

## General Information and Frequently Asked Questions About Payment Plans for Redemption Taxes

### Quick Reference Summary - Payment Plans for Redemption Taxes

Characteristic	Annual Payment Plan	Monthly Payment Plan
Requirements to initiate the plan	<p>20% of the beginning "Redemption Amount."</p> <p>+</p> <p>A one-time initiation fee of \$62.</p> <p>+</p> <p>Any Current Year, Supplemental and Revised Tax Bills that are due must be paid.</p>	<p>Minimum \$100. (see schedule for <b>recommended</b> minimum payment amount*)</p> <p>+</p> <p>A one-time initiation fee of \$83.</p> <p>+</p> <p>A recurring payment processing fee (\$8 for email or \$10 for physical mail).</p> <p><b>*We advise the taxpayer to pay <u>at least the minimum</u> payment amount <u>outlined in the schedule</u> of payments (or more) at any time. The minimum monthly payment amount is that amount needed to pay the entire balance due within 5 years of the earliest date of default to avoid Tax Collector's "Power of Sale."</b></p>
Redemption Amount	The amount required to redeem the property in full, which is the sum of all prior year taxes, penalties, interest, costs, and fees at the point in time that the annual payment plan is begun.	Same as Annual Payment Plan.

Characteristic	Annual Payment Plan	Monthly Payment Plan
Required payments	<p>Only one payment per fiscal year is permitted, however you may pay more than the minimum payment. Any additional amount received will reduce the balance on which interest is accrued.</p> <p>Minimum payment is 20% of original Redemption Amount, plus all monthly interest and fees that have accumulated since the last payment.</p> <p>Current Year, Supplemental and Revised Tax Bills must also be paid timely.</p>	<p>As many payments as the taxpayer is willing to make.</p> <p>\$100 minimum*.</p> <p>\$8 (e-mail statement) or \$10 (paper statement) payment processing fee is deducted from the minimum payment each time a payment is made</p> <p><b>*We advise the taxpayer to pay <u>at least the minimum</u> payment amount <u>outlined in the schedule</u> of payments (or more) at any time. The minimum monthly payment amount is the amount needed to pay the entire balance due within 5 years of the earliest date of default to avoid Tax Collector’s “Power of Sale.”</b></p>
Consequences of not making a timely payment	<p>The Annual Payment Plan becomes defaulted. If not reinstated (additional penalties and fees apply) by June 30 of that fiscal year, protection from tax sale may be forfeited. Interest is recalculated at 18% annually as though no payments had been made.</p>	<p>The unpaid amount, plus applicable fees and penalties, carries forward. There are no penalties or fees for missing a payment; however, the interest continues to accrue on the unpaid taxes. Future monthly payments will have to be increased in order to completely pay the plan prior to the 5-year deadline to avoid the Power to Sell.</p>
Consequences of not paying current year taxes	<p>The Annual Payment Plan becomes defaulted. If not reinstated (additional penalties and fees apply) by June 30 of that fiscal year, protection from Power of Sale may be forfeited. Interest is recalculated at 18% annually as though no payments had been made.</p>	<p>If current year taxes are not paid by June 30 of that year, they will roll over (merge) to Prior Year Tax (Redemption) status, and the unpaid taxes, plus a 10% penalty and a \$20 cost, will be <u>added</u> to the Monthly Payment Plan Redemption Balance. This will significantly increase the required monthly payment to complete the Monthly Payment Plan prior to the 5-year deadline from the default date.</p>

Characteristic	Annual Payment Plan	Monthly Payment Plan
Redemption Balance	The amount required to pay off (redeem) the property in full at any given point in time. It includes the original taxes, plus accumulated penalties, fees and costs, less payments applied.	The amount required to pay off (redeem) the property in full at any given point in time. It includes the original taxes, plus any additional unpaid taxes that are added to the plan (see consequences of not paying current year taxes above), plus accumulated penalties, fees and costs, less payments applied.
Protection from Tax Collector's "Power to Sell" property in order to pay taxes	The Tax Collector will not have the power to sell the property if the Annual Payment Plan is in good standing.	<b>Monthly Payment Plan DOES NOT prevent the recording of Power to Sell!</b> If the full amount of taxes owing has not been paid within 5 years from the default date, then property becomes subject to tax sale.
Monthly Interest Penalty	1.5% of the balance of the Redemption Amount (18% equivalent annual rate). Since the Redemption Amount includes prior penalties, fees, and costs at the time the plan was begun, this means interest is effectively compounded. The taxpayer pays interest on top of interest.	1.5% of the unpaid taxes only (18% equivalent annual rate). The penalty does not apply to prior months' interest, costs, fees, etc. This option avoids interest compounded on interest, and allows faster "pay down" of the balance to reduce the impact of the 1.5% monthly interest charge. The net result is interest savings.
Payment Processing Charges	None as long as the plan does not default.	\$8 per payment for email and \$10 for physical mail statements (required to support payment processing, statements and payment envelopes, billing, communication, and customer support.)

### Monthly Payment Plan FAQs

1. How exactly does the Monthly Payment Plan work?
  - We will help you determine how much you owe currently. This will be the beginning balance for your plan.
  - We will show you different payment options.
  - Once you select a payment option, you must make a down payment to begin the plan. This down payment will be equal to the first month's payment plus the plan setup fee of

\$83, plus a processing fee of \$8 or \$10, depending on whether the plan will be based on email or physical mail.

- Around the first day of each month we will mail to you (or email to you, if you so choose) a statement showing the status of your plan, and a payment coupon to return with the next payment.
- The statement will show a recalculated recommended minimum monthly payment needed to pay the prior year taxes in full before Power to Sell deadline.
- Your monthly statement will show the balance due at any time should you choose to pay the balance in full.
- Payments must be postmarked no later than the last day of each month to avoid additional interest.

2. Does interest compound each month?

No. The 1.5% monthly interest charge (18% annually) is only calculated on the amount of taxes owed at the end of each month. It is not applied to any interest from prior months, penalties, fees, or costs.

3. Why is the interest rate 1.5% per month (18% per year)?

This rate is set by California Revenue and Taxation Code section 4103.

4. When is interest added to the balance due?

On the first day of each month, the Tax Collector's office will add to the balance due, 1.5% times the total amount of taxes outstanding.

5. What happens if I miss a payment?

There is no penalty or fee for missing a payment, or for a late payment. However, no credit can be given until a payment is received and no statement will be generated. Therefore, interest charges will continue to accrue. Once a subsequent payment is made, a statement will be generated and will show a new higher monthly payment required to pay the balance due before Power to Sell deadline.

6. What happens if I don't complete the payment plan and pay all the prior year taxes before 5 years from the original default date?

If prior year taxes are not paid before 5 years from the default date elapsed AND no Annual Installment Plan has been started, then the process to sell the property at tax sale begins.

The remaining unpaid taxes can be paid in full prior to June 30 of the 5<sup>th</sup> year of default.

Or, you may convert your monthly installment plan into an annual installment plan. However, additional fees will apply, and all interest savings from the monthly plan will be forfeited.

If no action is taken prior to June 30 of the 5<sup>th</sup> year of default, then the Redemption Amount must be recalculated as though no payments had been made (all the accumulated previous payments, less any fees, must be reversed and will be held in a trust account). Any interest savings from the monthly payments will be forfeited.

If sufficient monies exist in the trust account, then the monies will be re-applied to an Annual Installment Plan to avoid the property becoming subject to tax sale.

If sufficient monies do not exist to begin an Annual Payment Plan, then the monies held in trust will be applied to reduce the minimum bid for tax sale.

**Monies previously paid cannot be refunded.**

7. Can I pay more than my plan calls for and pay the plan off early?

Yes. There are no pre-payment fees or penalties. You may pay the balance in full at any time. You may also pay more each month than your plan calls for. In this case, the excess above the required payment will be used to reduce the unpaid balance owing. This may save interest charges, since the 1.5% per month interest charge (18% per annum) is only applied to unpaid taxes. To the degree the balance of unpaid taxes is lower, the interest charge will also be lower.

8. Why is there a fee to start this plan?

The Tax Collector's Office is incurring additional costs to manage and account for these plans, and to offer this valuable service to taxpayers. In order to do so, the costs of the program must be paid for by those using it. Otherwise, those who pay their taxes on time would be subsidizing those who do not.

9. Why is there a payment processing fee?

This is to offset costs of operating the plan, processing payments, and producing the statements. The fee is higher for physical mail due to higher costs compared to statements that are emailed.

10. Should I begin an Annual Payment Plan, or a Monthly Payment Plan?

Each person's circumstances are different. The California Revenue and Taxation Code sections governing the two plans are different in how they work and in the protections they offer. The annual plan is more expensive and less flexible. One and only one large payment can be made each fiscal year, but it offers protection from the sale of the property to pay taxes, as long as the plan remains in good standing. The monthly payment plan is less expensive and more flexible, but offers no protection from tax sale after 5 years from the default date. If the full amount of taxes owing is not paid within 5 years of the default date, then the process to sell the property at tax sale begins.

11. Can I switch to an Annual Payment Plan after I start a Monthly Payment Plan?

Yes, you may voluntarily switch to an Annual Payment Plan, provided this is done within 5 years of the default date. However, interest must be recalculated as though no partial payments had been made, which eliminates the interest savings from the monthly plan. Further, a minimum of 20% of the recalculated Redemption Amount, excluding partial payments less any fees, must be applied or paid to initiate the annual plan. The sum of all partial payments received, less any fees, will be credited toward the initial payment under the annual plan.

12. Can I get a refund if I need my money back?

Revenue and Taxation Code section 5096 only allows refunds in very limited circumstances. Payments will continue to be held in trust either until the property is fully redeemed, or until an Annual Payment Plan is begun, or until the property is sold to pay taxes.

13. My lender requires that I provide proof of my monthly payment plan. They cannot find this information on your web site. How do they know I am trying to pay my taxes?

You may provide them a copy of the monthly statement, which will show your most recent payments and the balances owed.

14. Your statements only show the last 17 transactions. How can I get a statement showing all my history?

You may request a full statement with all history at any time by calling the Tax Collector's office at 805-781-5836, or by email at [ttc@co.slo.ca.us](mailto:ttc@co.slo.ca.us).

### **Definitions**

- a. Redemption
  - i. Paying off Prior Year taxes in full.
- b. Monthly Payment Plan
  - i. A plan to pay delinquent secured taxes with regular monthly payments as described herein, authorized by Section 4143 of the California Revenue and Taxation Code ("R&T code") and the San Luis Obispo County Board of Supervisors.
- c. Annual Payment Plan
  - i. A plan to pay delinquent secured taxes in specific annual installments as described and authorized by Section 4216 et. Seq. of the R&T code.
- d. Redemption Amount
  - i. The amount required to pay off (redeem) the property in full, which is the sum of all prior year taxes, penalties, interest, costs, and fees at the point in time that the payment plan is begun.
- e. Redemption Balance
  - i. This is the amount required to pay off (redeem) the property in full at any given point in time. It includes all prior year taxes owed, plus accumulated penalties, fees and costs, less payments applied.
- f. Default Date
  - i. June 30 of the earliest fiscal year for which taxes were not paid.
  - ii. Fiscal Year in San Luis Obispo County starts on July 1<sup>st</sup> and ends on June 30<sup>th</sup>.
- g. Costs
  - i. A \$20 "cost" fee is charged if the Current Year, Supplemental or Revised tax bills are not paid by the delinquent date of the 2<sup>nd</sup> installment. This reflects internal costs for additional work related to properties whose taxes are not paid timely. This fee will not affect Redemption Amounts or Balances until an unpaid tax bill transfers at the end of a fiscal year to a "redemption" (delinquent) status, in which case, the \$20 fee also transfers to a redemption status and is added to the Redemption Balance.
- h. Fees
  - i. Pursuant to R&T code section 4102, a \$15 "Redemption Fee" must be charged the first time a parcel has current year taxes that remain unpaid on June 30 of that year.
  - ii. Fees are also charged for each of the following.

1. To begin an Annual Payment Plan (currently \$62)
  2. To reinstate a defaulted Annual Payment plan within the same fiscal year the Plan defaulted (currently \$55)
  3. Returned payments (currently \$57)
  4. To begin a Monthly Payment Plan. (currently \$83)
  5. Monthly Payment Plan service fee per payment (currently \$8 for plans with email communication and \$10 for USPS physical mail communication).
- i. Penalties
- i. A penalty of 10% of the taxes due must be charged on any current secured property tax installment that is not paid by the delinquent dates of December 10 and April 10.
  - ii. Similar penalties apply to supplemental tax bills if not paid on specified dates.
  - iii. If a current secured tax bill, or secured supplemental tax bill, transfers to Redemption status due to lack of payment, then the 10% penalty becomes part of the Redemption Balance.
- j. Interest
- i. Interest is also sometimes also referred to as a "penalty" and is equal to 1.5% per month applied to the appropriate balance, which depends on the plan. For Partial Payments plans, the 1.5% is charged only on the balance of unpaid taxes, not the entire Redemption Amount. Within this document, this 1.5% will be referred to as "interest."
  - ii. The 1.5% is applied at 12:01am on the first calendar day of each month.
  - iii. If a current secured tax bill is unpaid and merges to a redemption status after close of business on June 30 of that year, the 1.5% will be applied to that bill beginning July 1.