

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 556

(Delegate Marriott)

(By Request – Baltimore City Administration)

Ways and Means

Budget and Taxation

Baltimore City - Tax Sales - Abandoned Property

This bill makes various changes to the tax sales provisions for abandoned property in Baltimore City.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: None. The bill would affect local government operations only.

Local Effect: None. The bill would not change the remedies that Baltimore City can seek for unpaid taxes on abandoned property.

Small Business Effect: None.

Analysis

Bill Summary: The bill provides:

- in a proceeding brought by the city to foreclose the right of redemption on abandoned property, the complaint *may* request a judgment for the city for the balance of unpaid taxes, as opposed to the current requirement that a judgment must be requested.
- at the option of the plaintiff, in a foreclosure proceeding brought by the city for abandoned property sold for less than the unpaid taxes, a request can be made that

the court pass a judgment for the city and against the person liable for the taxes prior to tax sale.

- in a foreclosure proceeding brought by the city for abandoned property sold for less than the unpaid taxes, the final order *may* include a judgment in favor of the city and against the person liable for the taxes prior to sale, for the balance of unpaid taxes, as opposed to the current requirement that a final order includes a judgment for the city.
- in the city, a defendant or other person relevant to the proceeding may file an action to recover damages on the ground of inadequate notice within three years after the date of judgment foreclosing the rights of redemption. Damages in such an action may not exceed the fair market value of that person's interest at the time of sale, and a person may not file to reopen a judgment foreclosing rights of redemption based on inadequate notice.

Current Law: In Baltimore City, an abandoned property may be sold for less than the taxes owed but a minimum bid is required to be established. The balance remaining after the tax sale must be included in the amount necessary for the current owner to redeem the property and if the purchaser of the certificate of sale institutes a proceeding to foreclose the right of redemption, the purchaser must enter a request for judgment for the city in the amount of the balance. The holder of a certificate of sale must generally wait six months from the date of sale to file a complaint to foreclose all rights of redemption. The certificate is void unless a proceeding to foreclose the right of redemption is filed within two years of the certificate of sale. In the case of a building that is certified to require substantial repairs to comply with the applicable building code, the holder of a certificate of sale must wait 60 days to file.

In Baltimore City a certificate for abandoned property sold at public auction with a minimum bid less than the lien amount reverts to the Mayor and city council for a period of two years from the date of the tax sale and is void as to the private purchaser at tax sale unless:

- a proceeding to foreclose the right of redemption is filed within three months of the date of the certificate of sale; and
- unless the holder is granted an extension by the court due to a showing of extraordinary circumstances beyond the certificate holder's control, the holder secures a decree from the circuit court in which the foreclosure proceeding was filed within 18 months from the date of the filing of the foreclosure proceeding.

If the certificate reverts, the city may file a foreclosure proceeding in its own name or resell the certificate and apply the money to any outstanding balance remaining after the original tax sale.

Except in the case of abandoned property in Baltimore City, if the holder of the certificate of sale does not comply with the terms of the final judgment of the court within 90 days as to payments of the balance of the purchase price, the judgment may be stricken by the court on the motion of an interested party for good cause shown.

In Baltimore City, if the holder of the certificate of sale for abandoned property does not comply with the terms of final judgment of the court as to the payments necessary for the collector to execute a deed within 30 days, or does not record the deed in the land records within 30 days of the execution of the deed, the final judgment is void.

In the city, with respect to abandoned property, an action to reopen a judgment or to recover damages on the ground of constructive fraud or inadequate notice must be filed within three years of the judgment and damages may not exceed the fair market value of the property at the time of sale.

Background: Baltimore City advises that this bill will not limit its remedies for collecting unpaid property taxes, but will encourage title companies to be more willing to provide title insurance on abandoned properties.

Chapter 466 of 2002 provides that certain provisions related to the sale of abandoned property in Baltimore City apply only to property sold with a minimum bid less than the lien amount. It provides that a complaint to foreclose all rights of redemption may be filed at any time after the date of the tax sale on abandoned property with a minimum bid less than the lien amount. Chapter 466 also repealed a requirement that a final judgment in a proceeding involving abandoned property in Baltimore City is void in 30 days under certain circumstances, and provided that the purchaser in such a transaction is not an interested party for purposes of voiding the judgment. Chapter 408 of 2000 made various changes to the process of tax sales of abandoned property in Baltimore City, including that the property could be sold for less than the amount owed as long as a minimum bid is established.

Additional Information

Prior Introductions: None.

Cross File: SB 346 (Senator McFadden) – Budget and Taxation.

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

Fiscal Note History: First Reader - February 14, 2003
ncs/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
(410) 946-5510
(301) 970-5510