

## **The Arizona Tax Certificate Auction – Preparing to Profit in February**

**By Tax Lien Pro©**

Buying tax liens in Arizona is a relatively easy and profitable investment opportunity. Since most of larger counties' auctions are held online, you can invest in these liens from anywhere. The initial bid rate of 16% is very good; however, there is a lot of competition, so most returns fall below 10%. The auctions are held in February, so get ready to start your due diligence now to prepare.

### **Arizona Property Taxes**

Arizona property taxes are paid in arrears. So, property owners pay the first half of their annual taxes in the Fall and the second half the following Spring. The second half taxes become delinquent after May 1<sup>st</sup> and by December, the county treasurers have compiled their list of delinquent taxes to auction in February.

### **Delinquent Tax Auction**

The smaller counties in Arizona still perform open outcry auctions where you or your representative will have to show up to the county on auction day to participate. However, more and more of these counties are going to online bidding including the counties of Maricopa (Phoenix) and Pima (Tucson). You can find these online auctions via the major auctioneers—Grant Street, Real Auction or Bid4Assets. You can go to either of these sites for a demo of how the process works.

The bidding starts at 16% and works its way down in 1% increments until a winner is awarded the lien. If there is a tie, then the computer (online auctions) awards the bid randomly those at the lowest rate. This creates a bit of an unfair advantage to the larger investment funds who often register hundreds of entities to bid. This is completely legal and forces the individual buyer to either accept a low rate – 5-6% or bid on lower quality properties. For those that subscribe to the [newsletter](#), we'll go into different strategies to beat these large, corporate investment funds.

## **Tax Lien Foreclosure**

Arizona has a three-year maturity period in which the property owner may redeem. This is great if you purchase the lien at a high rate but a very long time to hold if you are looking to foreclose on the property. After three years, the tax lien purchaser may begin foreclosure. There is a mandatory 30 day notice of intent to foreclose which must be given to all parties on title. This notice is good for 180 days; but if a foreclosure suit is not filed within this period, another 30 day notice must be sent. The foreclosure action is handled as a civil matter in the court and results in a Treasurer's Deed being awarded to the tax lien investor which extinguishes the right of redemption of all interest holders. This deed can then be recorded and the property is now owned by the tax lien holder.

All in all, tax lien investing in Arizona is great for those looking for a relative simple process and for those who are just looking for yield. Since the redemption period is long and the tax amounts relatively low, most of the tax liens redeem and it is a rare case where one would actually take title to a decent property. Bidding begins at the end of February so begin your due diligence at the start of the year.