

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 385

(Delegate Anderson)(By Request - Baltimore City  
Administration)

Ways and Means

Budget and Taxation

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**Baltimore City - Abandoned Property - Tax Sales - Ground Rent**

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This bill requires the tax collector in Baltimore City to sell the whole fee simple interest in an abandoned property to a purchaser at a tax sale when the property is subject to a ground rent or lease for a term of 99 years renewable forever, regardless of whether the minimum bid was less than the lien amount. The effect is to extinguish the ground rent or lease with the transfer. The bill also specifies that an abandoned property consists of either a vacant lot or improved property cited as vacant and unfit for human habitation on a housing or building violation notice.

The bill takes effect July 1, 2016.

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**Fiscal Summary**

**State Effect:** None. The bill is not anticipated to directly affect State governmental operations or finances.

**Local Effect:** Baltimore City revenues may increase if additional sales occur because the entire fee simple interest must be transferred.

**Small Business Effect:** Minimal.

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## Analysis

### Current Law:

*Tax Sales Subject to Ground Rent:* Generally, when any property subject to a tax sale is also subject to ground rent or a lease for a term of 99 years renewable forever, the tax collector may sell only the leasehold interest with any improvements attached to that leasehold interest. Any property sold to a bona fide purchaser for value or to the government of the jurisdiction conducting the sale (upon foreclosure of the right of redemption) is not subject to any claim for unpaid ground rent that was due or accrued before the judgement of foreclosure.

However, pursuant to Chapter 401 of 2012, the tax collector in Baltimore City is required to transfer the whole fee simple interest in an abandoned property subject to a ground rent or lease for a term of 99 years renewable forever when the minimum bid is less than the lien amount. The holder of a certificate of sale may file a complaint to foreclose all rights of redemption in the property at any time after the sale.

*Tax Sales Generally:* In general, a tax collector must sell, at an auction, not later than two years from the date the tax is in arrears, all property in the county on which the tax is in arrears. The time for the tax sale is established by local law. Failure of the collector to sell the property within the two-year period does not affect the validity or collectability of any tax, or the validity of any sale subsequently made.

The tax collector sets specified terms for the auction and publishes public notice of the tax sale, including requirements for potential bidders.

When a property is purchased at a tax sale, the purchaser must pay to the tax collector any delinquent taxes, penalties, sale expenses, and a high bid premium except as otherwise specified. Except for agricultural property, when a bidder at tax sale purchases a property in Baltimore City and Prince George's County under specified circumstances, the bidder must pay a high-bid premium that is the greater of 20% of the amount by which the highest bid exceeds the lien amount or 40% of the property's full cash value. The terms for payment of the purchase price and high-bid premiums, if any, are determined by the collector.

Generally, the property owner has the right to redeem the property within six months from the date of the tax sale by paying the total lien amount on the property, 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. Under

most circumstances, if the right to foreclose is not exercised by the purchaser within two years, the certificate is void and the purchaser is not entitled to a refund of any monies paid to the collector.

**Background:** As of February 11, 2016, the State Department of Assessments and Taxation advises that 60,080 ground rents were registered from properties in Baltimore City. In May 2015, Baltimore City sold 11,937 properties through its annual online tax sale auction, 6,620 of which were purchased by third parties. It is not known what proportion of these properties were affected by ground rents or leases.

**Local Fiscal Effect:** Baltimore City's revenues may increase if the city is able to sell more abandoned properties once such properties are no longer subject to a ground rent or lease for a term of 99 years renewable forever following transfer.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City, Judiciary (Administrative Office of the Courts), State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2016  
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Analysis by: Nathan W. McCurdy

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