

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 996

(Senator Simonaire)

Budget and Taxation

Tax - Property - Tax Sales

This bill limits existing exceptions to a general requirement that a tax collector sell property in the county, on which tax is unpaid, within two years from the date the tax is in arrears. The bill limits existing exceptions that allow for the tax collector to withhold from sale any property on which the total taxes amount to less than \$250 in any one year and any residential property on which the total taxes amount to less than \$750, by requiring the tax collector to, despite those exceptions, sell all property on which tax is in arrears for at least five years, subject to specified exceptions. **The bill takes effect July 1, 2020.**

Fiscal Summary

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

Local Effect: Local government revenues and expenditures may increase, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Current Law: Subject to certain exceptions, State law requires a tax collector to sell, through the tax sale process established in statute, all property in the county on which tax is unpaid, at the time required by local law, but in no case, except in Baltimore City, later than two years from the date the tax is in arrears.

However, State law includes various circumstances in which a property may or is required to be withheld from sale. Those circumstances include, among others:

- A tax collector is permitted to withhold from sale any property, when the total taxes owed on a property, including interest and penalties, amount to less than \$250 in any one year.
- A tax collector is permitted to withhold from sale any residential property, when the total taxes owed on a property, including interest and penalties, amount to less than \$750.
- A tax collector, in Baltimore City, is required to withhold from sale owner-occupied residential property when the total taxes on the property, including interest and penalties, amount to less than \$750 (this requirement, while similar to the authorization just above, is unaffected by the bill). Additionally, in Baltimore City, a collector is required to withhold from sale a residential property or a property owned by a religious group or organization that is actually and exclusively used for public religious worship, a parsonage or convent, or educational purposes, if the taxes consist of only of a lien for unpaid water and sewer charges.
- A governing body of a county or municipal corporation may withhold from sale a dwelling owned by a homeowner who is low income, at least 65 years old, or disabled if the homeowner meets eligibility criteria established by the county or municipal corporation.

Background: As described in the [Report on the Task Force to Study Tax Sales in Maryland](#) (January 2018):

“The tax sale system in Maryland, like many states throughout the country, is designed for local counties to collect delinquent real property taxes and other unpaid charges owed to the counties (such as water or environmental liens), all of which are liens against the real property.

Each county in Maryland conducts an annual tax sale, whereby the tax liens are offered to the public at auction. Generally, the highest bidder in the auction pays the total amount of the tax liens to the county and receives a tax sale certificate from the county which gives the bidder the right to obtain ownership of the property by filing a tax sale foreclosure lawsuit.”

For more information about the tax sale process, see the **Appendix – Tax Sale Process**.

Local Revenues: Local government revenues may increase to the extent the bill's requirement results in local governments collecting taxes and other unpaid charges that otherwise would not have been collected; however, it appears likely that any increase is relatively minimal overall, for the following reasons:

- Certain counties have indicated they do not expect to be affected by the bill, due to the fact that they do not have many properties that would be affected or the fact that under their current policies delinquent properties with arrearages under the \$250/\$750 are not withheld from sale long enough to be affected by the bill.
- Because the bill only affects properties for which delinquent taxes are under the \$250/\$750 thresholds, that amount of revenue generated per property is relatively minimal.
- At least one county has indicated that investors purchasing properties at tax sales do not typically buy properties with low dollar amount tax delinquencies that are just above the \$250/\$750 thresholds because they are typically associated with properties with low appraisals that are less marketable or less valuable for development. The same presumably could hold true for properties with tax delinquencies below the thresholds.

Local Expenditures: Local government expenditures may increase in certain counties for administrative expenses to identify the properties affected by the bill and/or costs associated with the sale of the properties that are not recovered through the sale. Anne Arundel County, for example, indicates that it costs approximately \$70 to advertise each property, and the county's finance office would incur costs to reprogram its current tax sale software to identify and isolate the properties affected by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 657 (Delegates Kipke and Chisholm) - Ways and Means.

Information Source(s): Anne Arundel, Baltimore, Charles, Frederick, and Montgomery counties; Maryland Association of Counties; City of Havre de Grace; Maryland Municipal League; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

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Appendix – Tax Sale Process

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. However, this requirement does not apply in Baltimore City, and statute is silent as to any timeline for the sale. 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, if any. 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.