



## Delinquent Real Estate Taxes & Tax Certificate Sale Frequently Asked Questions

*Modified on 04/17/2020*

### **What is a Tax Certificate, a Tax Deed Sale and why is there a Delinquent Tax Sale Auction?**

One method used by governmental agencies in Florida to collect delinquent taxes owed on real estate is to issue a **Tax Certificate**, also referred to as a Tax Lien Certificate. If the property owner fails to pay the delinquent taxes during a specified period of time, the county government can issue what is called a tax certificate on the property. The tax certificate represents the outstanding taxes on the property and includes all unpaid real estate taxes, assessments, including penalties, advertising costs and fees. The county government issues the tax certificates to investors so that the county may recoup the delinquent taxes. This is called a **tax lien sale** or in simpler terms a tax sale. Interest accrues at the bid rate on the tax certificate over a specified course of time until the taxes (lien) are paid. A tax certificate is a first position lien (Senior Lien) on the property.

If the lien is not satisfied by the property owner by redeeming the tax certificate, a **tax deed sale** can be initiated by a holder of the tax certificate. The time frame in Florida to apply is two years after April 1<sup>st</sup> of the year the tax certificate was issued. At this point the holder of the tax certificate may apply for a tax deed. This requires additional monies by the tax certificate holder to proceed and the details of a tax deed sales auction are not covered in this document. The tax deed sale is a forced sale, conducted by a governmental agency, of real estate for nonpayment of taxes. If the taxes are not paid, after legal requirements are met (such as giving proper notice to the property owner as well as others holding an interest in the property, or by filing required action in the courts), the property is offered for sale at a public auction.

### **What is a tax certificate?**

The following points define a Tax Certificate and the rules that apply to them.

- A tax certificate represents a lien against real property and earns interest at a maximum rate of 18% per year.
- The delinquent advertising publication lists the amount due to purchase a tax certificate for each parcel to be included in the sale. This listed amount includes the gross tax, interest, commission, advertising cost and the cost of the tax certificate Sale and is referred to as the face amount of the tax certificate. This is the amount upon which you will earn interest as a lien holder.
- Purchasing a tax certificate does not entitle the tax certificate holder to enter the property, nor contact the owner in any manner. Tax certificates are dated as of the first day of the sale and are null and void seven years from the date of issuance. When two years have elapsed since April 1 of the year of issuance, tax deed proceedings can be initiated to force sale of the property for all outstanding taxes.
- Tax certificates may be transferred by completing an endorsement form and paying the applicable fees.

- In the event of an error, omission, double assessment, or when ordered by a court the tax certificate may be canceled or corrected by the authority of the Department of Revenue. In this case, 8% interest per annum or the tax certificate interest rate, whichever is less, will be paid, except as revised by law or court order. With bankruptcy cases, the rate is determined by the Bankruptcy Court.
- When tax certificates are redeemed (paid) and the interest earned is less than 5%, a mandatory minimum interest of an absolute 5% is due on the face value of the certificate. This applies to all tax certificates except those with an interest rate bid of 0%.
- In order for the property owner to clear the property of the tax certificate lien, the face amount of the tax certificate plus the rate of interest at which the tax certificate was sold plus a redemption fee is paid to the Tax Collector. The interest is calculated from the month of the sale to the month of actual redemption. The Tax Collector then remits the principal (face amount of tax certificate) and the interest earnings to the certificate holder of record.
- Tax certificates bid at 0% **DO NOT** accrue interest or the minimum 5% charge.
- Interest earned is taxable and must be reported to the IRS.
- Special properties and those sale items that are not sold at the auction are issued or struck to the county as a tax certificate at the maximum 18% interest. County held tax certificates, other than those on homestead real estate property taxes under \$250.00, may be acquired by individuals after the close of the tax sale. The Tax Collector will announce the date(s) these certificates become available.

### **When does a tax (lien) sale take place?**

The Tax Collector is required to conduct a tax sale to collect the preceding year's unpaid real estate taxes. The sale must start on or before June 1st, unless a late tax roll makes this impossible. The Tax Collector must advertise the delinquent taxes in a general circulation newspaper. The advertisement is publicized three consecutive weeks prior to the tax sale. This includes the place, date and time of the tax sale and a listing of each parcel showing the parcel account number, the property owner's name, and the total cost of the delinquent taxes (face amount). The parcels are consecutively numbered for reference during the sale. The delinquent tax amount (tax certificate's face amount) includes the gross tax, interest, commission, advertising costs, and the cost of the tax sale. The sale can be conducted "live" or the sale can take place on the Internet. Marion County has chosen to conduct this tax sale via the Internet.

### **How does an internet auction work?**

The auction, called a Tax Sale, is a process where each advertised real estate item is individually bid upon with the winner of the item being the entity or person whose bid is the lowest interest percentage. Each item is auctioned in the order listed in the publication. The bidding begins at 18% (the maximum rate) and is bid down in quarter percent increments. The "winning" bidder's number and rate of interest are recorded. Any item not bid upon is "issued" (struck) to the county. With an Internet auction, bids are transmitted and received through the Internet using a computer and a web browser.

### **What if I have problems using the internet auction system?**

The Internet Auction Site has helpful instructions at each step in the sale function. There will be an auction site available to any users who wish to "practice" on a practice site prior to bidding. This practice site will not charge your bank account when making deposits nor will any of the information be used for the live auction. If you have bid before in Marion County some of your information will be available if you remember your login password. A bidder must have a computer with Internet access and a web browser (recommended: Internet Explorer 10.0 or higher, current release of Chrome or Mozilla FireFox). For newer versions of Internet Explorer please use "Compatibility View" from the

Tools drop down on your browser Menu bar. You can always submit a question through the contact us support request page.

### **How can one bid at the tax sale?**

To participate in the tax sale one must first register as a bidder with the Tax Collector's office through the tax sale website. A bidder number is assigned for identification purposes during the sale. Bidders are required to set their maximum award limit to the maximum amount they intend to spend. Each time a bid is awarded on your behalf, the available balance is reduced by the face amount of each item.

### **When can I start bidding and do I need to make a deposit?**

Bids can be made once the advertised items are published on the Internet, usually in early May. For Marion County, the items advertised are divided into 8 Lots. A Lot is a subgroup of the Advertised List that serves as a means of organizing sale items for the purpose of facilitating bid submission. Each tax sale item in each Lot is auctioned independently of every other tax sale item and arranged in sequential order with a unique auction closing time for each Lot. Bids can be submitted, withdrawn or altered at any point up to the closing of the Lot on the day of the sale. Deposits are required and are 10% of the maximum award limit set by the bidder.

### **How is a winning bid determined when multiple bids for an item are received?**

During a live (in person) auction, a bidder will lower his bid in increments until he is the only bidder left or until the interest goes below his acceptable minimum level, at which point he would drop out. In contrast to the live auction, the Internet auction has proxy bidding. Proxy bidding is a form of competitive bidding in which bidders enter the minimum interest rate that they are willing to accept for each item. The auction system will submit bids on behalf of each bidder. The result of the proxy system is that when multiple bidders are bidding, the auction software starts at 18 percent and keeps lowering the bid to submit by quarter percent increments until you are either the only bidder left, (in which case you get the certificate at a quarter percent lower than the previous bid) or until you reach the minimum bid you have set. Zero percent bids will not be treated as proxy bids. They will be awarded at zero percent. In the case of a tie at the winning bid rate, the system awards the item to one of the tie bidders through a random selection process using a random number generator. In no case will a bidder be awarded a sale item at a rate lower than his specified minimum acceptable rate. At the point the tax sale is closed/adjourned, sale items that receive no bids will be "issued" (struck) to the county at 18%.

### **When do the bidders have to pay the amount due for their awarded items?**

Bidders will receive an email invoice on the last day of the sale, usually June 2nd, indicating the remaining amount due, if any. All payments must be made via ACH from the tax sale website by the cutoff time and date as specified in the Calendar posted on the site. This is 48 hours from the end of the sale. Failure to pay by that date will make the item(s) available for re-sale. The bidder may also lose the right to bid in future auctions and forfeit any deposit.

### **Is security an issue?**

The information that you supply the Tax Collector to perform the auction is treated with the utmost level of security, both in storing your information but also in keeping your information private. Transmission of your information utilizes a security certificate for your protection. A user supplied password is required to register and subsequently login to the auction website. Please be careful to remember your password, as it is the key to your access to the Marion County tax sale website. If, however, you forget your password, it may be recovered easily by clicking on the "Forgot Your Password?" link on the tax sale login page. You can request your password be sent to you by email if

you are unable to recall it. To do this you must provide your matching personal information to have this sent to your registered email address. If all else fails, contact us through the support link.