

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 420

(Senator McFadden)

(By Request – Baltimore City Administration)

Budget and Taxation

Ways and Means

Baltimore City - Tax Sales - Auctioneer's Fee

This emergency bill provides that in Baltimore City the auctioneer's fee for property sold in an electronic tax sale may be an amount of up to \$10 for each property sold.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City expenditures could decrease by approximately \$40,000 annually. Revenues would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: The auctioneer's fee for properties sold at a tax sale auction in Baltimore City is set at \$10 per property on a day when three or fewer properties are sold and \$3 per property on a day when four or more properties are sold. As a matter of practice, more than four properties are sold each day of the tax sale, which limits the auctioneer's fee to \$3 per property. The city is not authorized to set a higher auctioneer's fee for an electronic tax sale.

Background: When a property is purchased at a tax sale, the purchaser must pay to the tax collector any delinquent taxes, penalties, sale expenses, and under certain conditions, a high bid premium. The remainder of the purchase price is not paid to the collector until the purchaser forecloses on the property. The property owner has the right to redeem the

property within six months from the date of the tax sale by paying the delinquent taxes, penalties, interest, and certain expenses of the purchaser. If the owner redeems the certificate, the purchaser is refunded the amounts paid to the collector plus the interest and expenses. If the owner does not redeem the certificate, the purchaser has the right to foreclose on the property after the six-month right of redemption period has passed. Generally within two years, if the right to foreclose is not exercised by the purchaser, the certificate is void and the purchaser is not entitled to a refund of any monies paid to the collector.

Local Fiscal Effect: Baltimore City holds a tax sale auction every May. The city contracts with an auctioneer to conduct the auction, with the auctioneer receiving \$3 per property. Baltimore City is now seeking to conduct its tax sale auction online so as to reduce the administrative costs of conducting the auction. The city advises that it needs the ability to raise the auctioneer's fee in order to secure a vendor. As is the case currently, there would be no costs associated with the auctioneer's contract. The auctioneer's fee is paid by bidders for property liens. On average, tax sale auctions involve approximately 12,000 properties annually.

If the auction is conducted online, the city would save approximately \$40,000 annually in administrative costs associated with conducting the tax sale auction.

Additional Information

Prior Introductions: None.

Cross File: HB 543 (Delegate Marriott, *et al.*) (By Request – Baltimore City Administration) – Ways and Means.

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

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