

## **Tax Certificate Sale - "The Basics"**

Alachua County, Florida

Florida law requires that all real estate taxes be paid by March 31 each year. If those taxes are not paid, the law requires Tax Collectors to conduct an auction and sell "tax certificates" on or before June 1<sup>st</sup>. A tax certificate sale is not a sale of land, but rather is a lien against the subject property. Delinquent taxes are advertised in a local newspaper prior to the tax certificate sale. The tax certificate sale is open to the public and participants purchase the certificates as investments. The tax certificate sale is conducted in a manner similar to an auction but is different from a typical auction in that bidders are bidding on rates of interest. In essence, the bidders are extending a loan at a specific interest rate, to pay the delinquent taxes for the property owners.

The tax certificate sale is conducted electronically over the internet on or shortly before June 1 of each year. The bidder who is willing to accept the lowest rate of interest is awarded the certificate. He or she will then pay to the Tax Collector, the delinquent taxes, late-payment penalties, costs of the sale, and advertising charges. The total amount paid for each certificate becomes the "face" value of the certificate. The bidder will earn interest on the face of the certificate at the rate he or she bid, from June 1<sup>st</sup> to the date the certificate is "redeemed" by the property owner. Interest is calculated using the simple interest method and regardless of when the certificate is redeemed, the certificate holder will earn a minimum of 5 percent unless the interest bid was zero percent.

Certificates that do not receive any bids are "struck off" to the County at 18 percent. The County pays no money for the certificates and the Tax Collector holds them as the County's custodian. After the tax sale, members of the public are allowed to examine the County's certificates in the Tax Collector's office and can purchase them by paying all delinquent taxes, costs, and accrued interest. Certificates can be transferred to another individual by paying a small fee to the Tax Collector.

Property owners who eventually redeem their tax certificates are required to pay to the Tax Collector the face of the certificate, all accrued interest, and a redemption fee. The face amount plus accrued interest is remitted to the bidders. All interest paid to bidders is reported to the Internal Revenue Service annually. Forms 1099 are remitted to the bidders for interest paid to them by the Collector each year.

Property owners who still have not paid their delinquent real estate taxes within two years after the taxes became delinquent are risking forfeiture of their property in a "tax deed sale". After two years, a certificate holder may apply to the Tax Collector for a tax deed by surrendering his or her certificate(s) on the property, redeeming all other outstanding certificates, and paying certain other fees and costs including the current taxes. After the tax deed application is received and all amounts are paid, the Tax Collector notifies the Clerk of the Circuit Court. The Clerk of the Circuit Court notifies the property owner, lien holders, and then advertises the pending tax deed sale. If taxes remain unpaid the actual real estate is then auctioned to the highest bidder by the Clerk of the Circuit Court. The minimum or opening bid is the sum of all taxes, interest, costs and fees paid up until the sale. If the property is homestead property, one-half of the latest assessed value of the property must be added to the minimum opening bid. The tax deed applicant receives his money back from the sale proceeds plus one and one-half percent interest per month from the time the application is made until the land is sold.

Prospective bidders who plan to participate in the tax certificate sale should research the properties on which they plan to bid. Some of the parcels may be easements, landlocked property, alleyways, or other property that has little or no value. There are no guarantees that tax certificates will turn out to be good investments. By law, certificates are canceled after seven years unless extended by some administrative action such as bankruptcy. Certificates can be canceled due to certain statutory errors, in which case the bidder will receive 8 percent interest or the bid amount, whichever is lower.

The tax certificate sale is a method by which the various taxing authorities may still receive tax revenue when property owners do not pay their taxes. The taxing authorities receive money that funds their budgets and certificate buyers earn interest on their investments. The tax certificate sale should not be considered a direct way to obtain land. If you have specific questions concerning the tax certificate sale call 352-264-6968 for assistance.