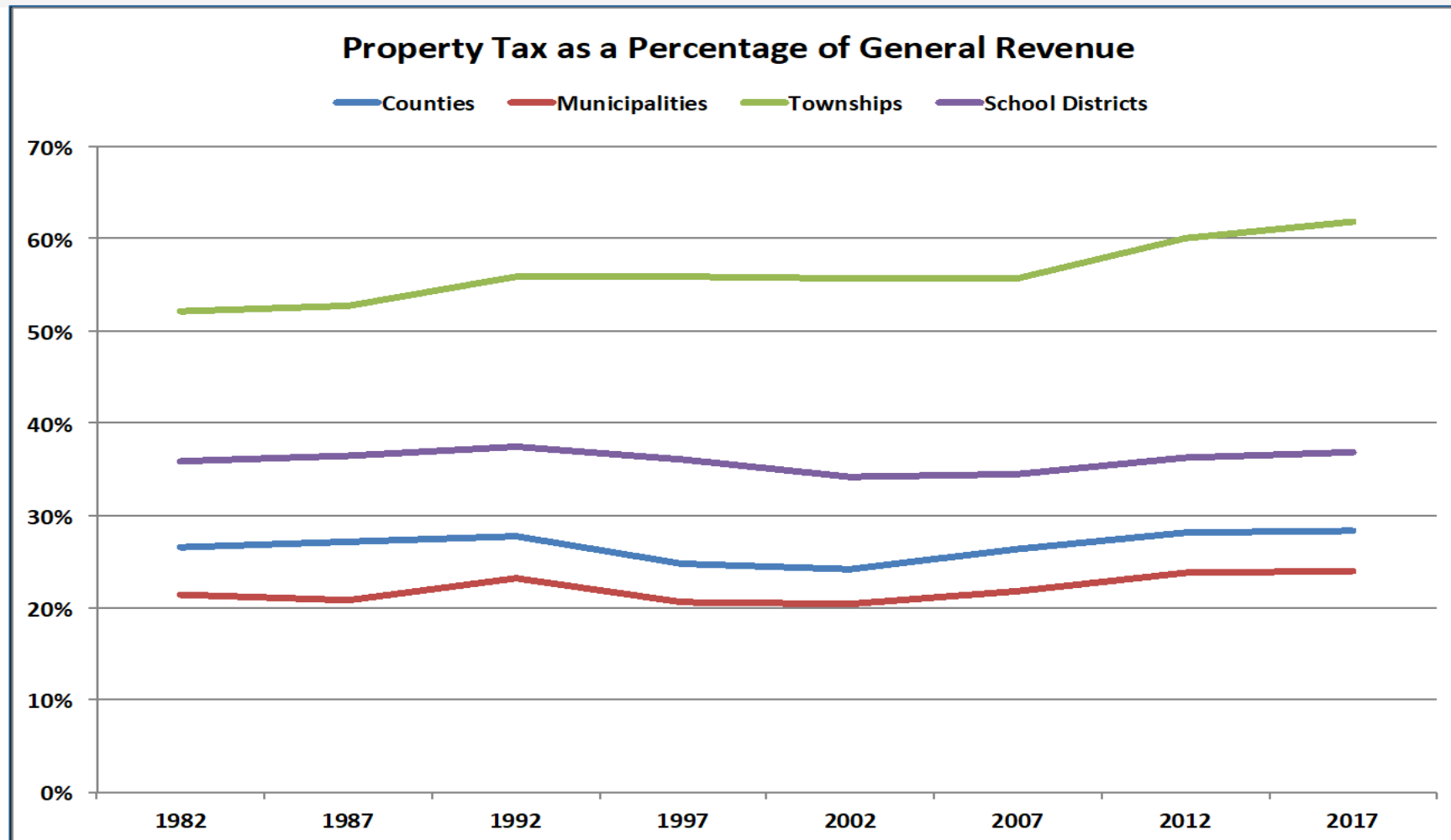


Why do we care?

Delinquent property tax enforcement a key tool to address VAD



Property Taxes = 85% of Locally Controlled Revenues



Credit: Ronald Fisher, Property Taxes What Everyone Needs to Know, Lincoln Land Institute Working Paper (2021)



A History of Exploitation

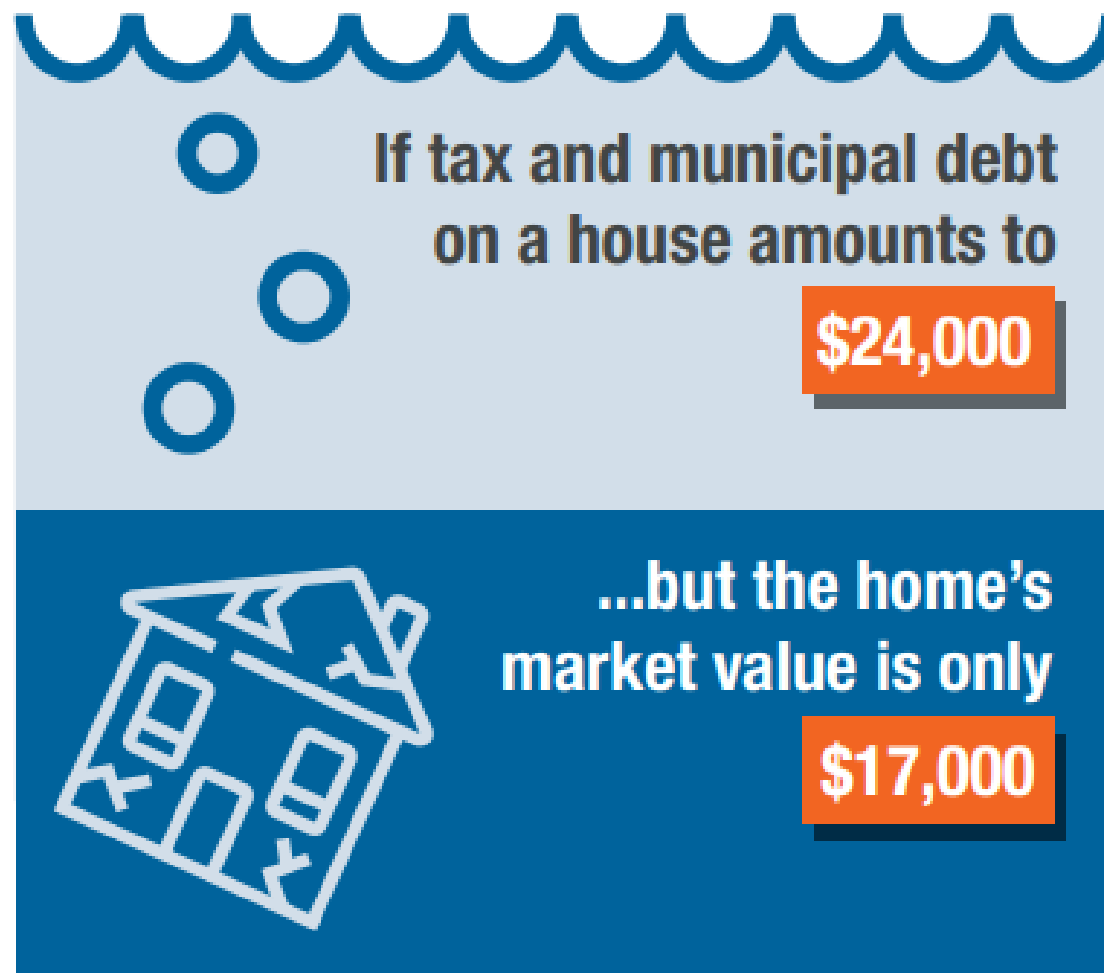
Unjust property tax systems have exploited vulnerable communities for decades—especially Black, Brown and other communities of color



Time is the Worst Enemy of Vacant Property



What Keeps it Stuck?



...would *you* buy that property?

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See: communityprogress.org/property-tax-report



Most Effective Intervention

Transfer vacant, abandoned, tax delinquent properties to responsible ownership.



Photo: Shelby County Land Bank, Tennessee



What is it?

Common terms and
assessing the
components of your
property tax system



Common Terms



Property tax system: Full system of property taxation administration; from valuation to assessment to billing to collection to enforcement.



Delinquent property tax enforcement: Process by which governments enforce unpaid property taxes.



Tax lien: A priority lien imposed by law on a property to secure the payment of taxes.



Redemption period: Time during which an owner or interested party can repay the tax, interest, penalties, costs, fees to prevent loss of property.



Components of the Property Tax System



First Five Components: Best Place to Embed Equity



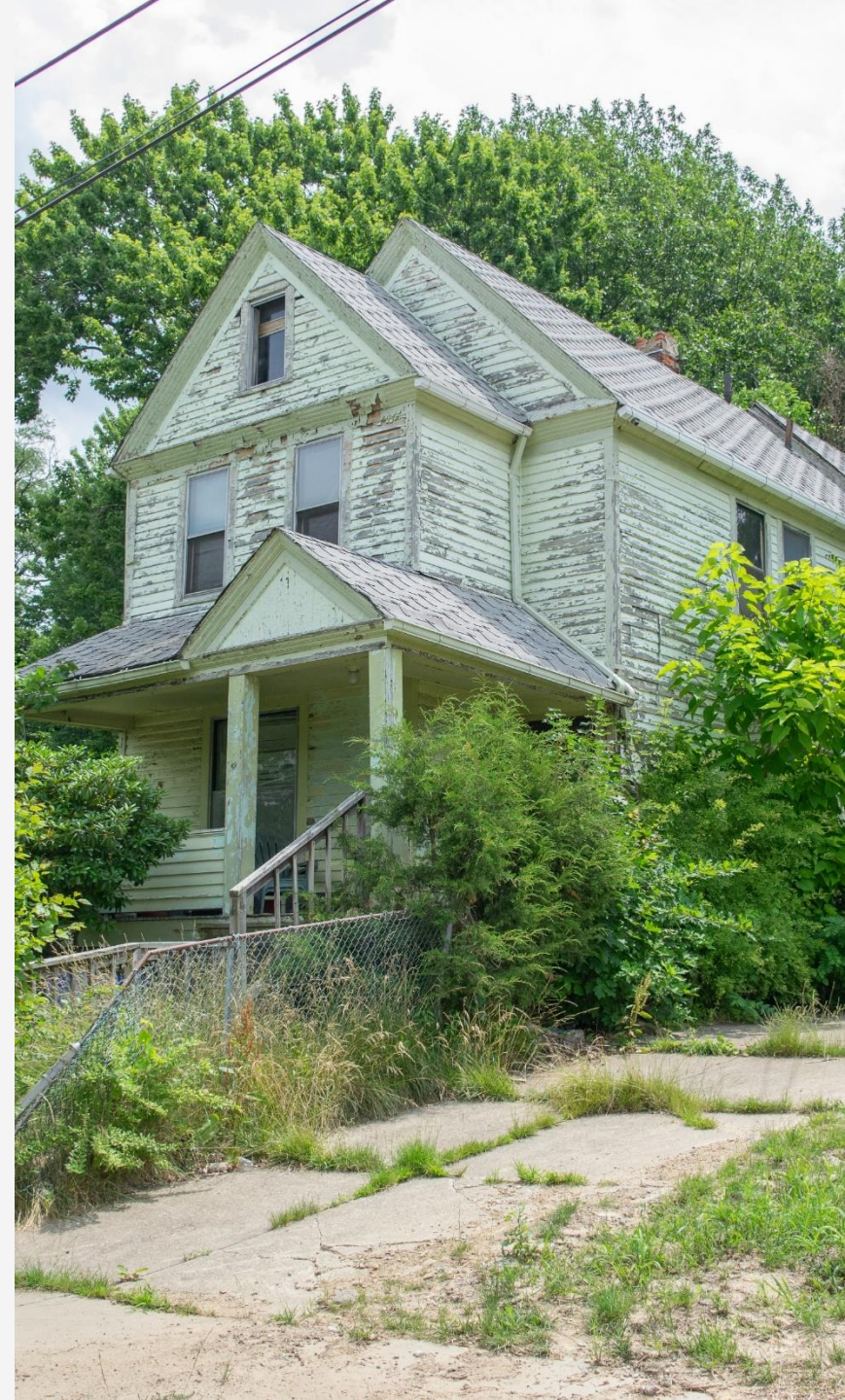
Is Your Property Tax System Equitable?

How and when are properties assessed? Is it **fair**?

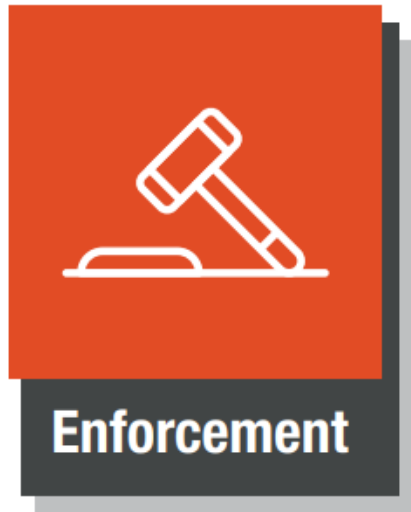
Are there **payment plans or deferrals** or can interest and penalties be lowered for taxpayers experiencing financial hardship?

Is notice provided **early and in a meaningful manner**, according to constitutional standards?

Is there **sufficient outreach or legal assistance** offered to taxpayers in need?



▶ General Stages of the Delinquent Property Tax Enforcement Process



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See: communityprogress.org/property-tax-report

Sell the debt, the dirt, or both



OR



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Property Taxes are Delinquent and Remain Unpaid. What Happens Next?

Below are two scenarios for a vacant tax-delinquent property. On the left, a local government has privatized the collection and enforcement process by selling tax liens to private buyers. On the right, a local government retains that core function using an optimal enforcement approach: judicial in rem foreclosure.

01 Tax Lien Put Up for Sale

Taxes owed are offered for sale by the local government as a tax lien to a private bidder.

02 Tax Lien Purchased

Private buyer charges interest and fees but is unable to collect and walks away or forecloses on the property.

OR

Tax Lien Fails to Sell

Tax lien relisted for auction year after year. Property continues to deteriorate and accumulated debt eventually exceeds its market value.

03 Outcome

Property stays in limbo, harming community health and local economy.



01 Government Retains Lien

Local government retains responsibility to enforce delinquent property taxes and forecloses on tax lien.

02 Property Sells at Auction

Local government sells property with insurable title at auction.

OR

Government Takes Ownership

Local government takes ownership of property to return it to community-aligned use.

03 Outcome

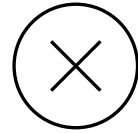
Property more likely to be quickly returned to purposeful use in the hands of a new, responsible owner.



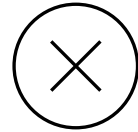
See: communityprogress.org/property-tax-report

Tax Lien Sales are Generally *not* Equitable, Efficient, or Effective

Dispelling Common Myths



Tax lien sales do not bring in more revenue



Tax lien investors do not usually care about getting the property



Is Your Property Tax Enforcement System Effective?

- Maximizing payments *and* equitable off ramps?
- Sale of dirt or debt?
- Insurable title?
- Transparent process?
- Process to vet purchasers?



Is Your Property Tax Enforcement System Efficient?

- Public costs included in redemption?
- Duplicative processes that cost money and time?
- Expedite VAD properties?



Judicial *in rem* Tax Foreclosure is Effective and Efficient

- Supervised by a court
- Imposes liability against the tax-delinquent property (*in rem*), **not** the owner
- Requires mailed notice that meets due process
- Results in transfer of property with insurable title



A Coordinated Approach is Effective and Efficient



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What does the Supreme Court say?

Overview of *Tyler v.
Hennepin County*



The Supreme Court Weighs In

Foreclosing local governments must provide an opportunity for property owners to recover any value in the property that exceeds the total amount of taxes and other public debt owed. The failure to return excess proceeds is an unconstitutional taking.

- Tyler v. Hennepin County (2023)



Why do we care so much about *Tyler*?



Lots of Questions Remain

- When does the “taking” occur?
- How do we determine if there was excess value that should be returned?
- How should excess value be distributed?
- Are tax lien buyers insulated from liability?



Reform is Possible!

What does it look like?



Equity should drive reform

1) Keep people in their homes!

2) Address the VAD next door!



Practice Spotlight: Washtenaw County, MI

- Homestead and Poverty exemptions, Payment Plans, Homeownership Assistance Funds, etc.
- Homes for Generations



Equity should drive reform

1) Keep people in their homes!

2) Address the VAD next door!



VAD Properties and Tax Foreclosure: Potential Reforms



Shorten the process for VAD properties



Sell the dirt, not the debt



Provide judicial oversight and constitutional notice to ensure clear title



Allow for the transfer properties that do not sell to local governments or land banks



Illinois SB 1675 (2023)



This property at 708 Seventh St. in Midtown Rockford had its delinquent taxes purchased and then refunded after a sale in error was filed. (Photo by Kevin Haas/Rock River Current).

See *Rock River Current*: <https://www.rockrivercurrent.com/2023/05/04/illinois-house-committee-pushes-forward-reforms-to-delinquent-tax-sale-system>



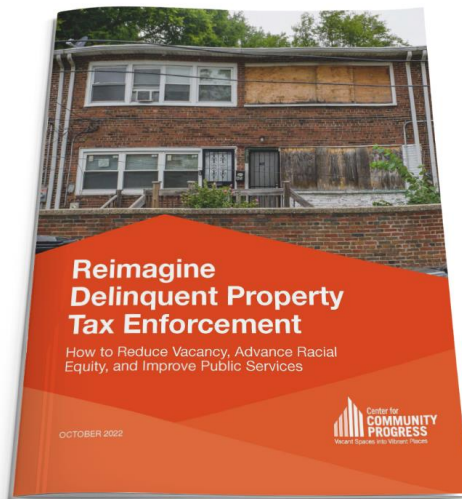
West Virginia SB 552 (2022)



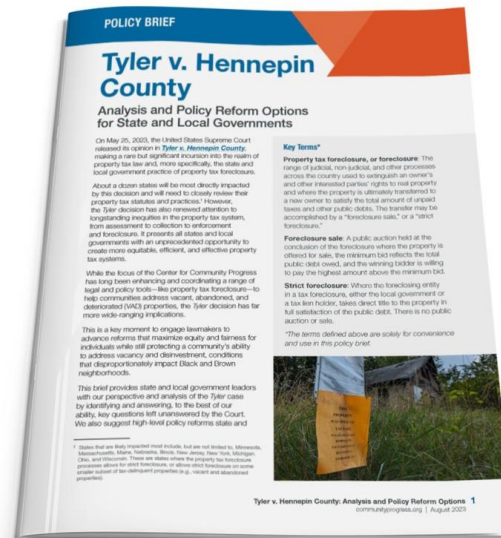
Governor grants \$10-million for cleaning up West Virginia dilapidated properties.
(Photo: Jamie Leigh Reichert).



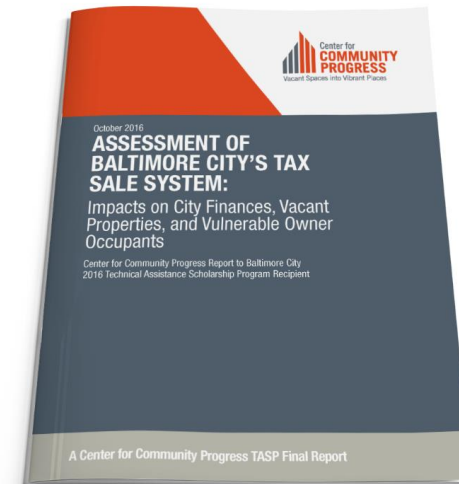
Reform is Possible!



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property-tax-report](https://communityprogress.org/property-tax-report)



[communityprogress.org/
tyler-policy-brief](https://communityprogress.org/tyler-policy-brief)



[communityprogress.org/
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Thank You!



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