



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

**House Bill 243 – Property Tax – Tax Sales -- Revisions
In the Senate Budget and Taxation Committee
Hearing on March 26, 2024
Position: UNFAVORABLE**

Maryland Legal Aid (MLA) submits written opposition testimony in response to the amendments added to HB 243.

MLA is the largest public interest law firm in the state of Maryland and represents many homeowners in tax sale cases. On February 6, 2024, MLA testified in favor of HB 243 both orally and in-person because of the many positive reforms to the Maryland tax sale process that the bill provided. Unfortunately, in a subsequent amendment the bill unnecessarily limited tax sale protection for residential properties in Baltimore City. The amendment provides tax sale protection for *owner-occupied* properties only, thereby exposing some homeowners and renters to loss of housing by tax sale foreclosure based on water only liens. For that reason, MLA now opposes HB 243 as amended.

While some proponents of the amendment to HB 243 argue that the damage done by this amendment is small, MLA fundamentally disagrees. The amendment overturns the Water Taxpayer Protection Act, which the General Assembly unanimously passed in 2019 (SB 0096/CH 0320), to protect all households, including renters, and places of worship in Baltimore City from tax sale foreclosure based on unaffordable or miscalculated water bills. With amended HB 243, rental properties in Baltimore City would become subject to tax sale based on water bill delinquency even though the tenants may have been paying the water and sewer costs to the landlord. Unsuspecting renters are entitled only to 30 days' notice to vacate the foreclosed property. Importantly, proponents of this change under HB 243 have not proposed to increase the amount of notice to tenants, for instance, by aligning that notice period with the 90-day minimum required for tenants in a mortgage foreclosure.

Additionally, HB 243 as amended impacts residential properties that are being passed as part of an estate. If the city government has misclassified an owner-occupied property as a non-owner-occupied property, as it is prone to doing in our experience, HB 243 could result in some homeowners losing their homes via tax sale for water bill defaults in direct contradiction to the intent of the bill sponsors. Finally, places of worship are considered non-owner-occupied properties, which means this amendment may result in a church, temple, synagogue, or mosque going into tax sale due to a water bill default.

Despite our opposition to this amendment, MLA still believes that there are positive aspects of this bill that the legislature should consider either now or in the future. One such aspect is the limiting of tax sales to only properties where the tax sale default is greater than \$1,000.00. Under the present statute, Md. Code Tax Prop. §14-811, permits properties in every jurisdiction except

for Baltimore City to go to tax sale for a balance owed of just \$250.00. In Baltimore City, properties are to be removed from tax sale if the balance owed is less than \$750.00. HB 243 affords greater protections by removing all properties from tax sales where the amount owed is less than \$1,000.00. Low-income homeowners in Maryland who apply can receive the Homeowners Tax Credit, but in most jurisdictions, the tax credit is not enough to cover all the taxes owed. It is harmful for homeowners to lose their home in a tax sale due to a small amount of property taxes owed. MLA had a client who had to file a Chapter 13 bankruptcy because of small amounts of property taxes owed every year. MLA was able through the Chapter 13 bankruptcy and the HAF program to prevent this homeowner from going into foreclosure, but this homeowner should have never faced this issue.

Another positive aspect of the bill is that HB 243 also allows homeowners whose property has been purchased at tax sale ten (10) months prior, as opposed to seven (7) months, to redeem the tax sale certificate without having to satisfy attorney's fees and costs. These costs typically are at least \$750.00 in addition to the amount owed on the tax sale certificate and interest that begins on the date the tax lien certificate is sold at auction. Redeeming a tax sale certificate can be an arduous and expensive process. Usually, the homeowner must pay the attorney's fees accrued by the tax sale purchaser before even paying the taxes to the taxing authority. The taxing authority generally requires a release from the tax sale purchaser before even allowing the homeowner to redeem. In addition, some jurisdictions require that the homeowner pay in cash or money order, even though most financial transactions are now done with electronic methods and/or a debit card, which can be very difficult for a low-income homeowner to obtain. Providing additional time in which to satisfy attorney's fees and costs, in addition to the tax sale certificate itself, makes the process simpler and allows more homeowners to cure the tax sale default and keep their homes.

MLA also generally supports improvements to make the Maryland tax sale system fairer and more equitable for low-income homeowners. MLA has seen how the tax sale process can be abused by aggressive investors, which can result in a homeowner losing their home for a very small amount of money. MLA once represented a homeowner in a case that went all the way to the Supreme Court of Maryland and one of the issues was the confusing process that a homeowner must manage just to redeem their property. MLA's client was ultimately victorious, and the courts allowed the homeowner to redeem without satisfying additional attorney's fees due to the actions of the tax sale purchaser, but the fact that this tax sale purchaser attempted to obtain the home despite the fact that the homeowner having sufficient funds to redeem and obtaining these funds in a timely matter shows that the tax sale system in Maryland desperately needs reform.

Unfortunately, due to the amendment that provides tax sale protection for *owner-occupied* properties only, MLA no longer supports this bill. However, we urge the General Assembly to continue to attempt to make the tax sale process more equitable and fairer for low-income homeowners in the current and future sessions. If you have further questions, do not hesitate to contact William Steinwedel, Supervising Attorney, Foreclosure Legal Assistance Project, Maryland Legal Aid Bureau, at (410) 951-7643.