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TAX - DISTRICT OF COLUMBIA

Coleman through Bunn v. District of Columbia

United States District Court, District of Columbia - September 30, 2014 - F.Supp.3d - 2014 WL 4819092

In D.C., the tax-sale process begins with the sale at auction of a tax lien on the property to a third party. The homeowner may satisfy that lien by paying his delinquent tax bill, but the purchaser of the lien is able to add on top of that bill various costs, including attorney's fees. In Mr. Coleman's case, that caused what began as a \$133.88 tax bill to become a total of over \$5,000, all of which needed to be paid before the lien would be satisfied.

Once the lien is sold to the third party, a six-month waiting period begins, during which the homeowner may redeem his home by paying the taxes, along with any penalties, costs, and interest that are owed. If the entire bill is not paid upon expiration of the waiting period, the tax-lien purchaser may initiate proceedings in the Superior Court of the District of Columbia to foreclose. The Superior Court is empowered to enter a judgment vesting a fee simple title in the property in the tax-lien purchaser. In this way, a small sum paid to purchase the lien becomes full title to a property worth hundreds of thousands of dollars (in this case, approximately \$200,000). The key detail in this case is that D.C. law provides that any surplus equity the homeowner has in his home is irrevocably lost, no matter how small the tax bill nor how valuable the equity.

Mr. Coleman brought a limited challenge to this law. He does not seek to regain his home, does not dispute that the District may use tax sales to satisfy delinquent property taxes, and agrees with the District that he owed \$133.88 in property taxes, plus penalties, costs, and interest. Mr. Coleman's claim is against the District's taking of the entire equity in his home. The District, he asserts, has provided him no compensation for the loss of that equity, even though its value far exceeds the taxes, penalties, costs, and interest he owed.

Mr. Coleman claimed that such a practice is forbidden by the Takings Clause of the Fifth Amendment to the United States Constitution. Accordingly, he filed suit seeking an award of "just compensation," as well as a declaration from the Court that the District's statute is unconstitutional.

The District moved to dismiss Mr. Coleman's Complaint, arguing that Supreme Court precedent holds that the District's actions do not violate the Takings Clause.

The Court rejected the District's argument that prior Supreme Court precedent had foreclosed Mr. Coleman's claim under the Takings Clause, denying the District's motion and stating that Mr. Coleman had stated a valid claim for violation of the Takings Clause.