

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTE

Revised

Senate Bill 378

(Senator McFadden, *et al.*)

(Baltimore City Administration)

Budget and Taxation

Ways and Means

Baltimore City - Tax Sales - High-Bid Premium

This emergency bill requires a high-bid premium assessed on property tax sales in Baltimore City be calculated as 20% of the amount that the high bid exceeds the greater of the lien amount or 40% of the property's full cash value.

Fiscal Summary

State Effect: The bill would not directly affect State governmental operations or finances.

Local Effect: Potential minimal increase in revenue in Baltimore City due to an increase in the required high-bid premium.

Small Business Effect: Potential minimal for businesses that are required to post high-bid premiums in Baltimore City.

Analysis

Current Law: In cases where a high-bid premium is required, it is calculated as 20% of the amount that the high bid exceeds 40% of the property's full cash value.

Background: Chapters 326 and 786 of 1998 established that a high-bid premium to be applied to all properties offered for a tax sale is 20% of the amount by which a property's highest bid exceeds 40% of that property's full cash value. In addition, a tax collector or

auctioneer is allowed to refuse any bids that are not made in good faith, and a potential bidder must meet certain eligibility requirements in order to bid on properties.

A high-bid premium was established to discourage persons from bidding an excessively high amount on tax sale property. Many investors at tax sales purchase properties solely to recoup interest, penalties, and legal costs. Since these investors never intend to foreclose on the properties, the amounts of their bids are irrelevant, and the bid amounts have skyrocketed, up to infinity and even infinity plus one. Many tax sales had to be suspended, postponed, or canceled due to unmanageable bidding. As a result of Chapter 326 and 786 of 1998, the local government may choose to use a high-bid premium system to help control the tax sale. If the local government chooses to use such a system, the premium amount is 20% of any bid over 40% of the full cash value.

Baltimore City Revenues: Increasing the high-bid premium in cases where the lien is greater than 40% of the property value could result in a minimal increase in county revenue when the premium is retained. The bid premium is returned to the holder of the tax sale certificate upon redemption of the property or to the plaintiff in an action to foreclose the right of redemption. There are relatively few cases where neither action is taken and the county retains the high-bid premium.

Additional Information

Prior Introductions: None.

Cross File: HB 453 (Delegate Marriott)(Baltimore City Administration) – Ways and Means.

Information Source(s): Department of Assessments and Taxation, Montgomery County, Prince George’s County, Department of Legislative Services

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