

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 515 (Senator Hoffman. *et al.*)

Budget and Taxation

Personal Property Tax - Lien for Unpaid Taxes

This bill makes any liens placed on real property for unpaid personal property taxes subordinate to any previously filed liens.

This bill is effective July 1, 1999, and is applicable to all liens for unpaid taxes on personal property in existence on or after July 1, 1999.

Fiscal Summary

State Effect: None.

Local Effect: Potential significant effect on revenues and expenditures beginning in FY 2000.

Small Business Effect: None.

Fiscal Analysis

Local Effect: The Attorney General has advised that, under current law, a personal property lien is not eliminated by a foreclosure on real property and that this lien would continue after any foreclosure until the personal property taxes are paid. Under this bill it could be interpreted that foreclosure of a prior lien on real property would eliminate a subordinate personal property lien. In many cases, the personal property on which taxes are owed can no longer be located and the only asset available is the real property. Eliminating a real property lien by foreclosure could render the taxes for a personal property lien uncollectible. Regardless of how the bill is interpreted, in addition, there is a possibility that a greater number of personal property liens will eventually go unpaid due to insufficient funds. Foreclosure proceeds are first used to pay the expenses of the property sale, then used to

satisfy the liens in the order of their superiority. Moving a lien for unpaid personal property taxes lower on the list of liens to be satisfied increases the potential that no funds will be available for satisfaction of the lien.

Based on a limited survey of counties by the Department of Legislative Services, this bill could impact the ability of local governments to collect delinquent personal property taxes through real property liens. Montgomery County currently has liens on almost 1,700 personal property tax accounts with a total of \$6.3 million in outstanding taxes (accumulation of 7 years). As a result of this bill Montgomery County could experience a loss of \$900,000 per year in revenues. It is estimated that Charles County would realize a reduction in revenues of approximately \$20,000 in fiscal 2000 and \$84,000 annually thereafter. Baltimore City advises it would also experience a loss in revenues as a result of this bill.

This bill could also impact a county's ability to conduct a tax sale of real property. In many cases, listing a property for sale results in payment of the personal property taxes in order to avoid the tax sale. This bill could reduce the ability of local governments to collect these taxes without filing a legal action, which could create additional expenditures.

Information Source(s): Department of Assessments and Taxation, Baltimore City, Washington County, Worcester County, Kent County, Montgomery County

Fiscal Note History: First Reader - February 15, 1999

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Analysis by: Joanna Rooney

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510