New York City Independent Budget Office
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NYC's Tax Lien Sale Process

Below IBO provides a quick run-through of New York City's tax lien sale process. For more details, read IBO's report: Tax Lien Sale: History, Outcomes, and Alternatives.

What is a Lien, and What is the Lien Sale?

A tax lien is a legal claim to collect a property's debt when the owner fails to pay property taxes, water and sewer bills, or certain City repair charges. The tax lien sale is currently New York City's main mechanism to enforce property-based payments. The City sells unresolved liens to the Tax Lien Trust (see below) that becomes responsible for collecting the debt.

What is the Tax Lien Trust?

The Tax Lien Trust is a legal entity created by the City for each lien sale to purchase liens from the City. It is managed by a third-party financial institution. City Council has passed legislation to replace the Trust with a New York City Land Bank by 2029.

How Does a Property End Up in the Lien Sale?

Lien sale eligibility depends on the property type, the amount and kind of debt owed, and how long that debt has been outstanding. If the debt remains unpaid for one to three years, the property may then become subject to the tax lien sale. Most owners, typically over 80% of those eligible, take action to address their debt before the lien sale takes place.

What Happens To Properties That Still Do Not Resolve Their Debt?

The Trust can initiate foreclosure, typically within one year of sale, although it can begin as soon as 30 days after a sale if interest is unpaid. The proceeds from foreclosure are used to repay the debt owed. Since 2016, at least 1,000 properties have gone through the full foreclosure process and been sold at auction, though this is likely an undercount. Unresolved liens that fail to sell at auction are transferred to the "Graveyard Trust," where they can remain unresolved for long periods.

What Types of Properties Can be Affected?

The lien sale process can affect nearly all property types, including one- to three-family homes, multifamily buildings, condominium properties, and vacant lots. However, impacts are not evenly distributed. In 2025, 72% of liens sold on one- to three-family homes were in majority Black and/or Hispanic neighborhoods, an increase from 62% in 2021. In these neighborhoods, there are also more one- to three-family homes facing foreclosure and higher rates of housing code violations in multifamily rental properties with liens.

FIGURE 1

Steps in the Lien Sale Process

Properties Become Eligible for the Lien Sale

- When **property owners** fail to pay City property taxes, water and sewer bills, or repair charges, the **City** puts a lien on the property and it accrues interest
- If unresolved for 1-3 years, the lien can become eligible for the tax lien sale. Eligibility is based on the property type, debt type, and amount of debt owed

Outreach Period

- **DOF** mails notices to owners at 90, 60, 30, and 10 days before sale
- Outreach events hosted by **DOF**, **HPD**, **City Council**, and/or community groups
- **DOF** posts newspaper ads

Owners Resolve Debt

This can be done by **owners**...

- Paying debt in full
- Entering an installment agreement or hardship deferral
- Qualifying for an exemption from the tax lien sale

Unresolved Liens are Sold to the Trust

1. The **City** will create a new **Trust** for the sale
2. The **Trust** issues bonds using the liens as collateral
3. The **Trust** uses capital from the bonds to purchase liens from the **City** at a discount in a bulk purchase
4. **Owners** now owe the **Trust** the original debt, plus a noticing fee and surcharge

Following the Lien Sale

The **Trust** will...

- Hire external **lien servicers** to engage with **property owners** and collect debt
- Charge **owners** the <u>same interest rate</u> as the City charges on overdue property taxes
- Pay **bondholders** first with collections, then pay the remainder to the **City**

If no resolution, the **Trust** can pursue foreclosure, typically within one year of sale.

SOURCE: DOF Tax Lien Sale Briefing for IBO (presented to IBO on March 3, 2025).

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