

## **New Jersey Tax Certificate Process**

**Please note:** While the following information is accurate, it is not meant to be a comprehensive explanation of [Title 54](#) of the New Jersey Statutes which is the law governing tax certificates and their auction or sale.

### **What is a Tax Sale?**

A tax sale is the sale of tax liens for delinquent municipal charges on a property. At a tax sale, title to the delinquent property itself is not sold. What is sold is a tax sale certificate, a lien on the property for delinquent outstanding municipal charges due.

Municipal Charges can include but are not limited to:

- 1) Property Taxes
- 2) Sewer Charges
- 3) Special Assessment Charges
- 4) Added/Omitted Assessments
- 5) Property Maintenance Charges
- 6) Water Charges – However, here you must contact the Merchantville-Pennsauken Water Commission regarding their lien pursuant to NJSA 40:62-141 which is not included here and remains primary since it is not controlled of the Municipal government.

### **Types of Tax Sale**

There are 2 types of tax sales in New Jersey. The standard tax sale is held within the current year for delinquent taxes of the prior year. The accelerated tax sale is held prior to the end of the year for that year's tax delinquencies.

### **Owner Notification**

Property owners are notified that a lien on their property is up for sale. The notifications can be sent via quarterly delinquent notices, an official notice of tax sale and/or newspaper advertisements. The notifications list information relevant to the property included in the sale: block, lot, last assessed owner, location, type of debt, and balance to be sold. New Jersey requires at least 4 weeks of notice be given the property owner immediately prior to the week of the sale. Failure to mail the notice or failure for the homeowner to receive notification does not invalidate any tax sale proceeding.

### **Prior to Tax Sale**

Prior to the actual sale, the property owner may pay to avoid having a lien sold at auction. To do so, the past year's charges must be paid, as well as ALL the interest – for all years - and costs. Only certified checks, money orders or cash is accepted once the official notice is mailed. For a municipality that accepts credit card payments, no such payment may be accepted on delinquent accounts 50 days prior to the tax sale.

### **Tax Sale Process**

Anyone can bid on the property except the actual property owner or an agent thereof.

#### **Auction:**

When the tax sale is held (as specified in the notice of sale), the Tax Collector sells at public auction each parcel of land (if still delinquent) which has been properly advertised. The sale is made in the amount that was advertised or less if a partial payment has been made prior to the sale; however, the property cannot be sold for more than the amount for which it was advertised.

### Bidding:

Prior to the day of sale, the Tax Collector will require every bidder to register to participate in the tax sale. Registration will contain information regarding their address, how he/she wishes to receive their tax sale certificate, their Federal Tax ID number and the signature of the person bidding. Often there are deadlines on when bidders may register. Deadlines are set at the Tax Collector's discretion.

Tax sale certificates can earn interest between 0% and 18%. Bidders bid down the interest rate that will be paid by the owner upon redemption, for continuing interest on the certificate amount. Bid parameters are set by the Tax Collector, and may be in whole, half or quarter percentage points.

At 0% interest, a bidder may then bid a dollar value which is known as a premium. A premium is offered for the privilege of purchasing the certificate, and can go as high as any one bidder is willing to pay. Premiums may be offered by hundreds, fifty, etc.

Therefore the certificate is sold at the lowest percentage of redemption interest bid, or at the highest premium bid.

The winning bidder is the one who bids the lowest percentage of interest or bids the highest premium. At the close of the sale, the winning bidder must immediately pay (pursuant to local restrictions) the municipality the advertised amount (or less); in exchange, the municipality will prepare a tax sale certificate in the name of the successful bidder.

\*\*\*If there are no bidders on a parcel for sale, then the Tax Collector must strike it off in the name of the municipality at a redemption interest rate of 18%.\*\*\*

### **After the Tax Sale**

#### Tax Sale Certificates:

After the sale, the Tax Collector will deliver tax sale certificates to the winning bidders within 10 days of the close of sale. It is the responsibility of the bidder to record their lien with the county after they receive the certificate.

#### Subsequent Payments:

After the tax sale certificate has been issued, the lien holder now has the right to pay any delinquent municipal charges that have not gone to sale. These are known as subsequent payments.

The lien holder has the right at any time a payment falls delinquent, to pay the delinquent charges due to the municipality. These payments are added to the tax sale certificate provided affidavits are filed pursuant to [NJSA 54:5-61](#).

### **Redeeming Tax Sale Certificates**

#### Redemption:

Once a lien has been placed on a parcel, the only person(s) able to redeem that lien are: the owner, his/her heirs, the holder of a prior open tax certificate, mortgage holder, or legal occupant of property; and may only redeem until the right to redeem has been cut off.

Payment to redeem a lien must be made in full by cash or certified funds, through the Tax Collector's office. Once the redemption has occurred; the Tax Collector will notify the lien holder of payment. They will return the original certificate back to the collector endorsed for cancellation. Upon receipt of the cancelled certificate, the redemption funds will be released to the lien holder.

When the Tax Collector receives the certificate endorsed for cancellation, they will send it to the party that redeemed the lien. It is the redeeming party's responsibility to have this lien removed from the records at the county office.

Un-redeemed Liens:

After two years, a lien holder can begin proceedings in Superior Court to foreclose on the certificate in an effort to obtain title/possession of the property. If foreclosure is granted, then the name on the deed is changed to that of the lien holder who then can take possession of the property.

If the certificate was not purchased by an outside lien buyer at the tax sale, the municipality would become the lien holder and may begin the foreclosure process in as little as six months from the tax sale date.

Any lien which exists as a charge of the Merchantville-Pennsauken Water Commission prior to the tax certificate sale and is unresolved shall remain a superior tax lien along with accruing penalties and interest until paid and removed.