# SENATE BILL 595: Various Revenue Laws Changes, Part X: Tax Foreclosure Changes

*2025-2026 General Assembly*

**Analysis of:** S.L. 2026-31, Part X

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Part X of S.L. 2026-31 (Senate Bill 595) makes two changes that impact tax and assessment collection procedures by local governments.

First, it clarifies that, for purposes of federal law, a tax foreclosure sale under G.S. 105-374 is considered a judicial sale. The reason for the clarification has to do with the manner in which a local government must provide notice to the federal government of a pending foreclosure action. There are different methods by which a local government must put the federal government on notice of a pending foreclosure action depending on whether it is a judicial sale or non-judicial sale. The term "judicial sale" is defined as excluding all tax foreclosure sales, which creates confusion as to what type of service of process is appropriate for the tax foreclosures under G.S. 105-374, which are truly judicial sales. Without the clarification, the federal government could make the argument that a tax foreclosure under G.S. 105-374, which is judicial in nature, must otherwise meet the service of process requirements for a non-judicial sale because of this exclusion. This provision became effective July 2, 2026.

Second, it gives local special assessments priority over federal tax liens. Current law states that assessments imposed by counties and by cities are subordinate to federal liens. As subordinate liens, special assessments will be paid from foreclosure sales proceeds after the payment of federal liens. Sometimes the proceeds are insufficient to reach the local government and are then extinguished and cannot be collected. Federal law provides that local government special assessment liens may come ahead of federal liens if state law provides. This provision is effective October 1, 2026.