

DATE: March 26, 2024
BILL NO.: House Bill 243
TITLE: Property Tax - Tax Sales – Revisions
COMMITTEE: Senate Budget and Taxation Committee

Letter of Support

Description of Bill:

House Bill 243 modifies property tax sale procedures by:

- Requiring local jurisdictions to withhold from tax sale owner-occupied properties where the tax owed is \$1,000 total, along with owner-occupied properties where the tax owed consists only of unpaid water or sewer charges
- Setting maximum interest rates of redemption at 10% per year for owner-occupied residential property
- Prohibiting taxes, interest and penalties accruing after the date of tax sale from being included in the payment required to redeem a property
- Extending the period during which a holder of a certificate of sale for owner-occupied residential property is prohibited from filing a complaint to foreclose the right of redemption from 9 to 12 months
- Granting local governments the ability to offer abandoned property at a starting bid of less than the taxes owed
- Requiring written notice of actions to foreclose rights of redemption to be sent to the State Tax Sale Ombudsman.

Background and Analysis:

The tax sale process is local jurisdictions' primary means of enforcing collection of property tax and, for some municipalities, water and sewer fees. When an owner of real property fails to pay property taxes in a timely fashion, the jurisdiction acquires a lien against the property and, after a period of delinquency, the property becomes eligible for tax sale. At the tax sale, private bidders purchase the liens from the local jurisdiction, entitling them to pursue a foreclosure action against the property owner under procedures prescribed by Maryland law.

The modifications to tax sale procedures in House Bill 243 are aimed at protecting residential property owners at risk of losing their homes to tax sale foreclosure. Owner-occupied residential properties represent only a small fraction of all properties that go to tax sale, but their owners are disproportionately Black, are often elderly and/or disabled, and live on low and/or fixed incomes. Under current Maryland law, the cost to redeem a property that has gone to tax sale can easily rise into the thousands of dollars. Extending the amount of time before a foreclosure action can be filed, capping interest rates (which in some jurisdictions are currently as high as 20%), and freezing the amount owed at the time of tax sale, will help protect some of Maryland's most vulnerable homeowners and prevent their displacement.

Property taxes are an important source of revenue for local governments, and this legislation does not target that revenue stream. It offers additional protection for vulnerable homeowners without a large anticipated impact to those governments.

DHCD Position:

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on House Bill 243.