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Owners don't see paying taxes as a priority

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Charlotte, Manatee and Sarasota counties saw a sharp spike in the number of landowners failing to pay their property taxes this year, another sign of a sagging real estate market and struggling economy.

The number of parcels with delinquent taxes soared more than 70 percent in Sarasota County, while Charlotte County saw a 50 percent increase and Manatee County nearly 45 percent.

Combined, the three counties had more than \$55 million worth of unpaid taxes this year, a record total.

Statewide figures are not yet available, but the results are expected to be similar elsewhere. Local officials and economic analysts said the increase in delinquent taxes is not surprising given the combination of declining property values in a depressed real estate market, soaring taxes and insurance rates, and higher costs for gas, electricity and other expenses.

"All of this is anecdotal symptoms of the sick real estate market we have," said Jack McCabe, a real estate analyst with McCabe Research Consulting in Deerfield Beach. "People are having a hard time making mortgage, insurance and tax payments because they're all skyrocketing so much.

"Times are tough right now for a lot of people."

The rise in delinquent property taxes has not hurt local governments. They recently auctioned certificates to investors, who paid the taxes with the expectation that they will eventually be repaid with interest.

Landowners are not in imminent danger of losing their property. They have up to two years to pay the taxes, interest and fees incurred by failing to ante up on time.

But the delinquent tax increase shows how much Southwest Florida real estate has changed in a short time and the depths of economic distress for an increasing number of property owners.

The number of tax certificates sold in the three counties is closer to what it was several years ago, before the real estate boom, especially in Charlotte and Sarasota counties, which have thousands of vacant lots.

The 2006 taxes were supposed to be paid before April of this year.

Charlotte County had the most tax certificates sold this year, with 13,362 for the 2006 taxes. That is 4,457 more than the previous year and the most since 15,240 were sold for the 2002 tax year.

Sarasota County sold 8,792 this year, up from 5,158 the previous year and the most since more than 10,000 were sold for the 1999 tax year.

And Manatee auctioned 3,546 certificates this year, up from 2,455 the previous year, the highest number in at least 19 years.

The county tax collectors' offices could not say whether there were any trends in the location of the property for which taxes were delinquent, nor whether most of the land was vacant or improved.

But delinquent tax and real estate experts said there are two likely explanations for the spike.

First, the luster is off the large inventory of vacant lots in Charlotte and Sarasota counties, where investors just two or three years ago could not get enough. Those lots appreciated rapidly in value, in some cases jumping 10 or even 20 times in less than five years.

For example, one lot on Reading Street in Port Charlotte, valued at \$2,550 in 2003, changed hands yearly through 2006, when it hit \$33,101 in assessed value. It more than doubled in value from 2005 to 2006 alone.

Its market value has since dropped. Whether speculators bought one lot or many, the prospect of paying this year's taxes, which are based on the higher 2006 values, is not appealing.

Some landowners may be waiting to pay the taxes when the land is sold, hoping that the market will turn around in the meantime. Others, knowing that the value has dropped, do not want to lose even more money by paying the taxes. The taxes on the Reading Street lot, for instance, are nearly \$600, compared with less than \$100 five years ago.

McCabe, the real estate analyst, noted that people are losing far larger sums by abandoning deposits on condos and homes, knowing that they could incur much greater losses if they close on property that has decreased in value. "People are walking away from 20 percent deposits on very expensive units -- hundreds of thousands of dollars," McCabe said. "Speculators in particular are walking away from property and walking away from taxes as well."

Liz Klaber, Sarasota County deputy tax collector, said the increase in tax certificates is reminiscent of several years ago, when vacant lots in North Port were worth less than \$2,000. She said landowners often failed to pay the taxes, believing the land did not merit the cost.

"The number (of delinquencies) is more like we used to see in the late '90s," said Charlotte County tax manager Charles Bear. "As values increased, fewer parcels went to (tax certificate) sale."

But another factor is homeowners who are having trouble meeting expenses. Some have mortgages that do not require property taxes to be paid into escrow. Because of increasing taxes, property insurance and other costs, they cannot pay their bills. Others are in default on their mortgages. Even if they have taxes escrowed, if they are not making mortgage payments, there is no money to pay the taxes.

"People are saying, 'Do I make my insurance payment or my taxes?'" said Ray Williams, Manatee County's director of delinquent tax collections. "If you don't pay your insurance and something happens, you're in trouble. With the taxes, you've got two years to have a chance to pay them back. If I was in that situation, I'm going to go with the insurance. You've got to have that."

The tax officials noted that owners must pay the tax within two years, though, or the tax certificate holders can seek to force the sale of the property.

George Huhn, a Venice homeowner and real estate broker, is one of the property owners who opted to pay other expenses over his taxes. County records show he has not paid his 2006 tax bill of \$2,066.95.

"I simply didn't have the cash flow to pay my taxes," Huhn said. "My business, quite honestly, is the worst it's ever been in 15 years. When you get into a real bind like I'm in, you've got to keep a roof over your head,

utilities on, your car payment, your insurance. It becomes a matter of priorities."

Huhn added that he felt a strong obligation as a citizen to pay his tax. "The next (real estate) deal I close with enough cash, I will immediately pay my taxes," he said. "I just can't do it now."

For property owners such as Huhn, as well as large commercial owners, it can even make financial sense to wait. The interest owed is the same, whether the debt is paid today or in March 2009.

McCabe said he expects another increase in tax certificate sales next year, too.

"I think it's definitely a trend," he said. "We're headed for some hard times over the next three years because of the extremes of the last three years."
