

HB 683

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 683

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

Prince George's County - Tax Sales - High-Bid Premium
PG 404-04

This emergency bill requires a high-bid premium assessed on property tax sales in Prince George's County 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: None.

Local Effect: Potential minimal increase in revenues in Prince George's County 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 Prince George's County.

Analysis

Current Law: 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. Chapter 311 of 2002 provided that 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.

Background: 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 Chapters 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.

Local Fiscal Effect: 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 Prince George's 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: None.

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

Fiscal Note History: First Reader - March 15, 2004
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