



TURNING UNPAID TAXES INTO MONEY



Keith A. Bonchi, Esq.
Goldenberg, Mackler, Sayegh,
Mintz, Pfeffer, Bonchi & Gill
660 New Road, Northfield, NJ 08225
(609) 646-0222

kbonchi@gmslaw.com

Types of Municipal Charges that may be converted into Municipal Liens

- Taxes N.J.S.A. 54:5-6
- Assessment on Improvement N.J.S.A. 54:5-7 & N.J.S.A. 40:56-33
- Sidewalk Improvements
- Abatement of Nuisance & Demolition Liens N.J.S.A. 40:48-2.5
- Unpaid Water N.J.S.A. 40A:31-10,12
- Unpaid Sewer N.J.S.A. 40:4B-42 & N.J.S.A. 40A-26A-12
- Removing Brush, Weeds, Debris N.J.S.A. 40:48-2.14 & N.J.S.A. 40:48-2.27
- Removal of Snow & Ice from Sidewalks; Removal of Grass, Weeds N.J.S.A. 40:65-12,13

**THERE IS NO STATUTE
ALLOWING VACANT
PROPERTY REGISTRATION
FEES TO BE TURNED INTO A
MUNICIPAL LIEN – CANNOT
SELL THIS AT TAX SALE**

In order to turn a Municipal Charge into a Municipal Lien there must be a statute authorizing the charge to be converted into a lien and that statute must be strictly complied with

DEMOLITION LIEN CASES

N.J.S.A. 40:48-2.5 et. seq. allows demolition costs to be converted into a lien.

- Must have ordinance
- Must comply with statute
- Municipality loses most cases
- Must help construction official

TIMING OF TAX SALES

- You want as many bidders as possible
 - Sell all liens
 - More bidding = higher premiums
- Beware of holidays
- Small municipalities should not schedule against too many other municipalities
- **Not an issue with electronic sales**

Tax Sales

Standard Tax Sale – N.J.S.A. 54:5-19 allows standard tax sale in following year

- * The longer you wait the more interest you collect

Accelerated Tax Sale – N.J.S.A. 54:5-19 allows tax sale after 11th day of 11th month

- * Emergency shot in arm of revenue if you do it same year as standard sale but nothing to sell following year in standard sale

Electronic Tax Sale

Tax Sale Law allows municipalities to use internet through a third party vendor

- * This may increase bidding
- * Large urban cities should give this a try

Tax Sales raise substantial monies to municipalities not only at tax sale but also by the payment of subsequent taxes by third party lienholders

Premiums

N.J.S.A. 54:5-33 allows premiums to escheat to municipality after 5 years unless extended by bankruptcy

- * If property foreclosed – municipality keeps premium
- * If no redemption in 5 years – municipality keeps premium

Unclaimed Redemption Monies

N.J.S.A. 54:5-57.1

Unclaimed redemption monies
escheat to municipality after 5 years

WHAT IF YOU HAVE GOOD TAX
SALE CERTIFICATES THAT NO
THIRD PARTY INVESTOR BID ON?

Have your tax collector call your third
party investors and try to get immediate
assignments.

Bidding at Tax Sale by Municipality

N.J.S.A. 54:5-30.1 allows municipality to pass a resolution and bid at its own tax sale whenever it by resolution determines that the property would be useful for a public purpose

- Expand recreation
- Parking for City Hall
- Land for new public building

Abandoned Property

N.J.S.A. 54:5-86(b) allows public officer or tax collector to sign certification waiving two year waiting period for third party lienholder to foreclose and gets abandoned property foreclosed faster and returned to tax rolls

Receivership

N.J.S.A. 54:5-53.1 – If there is an outstanding tax sale certificate held by the municipality – the municipality is entitled to immediate possession of all rents and profits. The tax collector may be designated as the receiver of rents until taxes have been paid.

N.J.S.A. 54:4-123

Allows municipality when taxes have been delinquent for 6 months the municipality can pass a resolution allowing a summary Complaint to be filed appointing the tax collector as the receiver of rents on a property.

- Requires a Complaint to be filed
- Does not require a tax sale certificate

Receiverships require income producing properties and works with office building, strip centers and other commercial properties.

Be careful of residential properties.

Assignment of unsold Tax Sale Certificates

1. **Private Assignments** – N.J.S.A. 54:5-113 allows municipality to assign by resolution a municipality held tax sale certificate for the full amount of redemption. Try to get third party investors to purchase assignment – incentive is only have to wait 6 months to foreclose as opposed to 2 years.

*Have tax collector contact third party lienholders

*There are third party investors who will even invest in wetlands, contaminated properties, etc.

Assignment Sales for less than Redemption Amount

N.J.S.A. 54:5-114.1 allows additional methods of selling a tax sale certificate for less than full value

- Resolution & publication
- Bids for less than full amount
- Jones Act Reverter
- Why sell liens for less than full amount

Special Tax Sale under the Abandoned Properties Act

This is just another assignment sale for less than full value but N.J.S.A. 55:19-101 allows municipality to put special conditions on sale

- Lump together more than one tax sale certificate – assemblage
- Require demolition or renovation
- Require immediate foreclosure
- Other conditions

**CAN USE AUCTION
COMPANIES SUCH AS
MAX SPANN – CANNOT
ADD CHARGES TO
REDEMPTION**

In Rem Foreclosures

- Produces revenue either by forcing redemptions or on resale of land at public auction
- Removing non-performing properties from the tax rolls. Stops municipality from having to pay the county or schools for properties that do not pay taxes.
- The longer you wait to do in rems the more money you will lose
- The word gets out that if you do not pay your real estate taxes – you may lose your property

- These are properties that third party investors did not want
- In Rem Foreclosure Act should take less than one year to foreclose from passage of resolution with list
- Must have competent attorney or you will find title issues on reselling land
- Must complete in a timely manner

- In the event of redemption – municipality gets back legal fees and costs
- In an In Rem – you can foreclose up to 200 but would recommend no more than 100 at a time
- Municipality must be ready to handle ownership of larger amounts of property

Public Land Sales

Municipality can hold public land sales on all properties that it does not want and not only raise money but return these properties as performing properties

Foreclosure of Federal Liens

A municipal lien even has priority over most federal liens and we can foreclose out federal liens such as IRS liens but a Sheriff's Sale is required

BANKRUPTCY CONSIDERATIONS

- Must protect municipal liens in a bankruptcy
 - Protect super priority position
 - Protect statutory interest
 - Protect post-petition payments
- Can do private assignment in bankruptcy
- Can get relief from stay to do other assignments