



Erica Perez
PLF client

Government steals family's legacy over \$144 tax debt

PLF fights home equity theft to protect American Dream

ERICA PEREZ REMEMBERS THE DAY IN 2017 when she learned the government stole her family's legacy and shattered their American Dream—over a \$144 tax debt.

"We were in shock," Erica recalled. "We've always believed that if you work hard for something in this country, you can achieve it."

The family's dream was simple: a home they could call their own in Detroit, where they could be closer to relatives.

The Perezes saved up for years and in 2012, they were finally able to buy property in a working-class neighborhood on Detroit's southwest side. The property contained a four-unit house they intended to rent out and a single-family home where the Perezes would move to once Erica's father retired. They spent three years and

tens of thousands of dollars to restore the four-unit house. Then they began to work on the single-family home meant for themselves.

"Every bit of money we saved and every spare minute we had went to fixing the house," Erica said. "The plumbing, the electricity—everything. We drove 11 hours from New Jersey to Michigan every other week because we had people working on the house or we had work to do ourselves."

"That's why this house was so important to us," she added. "We were literally trying to live the American Dream."

By 2017, the house was in great shape and the first tenant was firmly in place. The Perezes' dream was within reach.

That dream, however, soon turned into a nightmare. Although the Perezes faithfully

paid property taxes to the Wayne County Treasurer's Office, they didn't realize they underpaid their 2014 taxes by \$144.

Notification of underpayment went to wrong addresses and subsequent tax bills didn't include past balances, so the Perezes proceeded to pay all subsequent taxes completely unaware of both the underpayment and the \$359 in interest, penalties, and fees tacked on by the county.

Worst of all, the family had no idea that, due to the tax debt, the county foreclosed on their property, sold it at auction for \$108,000, and kept every cent of the sale—not just the 500 bucks it was owed. In fact, the Perezes only learned their property was no longer theirs when their tenant and a local family member called to tell them strangers had shown up and taken pictures of the home.

"My uncle told us we had to get to Michigan because something 'looked wrong,'" Erica said. "We talked to an attorney who told us the house was not in our name anymore. We were in shock because that house was our future."

Unfortunately for Erica and her family, the Michigan General Property Tax Act not only allows for but *encourages* such blatant home equity theft. In other words, state law gives local governments carte blanche to line their coffers with sale proceeds.

Even worse for the Perezes, Wayne County is the state's ground zero for this abuse. The county has grown so accustomed to robbing people of their entire home equity through tax foreclosures that it's now a line item in the annual budget. The county executive even boasted to a Detroit radio station that the dubious revenue stream helped the county avoid a financial emergency in 2015 and 2016.

Wayne County is no outlier. Most of Michigan's counties use the state's property tax law to steal private property equity.

And at least nine Michigan counties are on record using home equity plunder to balance their books.

Fortunately, thanks to Erica and her courage, the days of governments turning small tax debts into huge profits could soon end.

Empowered by PLF, Erica filed a lawsuit against Wayne County and County Treasurer Eric Sabree on July 9, 2019, challenging Michigan's predatory law for violating the Fifth Amendment's Takings Clause.

"Property owners should pay their taxes. And when they don't, [a] government is within its right to make an honest effort to collect the money it is owed," explained PLF attorney Christina Martin. "But the

sale surplus kept by government is home equity that rightly belongs to the owners. The Perezes' home equity is just as much their private property as the home itself, and is just as protected by the Constitution."

Erica's lawsuit follows that of Uri Rafaeli, who will challenge the state law before the Michigan

Supreme Court this fall. In Uri's case, the treasurer of Oakland County, Michigan, pocketed nearly \$25,000 over an \$8.41 tax debt owed on his rental property. In addition to Michigan, PLF has identified a dozen other states with similar laws that allow local governments to rob property owners of their homes' equity. This equity often represents an individual's or group's entire life savings, retirement dreams, or, as with the Perezes, a family legacy.

"We never thought this could happen in the United States," Erica said. "We sacrificed so much time and money to fix up our house and build a legacy for our family. PLF gave us hope that we can take back what's ours, and stop government from doing the same thing to other people."

"The house was not in our name anymore. We were in shock because that house was our future."

— Erica Perez



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Government cannot steal a home's entire equity to turn small tax debts into big profits

Government cannot take private property—even in the form of home equity—without paying for it. Government can impose taxes, reasonable interest, and costs on unpaid tax debts. It is, however, unconstitutional for government to keep more than it is owed when it forecloses on private property.

To Our Donors

Secure property rights are the foundation of freedom. Government cannot use a small tax debt to shore up its budgets using the full equity of a citizen's home or property. Your commitment to PLF means Erica Perez can challenge unconstitutional laws that encourage government-sponsored home equity theft, thereby vindicating the property rights of all Americans. Thank you!