

Guide to Tax Foreclosure Overages

This guide is designed for beginners who may be new to the idea of tax foreclosure overages. It explains what they are, why they happen, and what they mean for homeowners and investors.

1. What Does 'Tax Foreclosure' Mean?

When property taxes are not paid for a long time, the local government (usually the county) can take legal action to collect. One of the most common ways is through a tax foreclosure sale, where the property is auctioned to the highest bidder. The money from the auction is first used to pay off the taxes, fees, and costs owed.

2. What Are Tax Foreclosure Overages?

Sometimes, the winning bidder at the auction pays much more than what was owed in taxes. For example: if \$8,000 in taxes were owed, but the property sold for \$50,000, the county will keep the \$8,000 and related costs, but the extra \$42,000 is called the 'overage' or 'surplus funds.'

3. Who Can Claim These Funds?

In most cases, the former property owner has the right to claim the overage. If the owner has passed away, their heirs may be eligible. Sometimes, lienholders such as mortgage companies or creditors may also be entitled to part of the money. The rules depend on local laws.

4. How Do You Claim the Overage?

To claim overages, you usually need to contact the county tax office or court handling the foreclosure. Most counties require you to file a written claim form or petition. Proof of ownership, identification, and sometimes supporting legal documents are needed. It is important to know the rules in your state, because deadlines to claim are often very short—sometimes only 6 to 12 months.



5. Common Pitfalls to Avoid

- Scams: Some companies charge very high fees to 'recover' funds. In reality, owners can often file directly with the county themselves.
- Deadlines: Missing the deadline can mean losing the money forever.
- Complex rules: In some states, lienholders are paid first, so the owner may receive less than expected.

6. Why Do Investors Care?

Some investors look for lists of people who are owed overages and offer to help them file a claim, usually for a percentage fee. This can be a legitimate business, but it is heavily regulated in some states. If you are an investor, make sure you understand the local laws before getting involved.

7. Where to Get Reliable Information

The best source is always the official county tax collector, treasurer, or court handling the foreclosure. Many counties provide claim forms and instructions online. Check your state's government website as well, since rules vary widely across the U.S.

Final Thoughts

Tax foreclosure overages can be life-changing money for former property owners who may not even know they are entitled to it. If you think you are owed funds, act quickly, follow the correct process, and be cautious of anyone asking for large upfront fees.