What Does “Subject to Tax Sale” Mean?

A property owner neglects to pay taxes (property and/or sewer)

Residents receiving a delinquent bill/notice for property tax or sewer due may see Subject to Tax Sale stamped on their notice. This means that the property has unpaid principal and interest for taxes (property and/or sewer) from the prior tax (calendar) year. This property owner may also have unpaid property and/or sewer taxes in the current year, but only the prior year’s unpaid amount is subject to tax sale.

Unpaid taxes are auctioned off at a tax lien sale

New Jersey state law requires municipalities to hold at least one tax sale per year if the municipality has delinquent property taxes and/or other municipal charges such as sewer.

A tax sale is a public auction of the unpaid taxes due. At the tax sale, the deed to the property is not auctioned/sold. What is sold is a tax sale certificate—this is a lien on the property. The list of properties subject to tax sale must be prepared at least 50 days prior to the date of the sale. This notice also must be posted in public places and be published as a legal ad.

A property owner may make payment of prior taxes owed before the tax sale is held. Payment is applied first to any interest on all delinquencies, costs, penalties, and then to the oldest delinquent principal. Depending on how close payment is made to the date of the tax sale, payment may need to be made by bank check as personal checks will not be accepted. Property owners in this situation must contact the Township’s Tax Collection Department for specific guidance prior to making payment.

The highest bidder gets the lien against the property

If payment of the prior year’s balance is not made prior to the date of the tax sale, liens are sold to the highest bidder. If there is no bidder, the municipality holds the lien. The Tax Collector uses the money earned at the tax sale to compensate for the unpaid back taxes.

Once there is a lien on the property, the only parties who can redeem the lien are the legal owner(s), an heir, a holder of a prior outstanding lien certificate, a mortgagee, or a legal occupant of the property sold. Contact the Township’s Tax Collection Department for specific guidance prior to redeeming a lien.

The homeowner has to pay back the lien holder, plus interest, or face foreclosure

From a property owner’s perspective, if you don’t pay the back taxes due and end up in tax sale, an investor (lien holder) can buy what you owe. You will then owe that lien holder for the amount of the tax sale certificate, fees, interest, and any subsequent taxes that can be paid by the lien holder if you do not pay them when due/by the end of the 10-day grace period. If the lien holder makes subsequent payments, your debt to that lien holder continues to grow.

There is a two-year window of time to pay (“redeem”) your overdue taxes plus interest to the lien holder. If you don’t redeem the lien within this timeframe, the lien holder has the right to foreclose on the property. While this can be a lengthy and time-consuming process, it’s clear that most property owners would want to take steps to avoid this situation. Again, contact the Township’s Tax Collection Department for specific guidance prior to redeeming a lien.

Seek Legal Advice

If you have issues related to title, property taxes, etc., you should speak to an attorney. If you can't afford an attorney, free legal help may be available. Contact Legal Services of New Jersey's toll-free statewide hotline at 1-888-LSNJ-LAW.

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