Deferred Payment Plans. If you are behind on several property tax payments, you will also owe penalties and interest. Some (but not all) taxing authorities permit you catch up on what you owe in installments to avoid a tax sale of your home. You will have to pay something toward your overdue balance while at the same time keeping up with new tax bills. This may prevent you from being charged more penalties if you stay current on the payment plan.

Compromising on Outstanding Tax Bills. The taxing authority may have the power to reduce your delinquent taxes or to waive penalties and interest. This is another avenue to consider, but be aware that this is not available in some states. You often have to pay the “compromised amount” in one lump sum.

Contacting Your Mortgage Servicer. If you still have a mortgage loan on your home (even a home equity line of credit), a good approach is to contact your servicer for help. Even though the servicer has not required you to pay into an escrow account, the servicer still has a strong self-interest to avoid a tax sale. The tax sale is likely to bring in far less than the amount owed for taxes and the mortgage, and the taxing authority has priority over your mortgage servicer to receive the proceeds first. If the servicer takes no action to help you, it stands to lose a lot of money. The servicer can help by paying the back-taxes for you and then have you repay that amount over time as part of a repayment plan or through an escrow account it sets up on your mortgage.

A Chapter 13 Bankruptcy. A chapter 13 bankruptcy filing will invoke the “automatic stay” which prevents any tax sale process from continuing. After the automatic stay is in place, you can set up a plan whereby you pay the delinquent amount in installments over 36 or even as many as 60 months. There are other advantages and costs of a chapter 13 bankruptcy filing, as discussed in Chapters 24 [1] and 25 [2], below.

Special Rights of Military Personnel. Active duty military personnel have special protections against tax sales where the home is owned and occupied by the servicemember or the servicemember’s dependents. These protections apply even if a co-owner owes the taxes.

Any tax sale must first be approved by a court and the court can “stay” (a “stay” is legalese for “stop”) a tax sale for up to 180 days after the servicemember’s period of active duty ends. Interest on unpaid taxes is limited to 6%, no penalties can be assessed, and, if there is a tax sale, the servicemember can redeem the sale up to 180 days after leaving active duty. (Re redeeming the sale is discussed below.)

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library
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