

SB197 Maryland Volunteer Lawyers Service - Favorab

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Position: FAV



EXPANDING ACCESS TO JUSTICE FOR 40 YEARS

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MARYLAND SENATE BUDGET AND TAXATION COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN SUPPORT OF SB197: HOMESTEAD PROPERTY TAX CREDIT
PROGRAM – RETROACTIVE QUALIFICATION AND CALCULATION
OF THE CREDIT

WEDNESDAY, JANUARY 19, 2022

Chairman Guzzone and distinguished members of the Committee, thank you for the opportunity to testify in support of Senate Bill 197.

My name is Amy Hennen and I am the Director of Advocacy and Financial Stabilization at the Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. MVLS was founded in 1981 by a group of concerned Maryland lawyers, legal services providers and leadership of the Maryland State Bar Association. Since then, our statewide panel of over 1,700 volunteer has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters. In FY21, MVLS volunteers provided legal services to 3,353 people across the state. As part of our tax sale foreclosure work, we see numerous clients at risk of losing their housing due to not receiving applicable tax credits. For the reasons explained below, we respectfully request a favorable report on Senate Bill 197.

MVLS represents clients who face losing their homes due to unpaid property taxes. Tax sale often affects the poorest homeowners in the most distressed neighborhoods and contributes to vacant and abandoned properties all over the state. In 2013, MVLS and other nonprofit organizations came together to form the Tax Sale Workgroup. Our goal was to protect communities and homeowners, especially people with lower incomes and the elderly, who face the most devastating effects of the tax sale process. Since 2014, MVLS has maintained a partnership with the Pro Bono Resource Center of Maryland to conduct tax sale workshops aimed at helping homeowners avoid tax sale. In the past four years, volunteers have assisted over 350 people at these workshops.

From the data we collected at our 2020 Baltimore City tax sale clinics, 72% of clients are seniors, 48% were disabled, 85% identified as Black, and 72% reported a household income of \$30,000 or less per year. Many of these clients survive on fixed incomes and struggle to pay their bills even before a tax sale happens. We also found that most homeowners live in

multigenerational households where they provide shelter and support for their children and grandchildren.

One such client is Estelle. Estelle came to MVLS to help her save her home when she had nowhere else to turn. For 58 years, she has raised her family in the Middle East neighborhood in Baltimore, participated in community events, and been a staple in her neighborhood. Estelle was proactive and made sure to apply for the Homeowner's Property Tax Credit every year. However, the year before coming to MVLS, Estelle was hospitalized, and as a result, she missed the Homeowner's Property Tax Credit application deadline. Without the tax credit, Estelle faced a property tax bill that she could not afford on her limited pension. When she was finally released from the hospital, instead of focusing on her recovery, Estelle faced the threat of losing her home to tax sale. Estelle needed to pay \$2,017.11 in a short time to keep her home out of the tax sale auction. With no savings and a limited income, she had few options. Desperate to save her home, Estelle began looking around her home, identifying any furniture and other personal items that she might sell to raise funds. She also started making a list of everyone she knew that she might be able to borrow money from to pay her property taxes. Thankfully, Estelle also took one more key step – she contacted MVLS. Once Estelle was matched with an attorney, they contacted the Maryland State Department of Assessment and Taxation. The attorney explained the situation and requested that the property tax credits be applied retroactively. Once the attorney had filed the necessary paperwork, the credits were approved, and Estelle was able to remain in her home.

Unfortunately, by the time someone comes to MVLS at risk of tax sale, it is often very difficult to come up with the lump sum they would need to keep their property out of tax sale or redeem it. Our clients are typically older adults on a fixed income and coming up with hundreds or thousands of dollars all at once is nearly impossible. Estelle was able to get a homeowners tax credit applied retroactively, but this retroactive credit has strict requirements and is not currently available to all clients. SB197 would allow retroactive eligibility for the homestead property tax credit, another credit available to homeowners, to all applicants who would have been eligible if they had submitted an application the year before. The Homestead Tax Credit is particularly important for a legacy homeowner that has been in their home for a significant period of time and is at risk for being priced out of a gentrifying neighborhood. The credit will prevent their taxes from going up more than a certain percentage from one year to the next.

Based on our experience serving Marylanders facing tax sale and the data we have compiled over the years, MVLS strongly supports SB197. We believe that providing our most vulnerable citizens a straightforward and more affordable way to pay their property tax bill will help stabilize communities and preserve homeownership in neighborhoods across the state.

Mister Chairman and members of the Committee, thank you again for the opportunity to testify.

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Uploaded by: Claudia Wilson Randall

Position: FAV



Testimony SB 197
Budget & Taxation Committee
January 19, 2022
Position: FAVORABLE

Dear Chairman Guzzone & Members of the Budget & Taxation Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all communities are thriving and where people of all incomes have abundant opportunities for themselves and their families.

CDN has been part of the ongoing work to reform the process of tax sale in the state since 2016. In 2017, CDN was a lead partner in the Task Force to Study Tax Sales in Maryland. CDN currently serves on the Baltimore City Mayor's Tax Sale Workgroup in Baltimore City.

SB 197 enables eligible homeowners to retroactively access the Homestead Tax Credit. Under this bill, if SDAT determines that a current Homeowners Tax Credit applicant was eligible for the credit in the prior year but did not apply, it will retroactively qualify the homeowner for the prior year and recalculate the prior year's assessment. This can help homeowners facing tax sale by reducing their delinquent tax bill, as well as help them access prior year Homeowners' Property Tax Credits by establishing principal residence in the prior year, which is an HPTC requirement.

Most of the people in the state impacted by tax sale are older, single, African American women living at or below the poverty line. In 2019, the average amount owed was just under \$2500. Though most of the homeowners were eligible for the Homeowner's Tax Credit Program, few had applied or were aware of the program.

Over the years, Maryland has enacted more consumer-friendly policy to prevent the poorest homeowners from losing their houses. These improvements include higher thresholds for tax sale, removal of water bills, and the appointment of a public ombudsman to help owner occupants keep their homes. Helping vulnerable homeowners to retroactively access the Homestead Tax Credit will help them age in place and maintain generational wealth.

We urge your favorable report.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network

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Uploaded by: Director Michael Higgs

Position: FAV

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HEARING DATE: January 19, 2022

BILL: SB0197

TITLE: Homestead Property Tax Credit Program - Retroactive Qualification and Calculation of the Credit

SDAT POSITION: SUPPORT

SB 197 is a proposal recommended by the State Tax Sale Ombudsman's Office and is based on the Office's experience helping homeowners and exploring challenges they face paying their property taxes and keeping their homes.

The Ombudsman's Office has seen homeowners in tax sale who have not applied for the Maryland Homestead Tax Credit (HTC). As the credit is not retroactive, otherwise eligible homeowners who apply would get no credit toward the prior tax year amount that has resulted in a tax sale. Further, if the homeowner also applies for the prior year's Homeowners' Property Tax Credit (HPTC) and their home is not listed as their principal residence - which is a requirement for the HPTC - they cannot retroactively establish principal residence, and they miss out on that credit as well.

This bill enables eligible homeowners to retroactively receive the HTC Credit. Under this bill, if the State Department of Assessments & Taxation (SDAT) determines that a current HTC applicant was eligible for the credit in the prior year but didn't apply, it will retroactively qualify the homeowner for the prior year and recalculate the prior year's assessment.

This will help homeowners facing tax sale by reducing their delinquent tax bill, and it will also help them access the prior year HPTC by establishing the required principal residence in the prior year.

For these reasons, SDAT supports SB0197 and urges a favorable report.

Written Testimony SB 197 (retroactive homestead cr

Uploaded by: Jade McDuffie McClary

Position: FAV

SB 197

**HOMESTEAD PROPERTY TAX CREDIT PROGRAM – RETROACTIVE QUALIFICATION
AND CALCULATION OF THE CREDIT**

JANUARY 19, 2022

POSITION: SUPPORT

The Pro Bono Resource Center of Maryland (“PBRC”), an independent 501(c)(3) non-profit organization, is the statewide clearinghouse for pro bono civil legal services in Maryland. As the designated pro bono arm of the Maryland State Bar Association, PBRC provides training, mentorship, and pro bono service opportunities to members of the private bar. PBRC supports SB 181 because vulnerable homeowners would benefit from increased access to the Homestead Tax Credit to help prevent the loss of their homes.

Over the past seven years, PBRC has assisted nearly 700 homeowners at risk of losing their homes to tax sale. For homeowners, ending up on the tax sale list is usually the result of the inability to pay one’s property taxes. The clients served by our tax sale prevention clinics held in Baltimore in 2021 represented some of our state’s most vulnerable citizens: 81% were seniors, 26% were disabled, 84% identify as Black, and 81% reported annual household incomes of less than \$30,000. Through the advocacy of volunteer attorneys, many of these clients can access programs and credits that reduce their property tax burden allowing them to stay in their homes. However, most Maryland homeowners are unrepresented.

On average, our 2021 Baltimore clients encountered in our clinics had owned their homes for 28 years, and over 70% of them owned their homes free of a mortgage. As lower-income homeowners, the predominant form of accumulated wealth that they have, and that they can pass on to their families, is the equity in their homes. Many low-income homeowners are only able to afford their property taxes with the assistance of both the Homestead and the Homeowners’ Property Tax Credits. Eligibility for the Homeowners’ Property Tax Credit requires that the home be classified in the SDAT system as a “principal residence.” For Baltimore homeowners, the only way to achieve this for a home that was previously not classified as (or was misclassified as) non-owner occupied is to submit a Homestead Property Tax Credit application. During tax sale season, we see clients who do reside in their homes slated to be included in the tax sale and who were unaware that their home is classified as non-owner occupied, or who have experienced barriers to obtaining principal residence status, and for whom access to the Homeowners’ Tax Credit is critical to preventing it from going to tax sale. Allowing homeowners retroactive acceptance to the Homestead Property Tax Credit Program would not only bring down their bills for the portion of that credit, it would also allow certain homeowners to access the Homeowners’ Tax Credit retroactively: those over age 70 could currently apply for retroactive credit and, if SB 194 also passes, certain other eligible homeowners facing tax sale would be able to have their bills reduced to an affordable level to redeem prior to tax sale.

PBRC supports SB 197, which may protect certain Marylanders from the loss of their family home to tax sale foreclosure, thereby preserving homeownership and the transfer of intergenerational wealth. Thank you for the opportunity to testify.

For the above reasons,

PBRC urges a FAVORABLE report on SB 197.

Please contact Allison Harris, Director of PBRC’s Home Preservation Project, with any questions.

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Senate Bill 197.pdf

Uploaded by: Maryland Legal Aid

Position: FAV



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January 18, 2021

The Honorable Guy Guzzone, Chairman
Miller Senate Office Building
Budget and Taxation Committee
11 Bladen Street
Annapolis, MD 21401

**RE: Testimony of Maryland Legal Aid in Support of Senate Bill 197 –
Homeowners Property Tax Program – Retroactive Qualification and Calculation
of the Credit**

Dear Chair Guzzone and Members of the Committee:

Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents, including abused and neglected children, nursing home residents, and veterans. With 12 offices serving residents in each of Maryland's 24 jurisdictions, MLA handles civil legal cases involving a wide range of issues, including family law, housing, public benefits, consumer law, and criminal record expungements to remove barriers to obtaining child custody, housing, driver's licenses, and employment. MLA submits this written testimony on SB 197 at the request of Senator Guzzone. MLA supports this Bill and asks that the Committee give it a favorable report.

This bill would allow for a homeowner who applies for the Homeowners Property Tax Credit and is determined to qualify for the credit to be retroactively awarded the credit for previous years. One of the statewide projects that MLA has developed is the Foreclosure Legal Assistance Project. Through this project, MLA represents many homeowners facing foreclosure. We have seen many homeowners, especially elderly homeowners with reverse mortgages, who qualify for the Homeowner's Property Tax credit but did not apply. Based on the experience of our clients, the reasons why clients do not apply is either because they do not know about the tax credit, they confuse it with income taxes, they did not realize they are eligible, they applied once but did not realize they had to apply each year, or they simply forgot to reapply. Failing to apply causes homeowners to fall into tax sale and foreclosure more frequently than they would do so otherwise. Once a homeowner is in tax sale or foreclosure, it becomes very expensive for them to save their home, as they generally have to pay fees and costs in addition to what is owed for the property taxes.

One client, Ms. S, never would have owed any taxes after application of the tax credit if she had received her property tax credits timely, but because she did not, she ended up in a tax sale that is still being litigated to this day. If this law had been in place a few years ago, she would have received her retroactive tax credits and maybe the tax sale itself could have been avoided.

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I have also had many senior clients who after receiving all of their retroactive property tax credits were able to bring their home out of a reverse mortgage foreclosure. If this law was in place, they would never have faced the stress of a foreclosure to begin with, as they would have received their retroactive property tax credits.

I think this goes into more detail than the Committee will understand or appreciate so I deleted it. There is also the practical benefit that the hundreds of retroactive property tax credit applications that the State Department of Assessments and Taxation (SDAT) receives every year would be far fewer in number, as the homeowners would automatically receive the retroactive property tax credit from the year before. [Bill I do know that MLA asks for retro credits as do other low income legal services agencies but I am not sure if it reaches into the hundreds. Do you have that information?]

The reality is there are many low-income homeowners every year who fail to obtain property tax credits that they are entitled to because they fail to apply. This law would prevent this issue to a certain extent, and would be a great help to those that are the most vulnerable to adverse outcomes such as foreclosure and tax sale.

Thank you for your consideration of this written testimony. For the reasons stated above, **Maryland Legal Aid urges a favorable report on Senate Bill 197.**

/s/ William F. Steinwedel

William F. Steinwedel

Staff Attorney, Maryland Legal Aid

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