

Property Tax Foreclosures Harm Communities

As homeowners struggle to recover from the pandemic and deal with soaring inflation, some risk losing their homes to a strict and often rapid tax lien foreclosure process. As many as **8.5 million homeowners** could become **delinquent on their property taxes** in 2023.

If a homeowner is unable to pay their property taxes, local governments can foreclose on the property and sell it at auction—**usually at a steep discount to just cover the tax debt**. This causes families to **lose their homes and hard-earned equity, often due to a tax debt of just a few thousand dollars or less**. Equity is no longer available in times of need or to pass on to the next generation—one of the primary ways that families work their way out of poverty.

Black and Latino/Hispanic households are particularly vulnerable because of inflated property tax assessments that increase their taxes. **Black and Hispanic households** nationally have a nearly **10-13% higher property tax burden** than white households in the same area, and therefore **owe a significantly**

Compared to white households...



Black and Hispanic households nationally have a nearly **10-13% higher property tax burden**.

Black and Hispanic households owe an **additional \$6.5B for property taxes**.

higher effective property tax rate—an equivalent of **\$6.5 billion** more in property taxes each year.

Older adults are also vulnerable. Having owned their homes long enough to pay off the mortgage, they no longer pay taxes monthly through their mortgage payments. Living on reduced fixed incomes, they may struggle to pay property taxes in lump sum amounts.

State and Local Governments Must Reform Property Tax Foreclosure Laws

In 2023, the U.S. Supreme Court ruled in **Tyler v. Hennepin County** that it is unconstitutional for a local government to take a home in a property tax foreclosure and keep the homeowner's equity after the tax debt and costs are paid. Many states and localities will now need to take a close look at their tax foreclosure laws to make sure that they comply

with *Tyler*. When they do, they should revise the laws to protect homeowners from unnecessary tax foreclosures and to preserve equity in their homes. Property tax systems can be fair and affordable for homeowners while still providing the revenue needed for quality public services.

How to Make the Tax Foreclosure Process More Fair

CONSUMER PROBLEMS

Heirs who have not yet filed probate are at risk of property tax foreclosure. Heirs may not realize they need to apply for available tax relief, or may not be eligible.

STATE SOLUTIONS

Ensure that heirs who reside in the home are eligible for the same relief as any homeowner-occupant.

Homeowners living paycheck to paycheck who do not pay their taxes as part of their monthly mortgage payment struggle to pay tax bills that are due in large lump sums once or twice a year.

Allow local governments to accept monthly payments to pre-pay taxes or work out other payment plans for homeowners who cannot make a lump-sum payment of the full outstanding balance.

Homeowners are not aware of how to avoid a tax foreclosure once a sale is scheduled or how to redeem the property after a sale.

Require local governments, at every stage of the assessment, collection, and sale process, to notify homeowners of options to prevent the sale, the time and place of the sale, the right to redeem the property after a sale, and details about other post-sale procedures. Notices should include translations in the most common languages spoken in the jurisdiction.

Most states allow a homeowner to reclaim (“redeem”) the home by paying the taxes and foreclosure costs processed within a certain time after a tax foreclosure sale, but some states do not—allowing only a short window, or piling on large penalties and fees.

Provide a reasonable redemption period for owners, limit the interest, penalties, fees, and costs to a fair amount, allow redemption through a payment plan, and require effective notice of these rights.

Assessment Process and Relief Programs

CONSUMER PROBLEMS

STATE SOLUTIONS

Inequities in tax assessment cause Black homeowners to pay higher taxes than similarly situated white homeowners and also cause homeowners in declining growth areas to be overtaxed in a way that subsidizes faster-growing areas.

Require regular, accurate assessments of property values using industry-standard techniques and allow for an open, accessible appeals process.

All states have programs that reduce or forgive property taxes for certain homeowners, such as elders or owner-occupants, but homeowners are not aware of them.

Require comprehensive notice, in English and the most common languages spoken in the state, of all property tax relief programs at every stage of the tax assessment, collection and sale process.

In some states, property tax relief programs are very limited. Homeowners who need relief the most, such as older, disabled, and low-income households typically pay the greatest share of their income in property taxes.

Provide more generous exemptions to households of older people, people with disabilities, and people with low-incomes. people.
Cap the amount of taxes owed based on a percentage of a homeowner’s income (“circuit breakers”).

For more information on how to reform property tax law, see: [Property Tax Foreclosures on Heirs Property: The Devastating Consequences and Recommendations for Prevention](#). To find out more about property tax reform, contact Andrea Bopp Stark (astark@nclc.org) or Odette Williamson (owilliamson@nclc.org).

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