

HOW THE STUDY WAS DONE

Under state law, the Cook County Treasurer's Office is required to conduct two different types of sales to collect unpaid taxes — the Annual Tax Sale and Scavenger Sale.

The Annual Tax Sale is a yearly auction of unpaid taxes at which a tax buyer can pay all the property's delinquent taxes. If the property owner wants to keep their home, business or land, they have to repay the tax buyer, typically with interest. A property ends up on the Annual Tax Sale when the previous year's taxes go unpaid for 13 months.

The Scavenger Sale, on the other hand, is held every two years, with vacant lots accounting for the majority of the distressed properties that are auctioned to the highest bidder. Properties can be had for as little as \$250. A property can end up being offered at a Scavenger Sale if taxes go unpaid in any three of the previous 20 years.

Treasurer Maria Pappas asked her research unit to examine an arcane subsection of the state's property tax law relating to tax sales — a subsection known as "sale in error." The sale-in-error statute exists to undo tax sales that should have not taken place, for instance, when a property owner had actually paid their taxes before the sale.

However, tax buyers — dominated by sophisticated institutional investors and lawyers — have been exploiting the statute to overturn tax sales and to get their money back, with interest, for reasons that would not be allowed in other states.

For this study, the Treasurer's Office examined the results of eight property tax sales — five Annual and three Scavenger sales.

The Annual Tax Sales were held from 2015 to 2019. The three Scavenger Sales were held in 2015, 2017 and 2019.

The office analyzed 10,893 sales-in-error related to tax sales that were granted from September 2015 to September 2022 either by judges or by the Treasurer's internal administrative process. The reasons for 29 of the sales in error could not be determined because crucial records were missing.

The Treasurer's Office gathered records from various government sources as part of its research. The office analyzed information on tax sales pulled from Cook County's main computer system, which contains tax sale and property information kept by the offices of the Treasurer, Assessor and County Clerk. The Treasurer's Office also relied upon tax

sale and refund information from its own internal records. Often, the data imputed by county offices into the computer system were inconsistent, missing or incomplete.

The Treasurer's Office filed a public records request with the Sheriff's Office for data relating to tax deed cases handled by the Sheriff from December 2013 through October 2018. The Treasurer's Office analyzed about 573,000 rows of data. The data appear to have been largely hand-entered, which can lead to unintentional data-entry mistakes. The Treasurer's Office made its best effort to interpret typographical errors and short-hand notations.

In addition, the office researched thousands of court cases filed in the Circuit Court's County Division, whose judges handle tax cases, as well as researching about 1,000 cases filed with the U.S. Bankruptcy Court for the Northern District of Illinois.

The Treasurer's Office found judges' orders for overturning tax sales were often vague, making it difficult for the public to fully understand why a sale in error was granted to a tax buyer. The Treasurer's Office analyzed 527 orders judges issued from January 2022 through August 2022.

Of the 527 orders, 318 — about 60% — stated the error was being granted, and whether interest was to be paid. But the orders did not state the underlying reason the judge granted the sale in error.

Of the 277 orders where the error was the result of an action by a county official, 209 orders lacked specifics, such as whether it was due to the Assessor's Office wrongly describing the property on its website, a failure by the Sheriff's Office to properly serve paperwork or the Treasurer mistakenly selling the wrong amount of taxes.

For its study, the Treasurer's Office had to rely on petitions filed by tax buyers and assume the reason for the sale in error in the court order matched what was listed in the petition.