

New Landmark Law Saves Homeowners' Equity in New Jersey Tax Foreclosures

TRENTON, NJ, UNITED STATES, July 18, 2024 /EINPresswire.com/ -- In a pivotal development for homeowners, Governor Phil Murphy signed a groundbreaking bill [A3772/S2334](#) last Wednesday. This legislation aligns with the U.S. Supreme Court's recent verdict in *Tyler v. Hennepin County, MN*, which is a substantial win for homeowners. The [National Tax Lien Association \(NTLA\)](#) and the New Jersey Tax Collectors played a role in crafting this bill, which guarantees that homeowners of tax-foreclosure properties can recover any home equity that surpasses their tax arrears.



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This legislative achievement updates New Jersey's tax sale framework to adhere to the U.S. Supreme Court's latest ruling. The court's decision prohibits governments from keeping any surplus from tax foreclosures over the amount due in property taxes, penalties, and interest.

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Brad Westover, Executive Director of the NTLA

“New Jersey law now allows for a sheriff sale of tax delinquent property,” said Brad Westover, Executive Director of the [NTLA](#). “Any excess proceeds, beyond the taxes owed, can now revert to the property owner, protecting homeowners' equity.”

Under New Jersey law, local governments are authorized to auction off tax liens on properties with delinquent property taxes or utility bills to private investors. These investors can bid down the initial statutory interest rate from 18% to 0% and then increase the premiums given to the government selling the lien. Should the property owner fail to meet their tax responsibilities,

investors have the right to take ownership of the property, but only after a two-year period. This mechanism allows local governments to collect essential funds for public services, while also offering homeowners a chance to prevent foreclosure. Data from the NTLA confirms that over 99% of unpaid taxes are resolved prior to resorting to tax foreclosure.



In 2023, New Jersey alone saw approximately \$263 million in property tax delinquencies, ranking 12th highest in the US, according to data from Tax Sale Resources. Tax lien sales provide a vital influx of funds to New Jersey's municipalities for these unpaid taxes. "That's essential; last year, America saw over \$22 Billion in unpaid property taxes," according to Brad Westover, Executive Director of the NTLA. "Property taxes fund every local government service we rely on, including Police and Fire Services, Schools and Teaches, Parks and Recreational Centers."

Tax sales are instrumental to generating revenue, ensuring tax payment across the board without the need to increase taxes. The recent legislation permits homeowners or their heirs to recover any surplus equity by initiating a judicial sale or online auction, provided the request is made before the court issues a final judgment. Once the property is sold, the homeowner is entitled to the residual equity, after deducting the taxes owed and the expenses incurred by the county sheriff's office and the tax sale certificate holder.

The law excludes abandoned properties from surplus equity claims and permits the recovery of additional expenses if a homeowner demands an auction subsequent to the initiation of a foreclosure by a tax sale certificate holder. This exclusion of abandoned properties aims to expedite the resolution of blight in New Jersey's communities.

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