

# TAX LIENS UNLEASHED



Michael Williams

*"...12%, 16%, 24%...  
guaranteed by the government!"*

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# TAX LIENS UNLEASHED

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# Pleasure versus Pain

I want you to clear your mind now and think about why you decided to learn about tax liens. Why are you reading this right now? You should be able to tell me. After all, you are trading valuable time and life energy for what might be a crazy investing strategy.

You must have a reason.

It sounds funny to start off this book with a question, but it is important to understand your motivation. If your only motivation is to make a lot of money, great! Don't feel guilty. I just want you to realize that it's probably not money that you seek. You are probably looking for something deeper. Something that you believe money will give you.

Perhaps it is a safer investing strategy, higher returns, your own business, retirement savings or a combination. Okay. That may be closer to the truth, but even that is not enough. Dig deeper and think about your true motivation. Do you have a burning desire to make a change in your life? Are you sick and tired of looking at your retirement savings dwindle in the stock market through world activities that are out of your control, like a bankrupt Greece or a crippled U.S. economy?

Maybe, just maybe, it goes beyond sipping margaritas in the Caribbean. Maybe you are fed up with the system. Maybe you're angry. Maybe you are ready to learn about tax liens and actually try it. Maybe this time you'll actually do it.

## *Consider this...*

In psychology there are essentially two motivators:

1. Seeking pleasure
2. Avoiding pain.

Of the two, avoiding pain is almost always stronger. I've been told it is roughly five times stronger as a motivator. Think about it. You want to buy a tax lien certificate, but it's scary. You've never done it. You might make a mistake. That sounds like pain or fear of the unknown. On the other hand, safely earning higher returns might result in more money for a child's education or a higher standard of living during retirement. That sounds like pleasure.

The question is can you turn this around so that you are motivated by pain, but in a positive way? The pain could be your current investing portfolio, your job, your lack of retirement income, your promises to yourself that you would save and earn a decent return, but you haven't.

What *motivates* you?

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Could it be that pain is really you and your lack of motivation? Maybe it is time to “avoid yourself” and your lack of motivation or your perceived fear and finally take action. Pain might be the clock, the inevitable tick-tock of time slipping away. It’s all a matter of perspective.

I want you to turn the pain factor to your advantage and get motivated right now! In fact, I want you to read the next chapter, put down the book and start doing your research.



# Tax Liens Unleashed: 10 Steps

**Plan.** Decide on how much you have to invest, how long you can tie up your money and what kind of investment return you are expecting. Think about how this fits into your financial goals. Are you investing for retirement or a business? When will you need the money?

**Example:** Let's say you have an extra \$2000, which is 10% of your investing portfolio, and you want to start by trying an online tax lien sale in Arizona. In Arizona tax lien sales are conducted in February so start planning in January. Find out when the online sales start, how to get signed up, and how to bid. You've selected a portion of your investing portfolio to try out this strategy. You didn't go all in and hope everything just worked out. This is a plan. This is a strategy that can get you past the initial fear. Follow the rest of these steps to find out how this plan will work.

**Where to Invest?** Next, look through the summary of tax lien states and compare interest rates with redemption periods, and then factor in where you live and if the state has online Internet auctions or over-the-counter (OTC) tax liens. OTC tax liens and deeds are purchased after the sale. The redemption period is the time that a property owner has to pay back his taxes.

I've also included a table of tax deed states, and a table of tax deed states with a right of redemption for you to look over.

## Tax Lien Certificate States

STATE	INT. RATE	REDEMPTION PERIOD	NOTES
Alabama	12%	3 years	Auctions are usually in May. You do not receive interest on a bid that is over 15% of the appraised value. Over the counter (OTC) available.
Arizona	16%	3 years	Online auctions held in February. Unsold liens are for sale over the counter. Tax deed sales are also held. OTC available. Internet auctions available.
Colorado	9% + federal discount rate - currently about 1%	3 years	Auctions (some online) occur on or before the second Monday of December, with most scheduled in October and November. Some counties use a round robin process; in other counties, the highest bidder is awarded the tax lien. Premiums on bids are not refundable, nor do they earn interest. OTC available.

### STEP ONE

### STEP TWO

*With Tax Lien Certificates, you are only buying a lien, not the property. You will either earn interest or have a chance to foreclose on the property.*





STATE	INT. RATE	REDEMPTION PERIOD	NOTES
Florida	18%	2 years	Online and courthouse auctions are held on or before June 1. The winning bidder pays 10% of the total tax lien at the sale, and the balance within 48 hours after the lien certificate is prepared. Bidding can proceed downward to as low as 1/4% and the bidder still receives a minimum of 5% interest. Florida also has tax deed sales. OTC available.
Illinois	18% flat or penalty every 6 months; farmland, 12% every 6 months. Interest rates are considered penalties.	2 – 2 ½ years, depending upon the property classification	Two types of sales are held: annual tax lien sales for recently delinquent properties (usually held in the fall); and biennial scavenger (tax deed) sales (held in odd years) for properties delinquent two or more years that were not sold at the annual sale. Pre-register 10 days to 1 month before the sale to bid.
Indiana	Flat 10% on the minimum bid - 6 months. Flat 15% on the minimum bid 6 – 12 months. Interest on the overbid amount is 10% per annum	1 year for “A” and “B” properties; 120 days for “C” properties	Auctions (some online) are usually held from August through October. If the owner does not redeem the tax lien certificate, you must apply for a tax deed within six months after the redemption period expires or forfeit your money. Counties can also hold tax deed sales, referred to as surplus auctions.
Iowa	24%	21 months	Auctions occur on the third Monday in June. By state law, counties can allow bidders to bid on the percentage of the property they will own, making foreclosure more difficult. The bidding process is commonly done by random round robin.
Kentucky	12%	1 year	Kentucky parishes do not emphasize their tax certificate sales, and it is difficult to find information on the Internet.
Maryland	6% to 24%, depending upon the county or city	6 months, or as long as the right of redemption has not been barred by foreclosure	Auctions are usually held in May or June. Local variations to the tax lien process can be tricky. The high-bid premium is refundable without interest upon redemption of the tax lien certificate.

STATE	INT. RATE	REDEMPTION PERIOD	NOTES
Mississippi	18%	2 years	Bidders can overbid the minimum bid set, but the overbid is not reimbursed upon redemption and no interest is earned on it.
Missouri	10% on the minimum bid	Up to 1 year, depending upon the property classification (1st – 4th offerings)	Auctions in every county are held on the fourth Monday in August. Bidders bid on what they would be willing to pay for the property, assuming the owner never redeems. Fourth offerings are tax deeds – there is no redemption period. First class charter counties (e.g., Jackson County) may conduct tax deed sales instead of tax lien sales.
Montana	10%	2 to 3 years, depending upon the property classification	Not a lot of public information on tax lien certificate sales. Counties may conduct tax deed sales of properties not sold at the tax lien sale.
Nebraska	14%	3 years	Auctions are held on the first Monday in March. Bidding is by round robin, with bidders proceeding in order based on the bidding number. Tax deed sales may be held at the county's discretion.
Nevada	12%	120 days for vacant land, 2 years for improved land	Tax lien sales (called special assessment sales) are infrequent in most counties. Most counties conduct tax deed sales, also called trustee sales. There is a two-year legal challenge period for trustee sales.
New Jersey	18%	5 years	Sale rules are complex, with sales being conducted by the municipalities. Once the interest rate goes to 0%, bidding begins on the property taxes owed. The highest “premium” bidder wins. Tax deed sales are also conducted.
New York	10 to 24%, depending upon the county or municipality	Minimum of 2 years	Process varies between governing bodies. Big investors can take over sales, and property values can be high. Governing bodies may hold tax lien and/or tax deed sales. Tax lien sales can be closed to the general public.
Ohio	18%	1 to 3 years	Tax lien sales are only held in counties with a population greater than 200,000. Only institutional investors are allowed to participate in the sales. Tax deed sales are held in smaller counties.

STATE	INT. RATE	REDEMPTION PERIOD	NOTES
Oklahoma	NA	NA	Tax liens, <b>no longer held</b>
S. Carolina	12% unless alternative method; then 8% penalty the first year plus 4% second year.	1 year unless alternative method of taxation used; then 18 months	The winning bidder must pay by the end of the sale day. The interest is not paid on a prorated basis, but rather on a schedule. The interest paid cannot exceed the minimum bid.
Vermont	12%	1 year	Municipalities (cities) handle tax collection. Unless otherwise voted, the first constable is automatically the tax collector.
Washington, D.C.	18%	6 months	Auctions are held the third Tuesday in July. Bidding begins at the amount of delinquent taxes – the winning bid is the highest bid. There is no interest on the overbid. Tax deed sales are called bid off sales.
West Virginia	12%	17 months	Properties left over from the lien sale are certified to the State; if not redeemed, they are sold at “second sales.” Buyers at second sales receive a deed within 90 to 120 days, during which time it can be redeemed.
Wyoming	3% minimum penalty fee plus 15% per year for the first year; 18% per year for subsequent years.	4 years	Wyoming law prescribes a strict procedure that must be followed in order to properly apply to the Treasurer’s Office for a tax deed. It is the burden of the certificate purchaser holder to make sure all the steps are followed properly.

## Tax Deed States

STATE	COMMENTS
Alaska	Anchorage may provide financing.
California	Online sales available; allowed by law to sell liens, but have not done so. One year legal challenge period.
Idaho	Financing may be available through the county.
Kansas	Very good sales, but inconsistent.
Maine	In certain rare cases, a right of redemption of 8% exists. Bidding is in fractional parts of land.
Massachusetts	Allowed by law to sell liens.
Michigan	Refer to the tax reversion process listed on Michigan.gov
Minnesota	Refer to the Conservation/Nonconservation list: <a href="http://www.dnr.state.mn.us/lands_minerals/landsale">http://www.dnr.state.mn.us/lands_minerals/landsale</a>
New Hampshire	Sales handled through municipalities.
New Mexico	Mortgage may not be eliminated.
North Carolina	Property tax foreclosure sales. Upset bids are allowed 10-days after the sale, resulting in another bidder paying more to obtain the property.
North Dakota	Sales held on third Tuesday in November. Not many properties available.
Oklahoma	Tax deed sales occur second Monday in June.
Oregon	Called Sheriff's sales of surplus county-owned property.
Pennsylvania	Complicated system; mortgage not removed in two of four sales.
Utah	Complicated bidding on portion of land. Winning bidder may only own a small fraction of the land.
Virginia	Sporadic sales authorized by the Court on properties with two or more years of taxes owed.
Washington	Refer to tax title properties.
Wisconsin	Minimum bid starts at the appraised value.

*You do not earn interest in these states, but you may be able to purchase properties for only the taxes owed.*



## Tax Deed States with a Right of Redemption

*You are buying the deed or ownership, but the owner or interested party may be able to buy it back from you. You may earn interest if redeemed.*

STATE	INT. RATE	REDEMPTION PERIOD	NOTES
Arkansas	0%	30 days	The State Land Commissioner handles all county tax sale auctions. Mail-in bids are accepted if received 7 days before the sale.
Connecticut	18%	6 months	Municipalities handle the sales, so bidding requirements vary. Some municipalities may only offer deeds in bulk purchases.
Delaware	15 to 20%	60 days or 1 year	There are only three counties in this state.
Georgia	20% flat rate first year; 10% after the first year.	1 year	Georgia is complicated. If redemption doesn't occur, you must be prepared to pay subsequent taxes and foreclose. Auctions occur on the first Tuesday of each month.
Hawaii	12%	1 year	Hawaii only has five counties. In Kalawao County, tax sales are handled by the State.
Louisiana	12% plus 5% penalty, total 17%	3 years from the date the deed is filed	The Sheriff acts as the tax collector for parishes. Buyers may bid for a portion of ownership.
Rhode Island	10% first six months + 1%/month	1 year	After one year, the investor automatically is responsible for the property, even before foreclosure.
Tennessee	10%	1 year	Tax sales must be confirmed by the court.
Texas	25%/6 months. 50%/2 yrs.	6 months or 2 years for agr. and homestead	Real property is sold on the first Tuesday of the month.

### STEP THREE

**Get a tax sale list.** To find your own tax sale list, use a search engine (e.g., Google or Yahoo) and type in county treasurer or tax collector. Be specific. For example, type in “Travis County Texas Tax Collector” or “Maricopa County Arizona Treasurer.”



Or, type in “Lee County Florida Website” and go to the main website and search for elected officials, departments or government. Once you are on the site, you will usually be able to find a list if the sale is coming up in the next few weeks. Tax sale lists are typically published about three to four weeks before the sale. By law most counties have to publish the list in a local newspaper or the list will be available in paper format or on a CD at the Tax Collector’s office.

### STEP FOUR

**Screen the lists.** The idea with screening is to weed out what you don’t want and come up with a smaller list to research. This will depend on your goals, but as an example, liens are categorized into property types such as “improved” versus “unimproved.” Unimproved property is land (either acreage or a lot or an un-buildable strip of land). If you are not interested in land, then screen out real estate that shows a “0” value for the improved property. If you are concerned about environmental risk, then you may want to avoid commercial properties. Other screens include checking for redemptions before you start, while you are working, and when you are almost done. If you can find a list in a spreadsheet or database format, you can screen out what you don’t like much easier. Screen for the amount of taxes owed versus the value. Be sure to look at the legal description and see if it is land or only mineral or water rights. Make sure the land is not a green space. The most important screen is for redemptions.

I hope you enjoyed this free sample. Be sure to visit [RogueInvestor.com](http://RogueInvestor.com) to order and enjoy all 300 pages, plus monthly Premium Reports and personal help.



## Michael Williams

Michael Williams earned a bachelor's degree in geology from Baylor University and a master's degree in environmental science from Oklahoma State University. He was the first person in his family to graduate with a college degree. He has worked on complex real estate transactions involving environmentally or structurally compromised properties throughout the United States and Europe.

Using this knowledge he began buying foreclosed government properties and tax lien certificates. He has purchased tax liens and foreclosed properties for the last 10 years in the following states: Arizona, Florida, Colorado, Missouri, Nebraska, Iowa, Alabama, Arkansas, Texas, Oklahoma, Utah and Kansas.

Mr. Williams has also taught seminars and provided personal training for clients throughout the United States, Canada, Europe and the Caribbean. He has been invited to speak with industry leaders such as Harv Eker; and he has been quoted in *Entrepreneur Magazine* and on radio and talk shows on the topic of tax liens.

More than anything, he loves to teach people how to “do it themselves” –create a business, invest in tax liens, use an IRA for real estate and manage rental properties.

Mr. Williams created **Tax Liens Unleashed** as the first edition of its kind that uses a hands-on approach to learning about tax lien investing. The information is presented in a workbook style so you can start investing immediately.

Previously, Mr. Williams co-wrote seven editions of the **Rogue Real Estate Investor Collection**. He is the co-founder of Mind Like Water, Inc. and Rogue Investor, LLC. He still personally invests in real estate, tax liens and small business start-ups.