

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 518
Ways and Means

(Delegate Stukes, *et al.*)

Tax Sales - Redemption of Property - Payments and Fees

This bill prohibits a tax collector from issuing a certificate of redemption for property subject to a tax sale unless the collector receives the full payments as required by statute. The property is not redeemed until the collector receives the full payments due. The bill sets the amount of a title search fee and attorney's fees needed to be paid to redeem the property and that may be reimbursed to a holder of a certificate of sale at \$250 and \$500, respectively. The bill also changes a specified notice that must be sent by the holder of a certificate of sale prior to foreclosing the right to redeem.

The bill takes effect July 1, 2013.

Fiscal Summary

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

Local Effect: The bill does not directly affect local governmental finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law: All unpaid taxes on real property constitute a lien from the date they become due until they are paid. It is mandatory that the tax collector sell any property on which taxes are in arrears. When the 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 owner of the property (or other person that has an estate or interest in the property) has the right to redeem the property until a court

forecloses that right. If the property is not redeemed, the purchaser must pay the remainder of the purchase price upon the foreclosure.

To redeem the property, the person must pay the collector (1) the total lien amount paid at the tax sale for the property together with interest; (2) any taxes, interest, and penalties paid by any holder of the certificate of sale; (3) any taxes, interest, and penalties accruing after the date of the tax sale; (4) any expenses or fees for which the plaintiff or the holder of the certificate of sale is entitled to reimbursement; and (5) for vacant and abandoned property sold for a sum less than the amount due, the difference between the price paid and the unpaid taxes, interest, penalties, and expenses.

As noted above, upon redemption of a certificate of sale, the plaintiff or holder of the certificate of sale may be reimbursed for expenses incurred in any action, or in preparation of any action, to foreclose the right of redemption. In a majority of counties, a plaintiff or holder of a certificate of sale may not be reimbursed for expenses incurred within four months after the date of sale. If an action to foreclose the right of redemption has not been filed, and the property is redeemed more than four months after the date of the tax sale, the holder of a certificate of sale may be reimbursed for expenses *actually incurred* for recording the certificate of sale, a title search fee *up to* \$250, postage and certified mailing costs for required notices, and reasonable attorney's fees *up to* \$500. Prior to filing an action to foreclose the right, the plaintiff or holder of the certificate of sale must send two notices, the first at least two months prior to filing and the second at least 30 days prior, to the last owner on the collector's tax roll and specified other individuals with an interest in the property. The notices must contain information on the amount needed to redeem the property.

If an action to foreclose the right of redemption has been filed, the plaintiff or holder of a certificate of sale may be reimbursed for \$1,300, if an affidavit of compliance has not been filed, or \$1,500 if the affidavit has been filed. The amount of reimbursable attorney's fees is deemed reasonable for both the preparation and filing. The court may also approve, on a case-by-case basis, the reimbursement of other reasonable attorney's fees incurred and specifically requested by the plaintiff or holder of a certificate of sale.

Finally, if the plaintiff or holder of a certificate of sale provides a signed affidavit attesting to the fact that at least one of following expenses was actually incurred, the plaintiff or holder of a certificate of sale may be reimbursed for (1) a filing fee charged by the appropriate county's circuit court; (2) a service-of-process fee, including any fees incurred attempting to serve process; (3) a title search fee of up to \$250; (4) a subsequent title search update fee within six months after the initial title search of up to \$75; (5) a publication fee charged by a newspaper of general circulation in the county in which the property is located; (6) a posting fee; (7) postage and certified mail costs; (8) a substantial repair order fee, not to exceed the fee charged by the government agency issuing the

certificate of substantial repair; and (9) any court-approved expense for property stabilization or conversion during the redemption period or in accordance with a county action taken against the property for a building, fire, health, or safety code violation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Office of the Attorney General (Consumer Protection Division); Department of Housing and Community Development; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

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