

# [Tax deed and tax lien sales report examples](https://assignbuster.com/tax-deed-and-tax-lien-sales-report-examples/)

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## TAX LIEN

A lot of people nowadays do not have sufficient knowledge of the taxes which they are entitled to pay. Non-payment of such taxes is considered to be a felonious activity and may be subject to charges by the court. However, people the courts take any action; they do make sufficient attempts to make the owners aware of their obligation. If the owners fail to take any action, then the courts can put the property for auction after adhering to all the legal requirements.
When any specific property is put up for auction then the amount of the bid starts from the amount of money owed in taxes plus any interest which may have accrued on those taxes. Apart from this, the total costs associated with putting up that property for auction is also included in the bid starting price. In addition, if the property does not sell then the ownership of the property stays with the authority conducting the auction. The title to it is officially transferred to the government authority in question and the document is question is called the quit claim deed or limited warranty paper.
If the purchaser wants to get the title of the specific property, then they must initiate another quiet title action for the purpose of reselling the property later on. For the subsequent sales, the purchasers may simply use the owner financing or cash in addition to a Sherriff’s deed, quit claim deed or merely a limited warranty. Some of the jurisdictions also allow for a redemption period following the sale. During this redemption period, the previous owner may get back their property provided they pay the tax amount as well as the penalty associated with the auction.
Apart from a tax lien, one can also use a Tax Deed sale with conjunction with the lien. In such a case, the lien holder shall initiate the process of putting up the specific property for auction instead of the government agency mentioned before. In such cases, the lien holder’s investment shall constitute the minimum bid which will be starting price in the auction.
The investment also includes any associated costs of initiating the auction and to start the tax deed process as well as the fees and payments associated with that investment. If however, no bids are received for that specific property then it shall be retained by the lien holder themselves. The lien holder is also subject to the terms and conditions associated with the redemption period or to any lawsuit which may overturn the previous judgement.

## TAX LIEN SALES

In the case of a tax lien sale, the property in question is offered to all the prospective investors in an auction publicly. In the past, such auctions were mainly held online however, over the years internet based auctions have gained more importance and popularity due to the ease with which they can be conducted. Some of the popular methods for conducting the tax lien sales are:
- Bid down the interest
The stated rate of return offered by the government agency is the highest under this method; however, the investor can also accept a lower rate of return which may also be equal to zero percent, although such cases tend to be extremely rare. In cases where there are multiple investors, then the one taking the lowest rate is chosen using the rotational or the random method.
- Premium
Investors under this method shall pay the highest amount of payment in the form of a premium; this includes any money in excess of the lien amount being given to the chosen winner. Interest on the premium may or may not be present and it may or may not be paid back to the investor in the case of any redemption.
- Random Selection
Any bidder is randomly selected under this method from those who have place a bid. For the purpose of selection usually a computer is used, however, traditional methods may also be used in the smaller jurisdictions.
- Rotational Selection
In this case, the bid is awarded to the first person placing a bid. If the investor refuses under such a circumstance, the bid will then be offered to the person who has placed the second bid and so on. Apart from this, the bidder refusing the lien in the first place may only get another chance in the rotational course solely. Under such a method, the bidder mainly cannot exercise much control as it occurs merely on a rotational basis only.
- Bid-down the ownership
This type of tax lien sales is used in Iowa and a lot of other states, in which case any investor who agrees to purchase any lien for the lowest percentage of burden on the property, shall be awarded this time of tax lien. For instance, if the investor agrees to pay a lien with 95% of the total worth of the property then if such lien is not redeemed then the investor shall only have entitlement to 95% of the property whilst the remaining 5% stays with the original owner.
Apart from this, any type of lien which is not sold in such auctions are then considered to have been “ struck” with the entity of the county who is responsible for carrying out the auction. In addition, some of the counties also allow for “ over the counter” services, where they sell lien which have not been sold at the auctions.

## REDEMPTION PROCESS

After the auction, there is a specific amount of time for which the investor must wait; this is referred to as the “ redemption period”. During the redemption period, the owner has the chance to repay the taxes as well as any interest or costs which may be associated with the owner of the property. As a general rule, the lien holder is not allowed to make any form of contact with the property owner during this period of time. As such, the lien shall not contact any other person who may have some interest in it as well, which may also include mortgage holders of that specific property.
As soon as the redemption period is over, the lien holder is free to initiate the foreclosure process of the property in question. All the costs incurred during the foreclosure procedure is paid by the lien holder as it will allow them to get title of the property in question. This usually takes place in the form of a tax deed sale or a quit claim deed. In Illinois for instance, the court removes all restrictions on the transfer of title by the issuance of a “ Tax Deed”.
If for any reason the lien holder fails to act within the mentioned amount of time as mentioned by the law or state then the lien shall be forfeited and the and the holder also loses out on any investments they might have made into the property. In general, the amount of redemption period may range anywhere between 7 years to 10 years and is not generally extended unless the tax lien is subjected to an application of tax deed in the Judicial Foreclosure.

## BENEFITS OF TAX LIEN

It has been noticed that the rate of return on the tax lien can be quite higher than the other forms of investments. For instance, Arizona allows a maximum rate of up to 16%.

## PITFALLS OF TAX LIEN INVESTMENTS

- Payment for tax lien investments is usually needed within a very small period of time, which ranges between 24 hours to 72 hours.
- In a lot of states, considerable actions must be taken for ensuring as well as protecting the rights of the lien holder even after the auction.
- In the jurisdictions, following the “ bid down the interest” method, usually the value is made closer to the point of zero percent.
- In states with non-judicial foreclosure the tax lien properties are sold off to the highest bidder with the help of a tax deed.
- If there are conflicting municipal liens, then the tax liens can eventually become worthless. In fact, such liens may increase the monies owed to such a point that the property itself may be deemed to be worthless.