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HB 243 as amended - Property Tax - Tax Sales – Revisions
March 26, 2024
Budget and Taxation Committee

Position: UNFAVORABLE

On behalf of Food & Water Watch and our 44,000 supporters in Maryland, we oppose HB 243 as amended and request that you issue an ***unfavorable*** report if it is not fixed to protect all homes, including renters and households without legal homeownership status. HB 243 as it was amended in the House would allow the harmful practice of selling renter-occupied and other non-homeowner-occupied residential property at tax sale to collect unpaid water and sewer bills. It discriminates against households who cannot afford to own their home or secure the title to an inherited property.

HB 243 as amended would roll back an important protection for Baltimore City by gutting the Water Taxpayer Protection Act. In 2019, the General Assembly unanimously passed the Water Taxpayer Protection Act was passed unanimously to protect all residents and places of worship in Baltimore City from tax sale due to unpaid and unaffordable water bills.

HB 243 as amended would disproportionately harm Black and low-income households, who are more likely to rent their homes. In 2022, 52 percent of Baltimore homes were renter-occupied, and 58 percent of Black households rent their homes, compared to less than 40 percent of white households. Low-income households are also more likely to rent their homes, and the median household income of renters is about half that of homeowners.

The tax sale process can lead to foreclosure and eviction for affected residents. Many renters are often not responsible for directly paying their water bill, and despite being up to date on their rent, they could lose their housing through this process with little legal recourse.

This bill is not unjust and discriminatory – and it is unnecessary. Many water systems never use tax sales to collect unpaid water bills. For example, Maryland's largest water system, the Washington Suburban Sanitary Commission, cannot use tax sale to collect unpaid water bills.

Again, we oppose this legislation and urge you to issue an unfavorable report on HB 243 as amended if it is not fixed. No one, regardless of homeownership status, should lose their home over water bills.

Sincerely,

Jorge Aguilar
Southern Region Director
Food & Water Watch

Opposition to HB 243 — No One, Regardless of Homeownership Status, Should Lose Their Home Over Water Bills

The amended HB 243 will leave thousands of low-income families and tenants across the state vulnerable to the loss of their homes due to water bills. It would take away housing protections in Baltimore City by reauthorizing the tax sale to collect water debt for residential properties that do not have official designation as "owner occupied." This means that renters, misclassified homes, and tangled title homes could end up in tax sale foreclosure and evictions due to overdue water bills as little as $350.

> **History:** The Water Taxpayer Protection Act of 2019 ensured no home or place of worship would be sent to tax sale for water bills in Baltimore City. HB 243 would gut these protections.

The Harms of HB 243

- **One-third of Marylanders would be excluded from protections and could face eviction after tax sale foreclosure over water bills.** More than 750,000 households in the state rent their homes and could face eviction with as little as 30 days notice after tax sale foreclosure. Black households are twice as likely to rent in Maryland and would be disparately impacted. In Maryland, nearly half (47%) of Black households are renters compared to less than a quarter of white households (23%).
- **More than 3,000 homes in Baltimore City alone have tangled titles, many others are misclassified, and many are family-owned homes — all would face tax sale foreclosure over water bills.** The state's database designating homes as owner-occupied or not contains errors. A person could inherit their home from a family member and not have the legal title to the property, making it more likely the home will default to a non-owner-occupied designation. Heirs properties are a problem throughout the state, impacting rural and urban communities alike, disproportionately affecting Black communities and low income communities that do not have access to estate planning. In other cases, a family home may be owned by a member who doesn't live there but pays for it to care for their relatives.
- **Despite improvements, water billing remains a problem in Baltimore City.** In Baltimore City, the Department of Public Works has a long history of poor records, resulting in water bills that are off by hundreds or even thousands of dollars. Residents should not have to defend their homes from tax sale while also sorting out issues from notoriously error-ridden water bills. Baltimore City's new Office of the Customer Advocacy and Appeals is still being staffed up.
- **Tax sale leads to vacant and abandoned properties.** The more vulnerable residents are exposed to the risk of losing their homes in tax sale, the more vacant properties will result, and the harder it will be to restore the homes and reinvigorate neighborhoods.

The Maryland General Assembly must protect all community members from the threat of losing their homes due to water bills and reject HB 243 as amended.

More Information:

- At the annual tax sale, Marylanders, whose past-due water debt is sold to investors, must reclaim their property at a steep price. In order to avoid foreclosure, owners must pay investors the liens, plus interest, court costs, legal fees, and postage.
- Tax lien certificate holders must be repaid the lien plus 18% (Baltimore City) for non-homeowner occupied homes. If not paid 4 months after tax sale, fees and costs may be added. If not paid 6 months after tax sale, the investor can file to foreclose on non-owner-occupied houses.
- Renters are required to receive just 30-days notice prior to eviction after tax sale foreclosure.
- Many tax sale purchasers do not actually intend to acquire properties through tax sale - they only want to collect the interest and fees. Homeowners may believe they have lost their properties in foreclosure and walk away, but the purchasers never record a new deed.
- What's more, the windfall from the interest and fees does not generate revenue for the local government; it all goes to the investors.
- Many advocates observe that tax sale leads to evictions, homelessness, and property abandonment. Baltimore's neighborhoods are already plagued by all three.

The following organizations OPPOSE HB 243 as amended:

1) 1199SEIU United Healthcare Workers East
2) Baltimore Renters United
3) Campaign for Justice Safety and Jobs
4) CASA
5) CASH Campaign of Maryland
6) Chesapeake Physicians for Social Responsibility
7) Citizens Policing Project
8) Clean Water Action
9) Community Development Network of Maryland
10) Community Law Center
11) Community Legal Services of Prince George's County, Inc.
12) Disability Rights Maryland
13) Dr. Marvin J. Perry, Morgan State University MSU
14) Economic Action Maryland
15) Fight Blight Bmore
16) Food & Water Watch
17) Habitat for Humanity of the Chesapeake
18) Housing Options & Planning Enterprises, Inc.
19) Jews United for Justice
20) Latino Economic Development Center (LEDC)
21) Making Changes
22) Maryland Center on Economic Policy
23) Maryland Volunteer Lawyers Service
24) Mothers On The Move
25) NAACP - Baltimore Branch
26) NAACP Legal Defense and Educational Fund (LDF)
27) NHS of Baltimore
28) Northeast Community Organization (NECO)
29) Organizing Black
30) Parity Baltimore
31) Pro Bono Resource Center of Maryland
32) Public Justice Center
33) Shore Legal Access
34) South Baltimore Community Land Trust Inc
35) Sowing Empowerment & Economic Development, Inc.
36) The SOS Fund
37) University of Baltimore School of Law Community Development Clinic
38) Woodbourne-McCabe Neighborhood Association