

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 279

(Senator Colburn)

Budget and Taxation

Ways and Means

Dorchester County - Tax Sales - Advertisement and Auctioneer Fees

This bill alters the auctioneer fee for property sold at a tax sale in Dorchester County by setting the fee at \$7.50 for each property sold. The bill repeals the auctioneer fee limits imposed under current law. The bill also specifies that in Dorchester County a tax sale notice must be published three times, once a week for three successive weeks. Currently, a notice is required to be published four times, once a week for four successive weeks.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: None.

Local Effect: Dorchester County expenditures for advertising tax sale auctions decrease by \$3,900 annually beginning in FY 2012. County expenditures for auctioneer fees increase by \$1,000 beginning in FY 2012; however, this increase is offset by corresponding fee recovery in the same amount.

Small Business Effect: None.

Analysis

Current Law: The auctioneer's fee for properties sold at a tax sale auction in Dorchester County is set at \$10 per property sold, but in no event may the auctioneer's fee be less than \$50 a day or greater than \$200 a day. In addition, Dorchester County, along with most other local governments, must publish notice four times, once a week for four successive weeks in one or more local newspapers, of properties potentially going to

a tax sale auction. In Frederick, Garrett, Kent, and Queen Anne's counties, such notice must only be provided three times, once a week for three successive weeks.

Background: When a property is purchased at a tax sale, the purchaser must pay to the tax collector any delinquent taxes, penalties, sale expenses, and under certain conditions, a high bid premium. The remainder of the purchase price is not paid to the collector until the purchaser forecloses on the property. The property owner has the right to redeem the property within six months from the date of the tax sale by paying the delinquent taxes, penalties, interest, and certain expenses of the purchaser. If the owner redeems the certificate, the purchaser is refunded the amounts paid to the collector plus the interest and expenses. If the owner does not redeem the certificate, the purchaser has the right to foreclose on the property after the six-month right of redemption period has passed. Generally within two years, if the right to foreclose is not exercised by the purchaser, the certificate is void and the purchaser is not entitled to a refund of any monies paid to the collector.

Local Fiscal Effect: The bill makes changes to the tax sale auction process in Dorchester County and as a result, county revenues and expenditures will be affected by a minimal amount.

Advertising

Dorchester County is currently required to publish notice four times, in a local newspaper, of properties potentially going to the tax sale. In 2010, there were 937 properties listed in the first advertisement. However, the fourth, and final, advertisement contained only 700 properties. The total cost for the four advertisements was \$14,740. The county estimates that eliminating one advertisement will reduce expenditures by approximately \$3,900 annually.

Auctioneer's Fee

Currently, the auctioneer's fee is set at \$10 per property sold, but is capped at \$200 for the entire day, regardless of the number of properties sold. The county indicates that the current fee is not in line with the market rate for professional auctioneers. In 2010, there were 159 properties actually auctioned at the county's tax sale. At \$7.50 per property, county expenditures relating to the auctioneer's fee would total \$1,193, representing an increase of \$1,000 over current costs. The county pays all the auctioneer's fees upfront, but then recovers these fees from either the delinquent property owner, or the new property owner in the case of properties that actually are sold.

Additional Information

Prior Introductions: None.

Cross File: HB 270 (Delegate Eckardt, *et al.*) - Ways and Means.

Information Source(s): Dorchester County, State Department of Assessments and Taxation, Department of Legislative Services

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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510