

Township of Lawrence

2207 Lawrence Road
Lawrence Twp., New Jersey 08648
(609) 844-7041
Fax: (609) 620-0081
taxcoll@lawrencetwp.com

TAX SALE GUIDELINES

WHAT IS A TAX SALE?

Tax sales are held each year by New Jersey municipalities as a way of collecting prior years' delinquent taxes and other municipal charges. A tax sale IS NOT a sale of properties; it is a sale of LIENS against properties which are delinquent in real estate taxes or other charges. These liens are known as tax title liens.

WHAT IS A LIEN?

A lien is similar to a mortgage on a property. If you purchase a lien at tax sale, you will hold a claim against the property which should be redeemed (paid back) by the property-owner in order to gain clear title. A lien-holder DOES NOT have the right to enter the property or to attempt to seek direct repayment of the lien. All repayments are arranged through the Tax Collector.

WHY BUY A LIEN?

There are two very different reasons people purchase tax title liens:

INVESTMENT

Since the maximum interest charged on redemption of tax title liens is 18%, some people feel that buying a lien on a property is a good investment, because in all likelihood the lien will be redeemed and the purchaser will get back not only the money he paid for the lien at tax sale but also interest calculated from the date of tax sale to the date of repayment. In addition, the lien-holder also receives a surcharge, or penalty, on liens in excess of \$200.00, as follows: 2% on liens between \$200.00 and \$4,999.99; 4% on liens between \$5,000.00 and \$9,999.99; and 6% on liens of \$10,000.00 and over. *

***10 days after the lien is acquired, the lienholder may pay subsequent (any other delinquent amounts) on that property and add them to the lien. If the lien was over 1500.00 then the subsequent will have an interest rate of 18% otherwise it will be at 8% until it reaches that 1500.00 threshold.**

FORECLOSURE *(seek legal advise as laws are changing in NJ concerning foreclosure)*

Although rare, it is possible that a lien will not be redeemed. Once a lien-holder has owned a lien for two years, he may begin foreclosure proceedings against the property. However, since the lien must be at least two years old, the lien-holder should protect his interest in the property either by buying the next two years' tax title liens or by paying the next two years' taxes at the Tax Collector's office (and filing the required affidavits). Foreclosure of tax title liens can be complicated and costly; seeking the advice of an attorney is recommended.

WHAT DOES A LIEN COST?

The cost of the tax title lien is indicated by the amount advertised in the newspaper prior to the tax sale. That amount remained fixed; what is subject to bidding is the rate of interest paid at redemption. The maximum interest rate is currently 18%. If two people are interested in purchasing the tax title lien on the same property, each will decide through competitive bidding at tax sale the rate of interest he is willing to accept at redemption. For instance, the first bidder will ask for 18% and the second will ask for 17%; the first bidder will then decide if he's interested enough in buying the lien to accept redemption at 16%, and so on. Interest is bid at no less than 1% intervals. In the event that the interest is bid down to 0%, then each bidder may offer a PREMIUM. A premium is a fee paid at tax sale and held by the municipality until redemption. If, however, the lien is not redeemed within five years of the tax sale, the premium goes into the municipal treasury and will not be returned to the lien-holder if the lien is subsequently redeemed. Premium amounts are bid at no less than in hundred dollar increments.

HOW DO I PAY FOR A LIEN AT TAX SALE?

The successful bidder for a particular lien will pay to the Tax Collector, before the close of the Tax Sale, the amount advertised (plus premium, if applicable) in CASH, MONEY ORDER, OR CERTIFIED CHECK. For those who do not wish to carry large sums of cash and want to purchase several liens, it is suggested that money orders in several denominations be purchased prior to the tax sale. If necessary, change will be given for money orders. Wire transfers of funds are also accepted; details are available as hand-outs at tax sale.

WHAT ABOUT OTHER LIENS ON THE PROPERTY?

The purchase of a tax title lien against a property does not generally affect any other existing liens. Although prior tax title liens are indicated in the tax sale advertisement and on the Tax Sale Worksheet available at tax sale, the Tax Collector does not usually have any information regarding other liens, mortgages, or claims against the properties eligible for tax sale. It is the responsibility of the lien-purchaser to determine through the County Clerk's office whether or not there are other outstanding debts against the property.

WHAT HAPPENS AFTER TAX SALE?

Within 10 days following the tax sale, the Tax Collector will issue a TAX SALE CERTIFICATE to the purchaser of each lien. It is then the purchaser's responsibility to have that certificate recorded at the County Clerk's office. This will ensure that a title search on the property will reveal the existence of the Tax Sale Certificate, thus increasing the probability of redemption. Once the certificate has been recorded, the lien-holder must file with the Tax Collector an affidavit indicating that the certificate has been duly recorded with the County Clerk and that the fee charged for that recording is to be collected by the Tax Collector at redemption. **It is very important that the tax sale certificates be stored in a safe place.** Without the original tax sale certificate, a purchaser will not be paid the redemption moneys subsequently collected by the Tax Collector. If the purchaser decides to pay subsequent taxes or other municipal charges on the property on which he holds a lien, another affidavit must be filed with the Tax Collector to make sure that these charges, too, are recovered at redemption. Blank affidavit forms are available at the Tax Collector's office.

HOW DOES REDEMPTION TAKE PLACE?

When a property-owner wants to pay off the lien against his property, he contacts the Tax Collector for the correct figure. The Tax Collector adds together all the costs incurred by the lien-holder (substantiated by affidavit) and calculates interest on the amount due through the date on which the lien-holder will receive payment. The property-owner then pays the stated amount to the Tax Collector in guaranteed funds and that money is deposited in the Township's account. The lien-holder is notified of the redemption and asked to bring or mail the original tax sale certificate, endorsed for cancellation and notarized, to the Tax Collector. A check is then drawn to the lien-holder for the total amount of the redemption. ^{**} The tax sale certificate is turned over to the property-owner, who is responsible for having it canceled of record at the County Clerk's office.

*** premiums are a separate check that requires transfer of funds from the finance dept.*

DOES A SALE OF THE PROPERTY GUARANTEE REDEMPTION?

Most often, yes. However, in transactions not involving an attorney or those in which no title search is done, it is possible that a property will change hands leaving the lien intact. Since the lien is against the property and not the owner, though, a title change does not affect a tax title lien. The lien will remain in force until either redemption or foreclosure, or until 20 years have elapsed since the tax sale with neither redemption nor foreclosure taking place.