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HEARING DATE: February 6, 2024

BILL: HB0401

TITLE: Property Tax Exemption - Rental Income - Reporting Requirement

SDAT POSITION: SUPPORT

The Department of Assessments and Taxation Supports HB0243 - Property Tax - Tax Sales - Revisions. This legislation would achieve several critical equity goals, including:

- Raising the total amount of tax and delinquent fees that may be owed on owner-occupied properties withheld from tax sale from \$750 to \$1,000.
- Requiring local jurisdictions to establish a process by which a homeowner may redeem the property following tax sale through an installment payment plan.
- Setting maximum interest rates of redemption to 10% per year for all properties except for owner-occupied residential properties at 6%
- Withholding, from tax sale, any liens on certain properties resulting from water and sewer fee delinquencies.
- Including the Tax Sale Ombudsman to the list of recipients of the notification of action to foreclose a right of redemption for owner-occupied properties
- Requiring each county and Baltimore City to maintain a record of tax sale information for at least three years following the date of tax sale

The General Assembly established the Office of the Tax Sale Ombudsman with a critical goal in mind: keeping Maryland's most vulnerable homeowners in their homes.

While owner-occupied residential properties represent a small portion of properties that go to tax sale, the impact on homeowners can be drastic. In some cases, homeowners, particularly those who are elderly or those with disabilities, are unaware of delinquencies in tax payments or utility fees altogether and enter tax sale before having an opportunity to rectify the situation. As a result, some homeowners pay up to

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20% more than they would have in taxes and fees had they been aware that they were delinquent on payments. During calendar year 2022, thousands of owner-occupied properties were sold at tax sale.

It is for this reason the General Assembly established the Homeowner's Protection Program, a widely celebrated program in which the Department pays delinquent taxes and fees to local governments and private lien holders to take homeowners out of tax sale. The Department then provides the homeowner with a loan repayment plan and works closely with them to identify tax credits and other state resources to build a sustainable financial future.

House Bill 243 builds on existing protections for homeowners at risk of entering or who are in tax sale for delinquencies on water and sewer fees, and generally for homeowners at risk of entering tax sale foreclosure. This bill provides an elegant solution to target homeowners who are struggling to meet their basic needs without imposing a fiscal burden on local governments.

Accordingly, the Department respectfully requests a **FAVORABLE** report.