

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 582 (Senator Bromwell)

Budget and Taxation

Property Tax - Tax Sales

This bill alters the process used by counties to conduct tax sales.

This bill is effective June 1, 1998.

Fiscal Summary

State Effect: None. Any impact on State property tax revenues is assumed to be negligible.

Local Effect: Indeterminate impact on revenues and expenditures beginning in FY 1998.

Small Business Effect: Potential meaningful impact on small businesses.

Fiscal Analysis

Bill Summary: This bill requires a bidder at a tax sale to pay the full amount of any property bid to the tax collector no later than the day after a tax sale. In Washington County, the full amount of a property bid must be paid on the day of the sale. If a property owner redeems a property and a tax sale certificate holder surrenders the certificate, the tax collector is required to pay the certificate holder all redemption money, including any surplus bid amount paid. The tax collector would not be required to return any taxes received or interest paid on the surplus bid amount.

After the purchase price for a property has been paid and before the execution and delivery of a tax sale certificate, a purchaser may assign all of the right, title, and interest in the certificate by a written assignment as provided under current law. After receiving notification by first-class mail, the collector shall execute and deliver a certificate of sale to an assignee.

Any person redeeming a property must pay the collector the delinquent tax amount paid plus interest, but with no interest on the surplus bid amount paid. The collector is required to notify the certificate holder that the redemption money that was paid will be returned. A plaintiff in an action to foreclose a right of redemption may dismiss the action, with prejudice, anytime before a final judgment is entered. This judgment may not be entered unless the plaintiff files a motion for final judgment.

The bill allows a plaintiff or certificate holder in all counties except Allegany, Carroll, Garrett, Montgomery, Somerset, and Talbot to be reimbursed for a \$100 administrative fee to cover expenses incurred within two months of the date of sale, but a plaintiff or certificate holder may not be reimbursed for any other expenses within that time period. If a sale of a property is made improperly and is voided and set aside, the county tax collector is required to repay the tax sale certificate holder any interest and penalties that accrue after the date of the sale and that may have been paid by the certificate holder. Any person who obtains a deed through a tax sale would be entitled to immediate possession of the property without any further court proceedings.

Local Revenues: This bill's requirement that a purchaser of a property at a tax sale pay the full amount of a property bid by the day after the tax sale could discourage potential tax sale bidders from bidding on properties. If this is the case, a county could be in the position where it is unable to sell all or most of its tax sale certificates offered at a sale, thus reducing the amount of taxes, expenses, and penalties that may be collected on these properties. Any specific decrease in revenues for counties cannot be reliably estimated at this time. Revenues could increase to the extent that interest from refunded surplus bid amounts is retained by a county.

Local Expenditures: Allowing a plaintiff or certificate holder to be reimbursed for \$100 in administrative expenses incurred within two months of the date of a sale could increase local expenditures in those counties where plaintiffs or certificate holders would be eligible for reimbursement. Any specific increase in expenditures cannot be reliably estimated at this time.

Small Business Effect: The bill's requirement that a tax sale bidder pay, no later than the day after the tax sale, the total amount of a property bid plus any delinquent taxes owed could be difficult for small business tax sale bidders, thus discouraging bidding by these entities at county tax sales.

Information Sources: Department of Assessments and Taxation, Judiciary (Administrative Office of the Courts), Carroll County, Queen Anne's County, Cecil

County, Baltimore City, Department of Legislative Services

Fiscal Note History:

First Reader - March 10, 1998

Inc

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