

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 714 (Senator McFadden)
(Baltimore City Administration)

Judicial Proceedings

Landlord and Tenant - Leases - Perpetual Renewal Covenants - Reversion and Abandonment

This bill provides that a leasehold interest does not automatically revert to the landlord at the expiration of a lease containing a covenant of perpetual renewal (ground lease). In order to recover such a leasehold interest, the landlord must record a notice of reversion of the leasehold interest. If the landlord does not act to recover a leasehold interest at the expiration of such a lease, the tenant remains liable for the rent and is bound by any covenants or conditions in the lease until: (1) the property is no longer subject to a tax lien or a mortgage or deed of trust; and (2) the tenant records a notice of abandonment. A notice of reversion or notice of abandonment may not be recorded until the property is transferred on the assessment books of the county in which the property is located to the landlord.

Fiscal Summary

State Effect: Increase in recordation tax revenues, to the extent that notices of reversion or notices of abandonment are recorded. Any increase is assumed to be minimal. Expenditures would not be affected.

Local Effect: Recordation tax revenues could increase to the extent that notices of reversion or notices of abandonment are recorded. The bill could increase collections of currently due property taxes and other liens to the extent that it enhances a local jurisdiction's enforcement ability.

Small Business Effect: Minimal.

Analysis

Current Law: A deed or other instrument that effects a change of ownership on the assessment books may not be recorded until the property granted is transferred to the grantee on the assessment books or records of the county where the property is located. Property may not be transferred on the assessment books or records until all public taxes, assessments, and charges on the property, and all personal property taxes, with certain exceptions, due by the transferor have been paid.

Background: Unlike most leases, the lessee usually is responsible for payment of property taxes under a lease containing a covenant for perpetual renewal.

By statute, uninterrupted possession by a tenant for 12 months after the expiration of a lease containing a covenant for perpetual renewal operates as a renewal.

Additional Information

Prior Introductions: None.

Cross File: HB 653 (Delegate Marriott, *et al.*) - Economic Matters.

Information Source(s): Howard and Prince George's counties, Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2000

nncsjr

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510