

SANDYSTON TOWNSHIP

TAX COLLECTION PROTOCOL

Taxes become a lien on the property the first day of the fiscal year. The State of New Jersey has set up four quarterly due dates for payment. It is important to note that the procedures of the Tax Collector are dictated by New Jersey Statute.

Taxes are due August 1, November 1, February 1 and May 1. New tax bills are sent out to taxpayers in time for the August 1 due date. There is a ten day grace period for each quarter where residents are not charged interest. Any payment received on the 11th or thereafter is charged interest back to the 1st of such quarter.

On occasion, tax bills are not mailed out in time for the August 1st due date. This usually occurs when there is a delay in the State budget affecting when the tax rate is struck for the municipalities. In this case, residents will receive their tax bills "late", but the tax bills will be *clearly indicated* that taxes are due **25 days from the date of mailing from the tax collector's office** – not from the date the tax bill is received in the mail by the resident. Please note that there is no further grace period afforded residents. Taxes that are not received 25 days from the date of mailing will be charged interest dating back to August 1.

On the 11th day of the 11th month (November) any outstanding delinquent taxes are charged interest until paid. The Sandyston Township Tax Collector makes every effort to collect these delinquencies, mailing delinquent notices every two weeks. This is done for two reasons: (1) it is the responsibility of the Tax Collector to collect all taxes for Sandyston Township and (2) the tax collection rate directly affects the budget for the following year.

Interest charged for delinquent balances is as follows:

- 8% interest is charged on the delinquent balance up to \$1,500 until the entire delinquency is brought current.
- 18% interest is charged on the delinquent balance in excess of \$1,500 **until the entire delinquency is brought current**. (This means that if you pay your taxes, but you accidentally do not pay the correct amount and are left with a delinquency, that delinquency is charged at 18% because your original amount due was over \$1,500.)
- In any case where a taxpayer with a delinquency in excess of \$10,000 fails to pay that delinquency prior to the end of the calendar year, a penalty in the amount of 6% of the amount of the delinquency shall be charged in addition to the interest hereinabove provided.

In Sandyston, delinquent notices are sent every two weeks following the quarter which the taxes are due.

The Tax Collector begins the tax sale process at any time after the 11th day of the 11th month of the current fiscal year, but completes the actual sale sometime during the subsequent fiscal year. This is called a Standard Tax Sale.

The Tax Collector also has the option of performing an "Accelerated Tax Sale". The process also begins as of the 11th day of the 11th month of the current fiscal year and the sale must be completed by the end of the current fiscal year.

Sandyston Township has utilized the Standard Tax Sale process. (*N.J.S.A. 54:5-19*)

The Tax Collector is charged with the duty of collecting the entire amount of the tax levied. (*N.J.S.A. 54:5-19*) When taxes remain unpaid and delinquent for certain periods of time, the Tax Collector is required by law to "enforce" the collection by means of a tax sale for the value of the delinquency. This statute has been amended to clarify the timeframe for which the tax sale list should be prepared for a standard tax sale. In the case of a standard tax sale, the list (not to be confused with the "Notice") shall be prepared the 50 days prior to the date of the sale.

(*N.J.S.A. 54:5-21*)

In Sandyston:

- Starting November 11th, delinquent notices are sent every two weeks.
- The tax collector picks the date of sale.
- Once the date is set – the notices become a "sale letter/delinquent notice" giving information that their parcel is in jeopardy of tax sale and are mailed weekly
- There is a "sale letter/delinquent notice" sent that advises the taxpayer the date to pay to avoid their name being listed in the newspaper.

The Tax Sale list of the properties subject to sale must be either a bound book or a bound hard copy of a computer-generated list and shall be kept as a permanent record of the office. If the tax sale list is very long it may be made up in more than one section or book. (*N.J.S.A. S. 54:5-24*)

After the Tax Collector completes the list, they must give public notice of the time and place where the sale will be conducted, indicating the description of the parcels of land, the owners' names as contained in the list (taken from the tax duplicate) and the total amount due on each property, with interest and costs of sale, as computed to the date of the tax sale and is still due at the time of preparing the notice. The notice must also substantially indicate that the parcels of land will be sold for an amount equal to all the charges due against each property on the date of sale, including interest to the date of the sale, and the costs of sale. In other words, the total amount indicated in the tax sale list. (*N.J.S.A. 54:5-25*)

- Once the Notice is created and sent to the newspaper for publishing this notice is not changed. If the taxpayer does not pay by the date indicated in the "sale letter/delinquent notice" the information is transmitted to the newspaper for publishing and remains the same for all advertisements.

Copies of the notice must be posted in five of the most public places in the municipality (municipal bldg., post office, library, etc.). A copy of the tax sale notice must be published (legal ad) in a newspaper that has circulation in the municipality. If the municipality has an "official" newspaper, the notice must be published in that newspaper. The notice must be published **one time in each of the four calendar weeks before the week of the sale**. Instead of advertising for four weeks, the Tax Collector has the option of substituting one mailing or two mailings for one or two of the ads. If the Tax Collector chooses the mailing(s), the notice must be sent by either regular or certified mail to not just the owner, but also to any person or entity (usually a mortgage) that has filed what is commonly called "the five year notice" for foreclosure actions. **A fee up to \$25 may be charged for each notice for a particular property**. Remember, the law spells out a *maximum* of two mailings in lieu of advertising. The Tax Collector must publish the notice as a legal ad for *at least* two weeks. If only one mailing was completed, and the taxpayer makes payment prior to the second mailing, only the fee for one mailing can be charged. (N.J.S.A. 54:5-26)

- Sandyston Township does not have this in the fee ordinance to be able to charge \$25 for such notice

Whether or not the Tax Collector uses the standard four week advertising method or the in lieu of mailing, they still must mail a copy of the notice of tax sale to the owner if the owner's name and address are listed in the tax duplicate. The notice does not need to be certified mail and failure to mail the notice will not invalidate the sale. (However, deliberately not mailing notices might be viewed as grounds for removal from office) (N.J.S.A. 54:5-27)

The Tax Collector **must** accept payment(s) of the amount(s) due on any property, together with interest calculated to the date of payment and costs as set forth in N.J.S.A. 54:5-38. In other words, when a taxpayer wants to pay to avoid tax sale, they must also pay interest on all subsequent delinquencies. The statute requires that the Tax Collector apply the payment(s) first to the interest on **all** delinquencies, costs and penalties, then to the **oldest** delinquent principal. The Tax Collector may collect the fee for in lieu of mailings if the mailings have been completed. (N.J.S.A. 54:5-29)

The municipality is entitled to recover fees in connection with holding a tax sale. The tax sale amount includes a fee of 2% of the total delinquent charges as calculated to the date of the sale. The 2% fee shall not be less than \$15.00, nor more than \$100 for each parcel sold. This fee forms part of the amount on the tax sale list, notice and advertisement. If the municipality has adopted a fee for the mailing in lieu of advertising this fee also becomes part of the "Cost of Sale". (N.J.S.A. 54:5-38)

When the sale is held, the property is sold in "fee" (subject to foreclosing the rights or redemption) to any person who is willing to purchase it, subject to redemption at the lowest rate of interest (meaning the amount of return the purchaser will receive on their money if/when the property is redeemed). The redemption interest rate cannot legally be more than 18%. If any bidder is willing to purchase the amount owed at a return of less than 0%, they may bid a "premium" instead of a rate of interest. The property is sold to the bidder who offers to pay the full amount of the liens, plus either the lowest rate of interest, or the highest amount of premium.

In other words, bidding at the sale begins when a potential purchaser (bidder) offers an initial bid (rate of return), usually the maximum of 18%. If there is competitive bidding, the rate of the bid goes downward from 18% until it either ends or reaches 0%. If bidding continues below 0% a bidder may then offer a dollar value or "premium" (for the privilege of purchasing the amount owed) as high as anyone is willing to pay. Therefore, the property is sold to the lowest percentage of redemption interest bid – or to the highest *premium* bidder if there is a *premium* bid. (N.J.S.A. 54:5-32)

The amount owed is referred to a "Certificate" or "Tax Sale Certificate".

The winning bidder of the certificate is referred to as the "Lienholder".

When the resident wishes to pay off the lienholder this is called "Redemption".

The *premium* is "held" by the Tax Collector (in trust). If the certificate is redeemed within five years from the date of the sale, the *premium* will be returned to the purchaser of the certificate. If the certificate has not been redeemed at the end of five years, the *premium* payment is then paid over to the Treasurer of the municipality and the *premium* becomes part of the general municipal revenue for that year as Miscellaneous Revenue Not Anticipated. (N.J.S.A. 54:5-33)

After the sale, the outside lienholder has the right to pay any current delinquent taxes not paid by the resident **subsequent** to the sale. Such payments, referred to as "subs", accrue to the lien and must be paid in full to redeem said tax sale certificate.

If an amount owed for a particular property is not sold at the auction, the Tax Collector must strike it off in the name of the municipality at a redemption interest rate of 18%. (N.J.S.A. 54:5-34)

If the amount owed was struck off to the municipality, all subsequent taxes, assessments for benefits and other municipal charges become additional liens and are added to the value of the certificate (accrue to the lien) and must be paid upon redemption. As long as the municipality holds the certificate, there are no further tax sales against the parcel unless the governing body directs a new sale by resolution. (N.J.S.A. 54:5-40)

Any and all redemption requests must be made through the Tax Collector's office. It is the responsibility of the Tax Collector to verify with the lienholder that the redemption amount is accurate.