

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 951

(Senators Eckardt and Ferguson)

Budget and Taxation

Ways and Means

Tax Sales - Vacant and Abandoned Property

This bill makes multiple changes to the law governing tax sales in the State. The bill expands several provisions of law that are only applicable in Baltimore City, authorizing each county or municipal corporation to, among other things, release liens to facilitate transfer of properties sold at tax sale, sell abandoned property for less than the total amount owed, and expedite the foreclosure of abandoned property. The bill also authorizes counties to withhold properties from sale that have been designated for redevelopment purposes and makes other conforming changes.

Fiscal Summary

State Effect: The bill is not anticipated to affect State operations or finances.

Local Effect: Because the bill only authorizes local governments to take specified actions, including releasing specified liens and withholding property from tax sale, the overall impact is expected to be minimal. However, local governments may benefit from the bill's provisions by returning vacant and abandoned property to productive use more quickly.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law:

Release from Liens: Under the bill, to facilitate a transfer of real property, the governing body of a county or municipal corporation or, in Baltimore City, the Board of Estimates of Baltimore City, may release any liens for unpaid real property taxes or other charges and

assessments imposed by the county or municipal corporation to which the property would otherwise be subject, under specified circumstances, including that the potential transferee presents evidence that fair market value is being paid. Current law specifies that only Baltimore City is authorized to release liens for unpaid city real property taxes or other charges and assessments.

Withholding Properties from Sale: The bill specifies that the governing body of a county or municipal corporation may withhold from sale property that has been designated for redevelopment purposes if:

- the county or municipal corporation certifies that the property is a vacant lot, or has a building or structure that is vacant and unsafe or unfit for habitation;
- the governing body of the county or municipal corporation finds that withholding the property from sale is necessary to eliminate a blighting influence and to prevent the tax abandonment of the property; and
- the property meets any additional objective criteria established by the governing body of the county or municipal corporation for withholding property from sale for redevelopment purposes.

Baltimore City may withhold from sale property that has been designated for redevelopment purposes if the property meets objective criteria established by the Mayor and City Council of Baltimore City.

Current law specifies that a collector *may* withhold from sale any property where the total taxes amount to less than \$250 in any one year. Additionally, in Baltimore City, the collector *must* withhold from sale owner-occupied residential property where the total taxes amount to less than \$750.

Sale of Abandoned Property at Auction: Abandoned property consisting of either a vacant lot or improved property cited as vacant and unfit for habitation on a housing or building violation notice may be sold for a sum less than the total amount of all taxes, interest, and expenses, under the bill's provisions. The person responsible for the taxes prior to the sale must remain liable to the collector for the difference between the amount received in the tax sale and the taxes, interest, penalties, and expenses remaining after the sale. The collector must establish a minimum bid for abandoned property. Current law authorizes this procedure only for Baltimore City.

In a proceeding brought by the governing body of a county or municipal corporation to foreclose the right of redemption, the complaint may request a judgment for the county or municipal corporation in the amount of the balance. The balance is no longer a lien on the

SB 951/ Page 2

property when (1) a judgment is entered foreclosing the owner's right of redemption; (2) the deed is recorded; and (3) all liens accruing subsequent to the date of sale are paid in full.

The governing body of a county or municipal corporation may institute a separate action to collect the balance at any time within seven years after the tax sale if the plaintiff is a private purchaser.

Purchase by Taxing Agency: Under the bill, the governing body of a county or other taxing agency may buy in and hold any abandoned property for which there is no private purchaser for the amount of the minimum bid. This practice is authorized only in Baltimore City, by statute.

Requirement to Foreclose: The bill specifies that a certificate for abandoned property with a minimum bid less than the lien amount reverts to the county or municipal corporation and is void unless a proceeding to foreclose the right of redemption is filed within three months of the date of the certificate of sale and the holder is granted an extension by the court. The holder of a certificate of sale for abandoned property with a minimum bid less than the lien amount may file a complaint to foreclose all rights of redemption in the property at *any time* after the date of sale. Statute authorizes this practice only in Baltimore City.

When the governing body of a county or municipal corporation becomes the holder of a certificate of sale, the governing body may file a complaint, at any time after the date of sale, to foreclose all rights of redemption in abandoned property consisting of a vacant lot or improved property cited as vacant and unfit for habitation on a housing or building violation notice. Current law authorizes this practice only in Baltimore City and Prince George's County.

Background: Chapters 615 and 616 of 2017 established the [Task Force to Study Tax Sales in Maryland](#). The task force was required to (1) evaluate and assess the impact of tax sales in Maryland; (2) evaluate how tax sales are conducted in each county; (3) evaluate tax sales to collect delinquent water charges and alternative methods of collecting delinquent water charges; and (4) examine and make recommendations for reform of the tax sale process in Maryland. Among other recommendations, the task force recommended:

- authorizing the release of liens by all jurisdiction in order to facilitate transfer;
- authorizing jurisdictions to take properties out of tax sale for redevelopment purposes;

- authorizing all jurisdictions to expedite foreclosure on tax sale properties; and
- shortening the timeframe for the redemption of vacant properties.

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 requirement to sell property at auction not later than two years from the date the tax is in arrears does not apply in Baltimore City.

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 a 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.

Additional Information

Prior Introductions: None.

Cross File: HB 1112 (Delegates Holmes and Long) - Ways and Means.

Information Source(s): State Department of Assessments and Taxation; Baltimore City; Department of Housing and Community Development; Montgomery County; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2018
mm/kdm Third Reader - March 22, 2018
Revised - Amendment(s) - March 22, 2018
Revised - Correction - March 22, 2018
Enrolled - May 4, 2018
Revised - Amendment(s) - May 4, 2018

Analysis by: Nathan W. McCurdy

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