BOSTON PLAUT
Attorneys at Law

March 25, 2024

The Honorable Chairman Guzzone
The Senate Budget & Tax Committee

RE: **HB 243 – Property Tax – Tax Sales - Revisions**
Position: Support

Dear Mr. Chairman and Members of the Senate Budget and Tax Committee,

On behalf of the Kenny Law Group and The Maryland Tax Sale Participants Coalition, we support HB 243. We support protections for homeowners as well as the provision regarding withholding from tax sale only owner-occupied properties with delinquent water bills. Below is an outline of why this is good policy:

- History of why Water bills were removed from tax sale.
    - Water department was taking a lot of flack for water billing problems
    - Many low-income Owner Occupants were struggling with high water bills they couldn't pay
    - Because water department didn't get their act together the stop-gap decision was made to remove water bills from tax sale
    - Fast forward to today. Vast majority of owner occupants removed from tax sale 3 years running.
    - We have proposed legislation that enables the removal of owner occupied property from tax sale entirely.
    - Now decision to remove water from tax sale is a relic. It should be included for landlord and investor owned property

- Why needs to go back in
    - It is good policy to re-include non-owner occupied water bills into tax sale.
    - Tax Sale is the impetus that gets people to pay. Tax sale is a hugely effective revenue collection tool and exempting properties and water bills in particular from tax sale has a heavy cost.
    - In her testimony to the tax sale task force, DPW representative Julie Day shared how removing Baltimore City water bills from tax sale resulted in Baltimore city water collections decreasing substantially.
    - It makes sense to bear this cost in the interest of protecting vulnerable and low income legacy owner-occupants.

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- But shouldn't non-owner occupants – investors, landlords. business owners, speculators and derelict property owners be expected to pay their property taxes and water bills.
- What will the long-term effect of diminishing water department revenues be on future water billing rates, maintenance of the city's aging water system (and other jurisdictions), and even safety of the city's drinking water. We wouldn't want to see Baltimore become the next Flint, Michigan in the misguided interest of protecting investors from having to pay their water bills.

- Issues to consider:
  - Affordability
    - Not only is removing water from tax sale bad for jurisdictions it can also be detrimental to tenants and property owners.
    - The annual tax sale brings issues with billing, leaks etc to a head so they can be dealt with before they grow out of hand
    - Tenants, landlords, property owners will receive notice of tax sale and know they need to resolve water leaks, or delinquent water bills quickly.
    - Get on payment plans with water department to avoid tax sale etc.
    - Taking all water bills out of tax sale is tantamount to putting head in sand and ignoring the water bills as they continue to accrue.
    - This will lead to problems growing out of hand down the road. Lead to equity stripping, evictions of tenants etc, all because the problems were not addressed when they were still manageable.
    - The city does not generally turn off water to its residents. Therefore without going into tax sale – no way to collect.
    - We see properties all the time with disastrous situations – 10k, 20k, 50k water bills. The properties are upside down and can no longer be bought or sold and put back into productive use. If they had gone to tax sale timely, the problem would have been resolved when still manageable or been sold to a new owner if abandoned.
    - But when ignored leads to vacancy and blight and impossibility to put back into productive use when properties turn upside down with liens exceeding value.

- Putting water bills back into tax sale will not negatively affect tenants
  - Tenants are typically responsible for paying water under their lease
  - If they are not paying better to face problem sooner and get on payment plan with water dept or landlord, and resolve any water leaks leading to high bills before they grow out of hand.
  - Tenants could be evicted for not paying rent or water long before a tax sale goes anywhere.

    - A delinquent water bill would not go to tax sale for many months. And even if sold at tax sale both owner and tenant would receive notice of the debt and have ample time – often 1-2 years to redeem the property
    - Finally, any tenant who is paying rent and living in a property that was foreclosed upon may be able to sign a new lease with the tax sale purchaser. Many investors would be thrilled to inherit a tenant who is paying rent and wishes to remain in a property.

- Hidden costs to investors and delays with title: The point of tax sale is for the municipality to advertise all past due tax debt and sell a lien that accurately reflects the total amounts owed to the municipality at the time of sale.
- When water not included there is an extra hidden cost to investor. If bill is small no problem
- If bill is astronomical in tens of thousands could lead to delays or cause tax sale investor to have to abandon their investment leading to issues with title of property.

We respectfully request a favorable report on HB 243.

Please let us know if you have any questions or need any additional information.

Sincerely,

Ari Plaut, Esq.

On Behalf of the Kenny Law Group
& MD Tax Sale Participants
Coalition