

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 952

(Senators Eckardt and Ferguson)

Budget and Taxation

Ways and Means

Tax Sales – Homeowner Protections

This bill authorizes a collector of property taxes to withhold from tax sale any residential property when the total taxes due, including interest and penalties, amount to less than \$750. The bill also expands the required contents of specified notices.

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 withhold properties from tax sale, the overall impact is expected to be minimal. Changes to the specified notices can be made with existing resources. However, local governments may ultimately benefit from the increased flexibility authorized under the bill.

Small Business Effect: Minimal.

Analysis

Bill Summary: Specified notices mailed to the person who last appears as owner of the property on the collector’s tax roll at least 30 days before any property is first advertised for sale and within 60 days after a property is sold at a tax sale must include:

- the statement “if this property is your principal residence and you are having difficulty paying the taxes on the property, there are programs that may help you;”

- a statement that free counseling is available to help homeowners make plans to pay their bills and keep their homes by calling (1) the homeowner's hope hotline or (2) another similar local housing counseling service chosen by the collector;
- specified information about the homeowners' property tax credit available under the Tax-Property Article;
- if the collector uses the tax sale process to enforce a lien for unpaid charges for water or sewer service and a water or sewer utility serving the collector's jurisdiction offers a program for discounted water or sewer rates for low-income customers, (1) a brief description of the program and (2) information on how to apply for the program, including, if applicable, a website address and telephone number; and
- any other information that the collector deems appropriate that may assist low-income homeowners in avoiding tax sale costs or foreclosure that the collector deems appropriate.

Current Law: Except in Baltimore City, the collector *may* withhold from sale any property, when the total taxes on the property, including interest and penalties, amount to less than \$250 in any one year. In Baltimore City, the collector *must* withhold from sale owner-occupied residential property, when the total taxes on the property, including interest and penalties, amount to less than \$750.

At least 30 days before any property is first advertised for sale at tax sale, the collector must mail the person who last appears as owner of the property on the collector's tax roll a statement giving the name of the person, the amounts of taxes due, and including a specified notice prescribed in statute.

Within 60 days after a property is sold at a tax sale, the collector must send the person who last appears as owner of the property on the collector's tax roll a notice that includes specified information about the tax sale, the amount owed, the redemption process, and the timeline for the purchaser to foreclose the right of redemption.

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 jurisdictions (except Baltimore City) to increase the threshold above which a

delinquent property must be put into tax sale from \$250 up to an amount of their own choosing, but not more than \$750.

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: None.

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

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