

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 535 (Senator McFadden. *et al.*)
(Baltimore City Administration)

Budget and Taxation

Baltimore City - Release of Liens for Unpaid City Real Property Taxes

This bill changes provisions related to Baltimore City's authorization to release liens for unpaid real property taxes for abandoned property.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: None. The bill would not directly affect State government operations or finances.

Local Effect: Potential minimal increase in Baltimore City's property tax revenues.

Small Business Effect: None.

Analysis

Bill Summary: The bill clarifies that the city may release any liens for unpaid real property taxes on vacant lots when the liens exceed the value of the property. The bill also requires that when a property is transferred to a nonprofit organization for less than fair market value, the city is entitled to receive an amount equal to any federal, State, or local income tax benefit realized as a result of a deduction from income for a charitable contribution of the property to a nonprofit organization. The transferor's tax debt is reduced by an amount equal to the fair market value of the property. Finally, the bill removes the requirement that, if there are competing bidders, the city provide preference to a transferee that will create home ownership opportunities.

Current Law: The city is authorized to release liens for abandoned property if the taxes

owed exceed the value of the property under the following conditions: (1) the transferee must demonstrate the ability to return the property to productive use within a reasonable time; (2) the city finds that a transfer is necessary to eliminate a blighting influence and to prevent the tax abandonment of the property; and (3) the potential transferee presents evidence that fair market value is being paid. The city may waive the fair market value requirement if the transferee is a nonprofit organization.

Background: Although the city releases the property from the outstanding tax liens, the transferor is not released from the debts. The city may still pursue collecting the outstanding taxes from the transferor even if the property has been sold.

Local Fiscal Effect: The bill could potentially increase Baltimore City's property tax revenues. Currently, the city releases liens for property sold at less than fair market value if the property is sold to a nonprofit organization; however, the bill would require the transferor to pay the city any tax benefit that they receive as a result of the transfer. This provision will ensure that the city receives some of the tax liability in cases when pursuit of the liability after the transfer is unsuccessful. Any such increase in tax revenues is assumed to be minimal.

Additional Information

Prior Introductions: None.

Cross File: HB 744 (Delegate Marriott, *et al.*) - Ways and Means.

Information Source(s): Baltimore City, Department of Legislative Services

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