

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

House Bill 1196  
Ways and Means

(Delegate C. Branch)

Budget and Taxation

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**Tax Sales - Alternative Collection Programs**

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This bill permanently authorizes a governing body of a county or municipality to withhold from a tax sale owner-occupied residential property (the existing authorization ends June 30, 2023) and specifies that such property may be withheld only if the property meets objective criteria established by the governing body. The bill also authorizes a governing body of a county or municipality to withhold from a tax sale a residential property or a property owned by a nonprofit organization if the property is enrolled in a payment program established by law by the county or municipality for the payment of taxes in arrears. If a county or municipality withholds such a property (a property enrolled in a payment program) from sale, it must arrange for the payment to the State of any State property taxes in arrears on the property. The bill also authorizes counties and municipalities to cancel or postpone a tax sale during a state of emergency declared by the Governor or a county or municipality.

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**Fiscal Summary**

**State Effect:** Annuity Bond Fund (ABF) revenues may decrease, beginning in FY 2024, as discussed below.

**Local Effect:** Local government finances may be affected, as discussed below.

**Small Business Effect:** Potential meaningful.

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**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.
- Pursuant to Chapter 75 of 2021, during the period from June 1, 2021, through June 30, 2023, the governing body of a county or municipality is permitted to withhold from sale owner-occupied residential property.
- 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.
- The 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. Additionally, in Baltimore City, the tax 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 only of a lien for unpaid water and sewer charges.
- A governing body of a county or municipality 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 municipality.

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

**State Fiscal Effect:** ABF revenues (State property tax revenues) may decrease, beginning in fiscal 2024, to the extent local jurisdictions withhold properties from sale under the provision of the bill that permanently authorizes (beyond fiscal 2023) a governing body of a county or municipality to withhold from a tax sale owner-occupied residential property. The extent of any decrease cannot be reliably estimated and depends in part on the extent to which counties or municipalities use that authority.

Debt service payments on the State’s general obligation bonds are paid from the ABF. Revenue sources for the fund include State property taxes; premium from bond sales; and repayments from certain State agencies, subdivisions, and private organizations.

ABF revenues are not anticipated to be materially affected by the withholding of residential property or property owned by a nonprofit organization under the provision of the bill that authorizes those properties to be withheld if they are enrolled in a payment program. This

assumes that arrangements made by a county or municipality for the payment of any State property taxes in arrears on those properties do not materially affect the timing or amount of State property tax revenues that otherwise would be received if the properties were not withheld from sale.

**Local Fiscal Effect:** To the extent counties or municipalities use the authority under the bill, local government revenues are reduced and/or delayed, and local government expenditures may increase to pay State property taxes in arrears on residential property or property owned by a nonprofit organization that is enrolled in a payment program.

For context regarding the overall value of tax liens offered for sale at tax sales in the State, the [2021 Annual Maryland Tax Sale Report](#) indicates that, in 2020, a year in which only 11 counties held tax sales due to the pandemic, the total value of the 11,056 tax liens offered for sale among the 11 counties was \$107.5 million, including commercial, nonowner-occupied, and owner-occupied properties. Of those liens offered for sale, 9,436 were reported as sold, including 3,015 liens on owner-occupied properties.

**Small Business Effect:** To the extent counties or municipalities use the authority under the bill, small businesses that would otherwise generate revenue from sales of properties (at tax sales) that no longer occur under the bill may be meaningfully affected.

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### Additional Information

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Charles, Frederick, Montgomery, and Prince George's counties; City of Havre de Grace; Maryland Municipal League; Judiciary (Administrative Office of the Courts); Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2022  
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## Appendix – Tax Sale Process

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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 after the date of the tax sale (and beyond the six-month period if the right of redemption has not yet been foreclosed by a court decree) by paying the total lien amount on the property, delinquent taxes, penalties, interest, and certain expenses of the purchaser. However, for owner-occupied residential property in Baltimore City, any taxes, interest, and penalties accruing after the date of the tax sale may not be included in the redemption payment. Chapter 108 of 2021 altered the amount that a person must pay to a local tax collector to redeem a property sold at a tax sale in the State (other than an owner-occupied residential property in Baltimore City) by requiring that only *delinquent* taxes accruing after the date of the tax sale be paid, instead of any taxes accruing after the date of the tax sale.

If the owner redeems the property, the purchaser is refunded the amounts paid to the collector plus the interest and expenses. If the owner does not redeem the property, the purchaser has the right to foreclose the right of redemption after the six-month period has passed. Under most circumstances, if the right to foreclose is not exercised by the purchaser within two years, the certificate of sale is void, and the purchaser is not entitled to a refund of any monies paid to the collector.

Chapter 440 of 2020 requires the State Department of Assessments and Taxation (SDAT) to issue a report each year that includes an analysis and summary of the information collected through an annual tax sale survey. Each county must provide SDAT all specified information on the form that SDAT provides. For more information regarding tax sales in the State – see the [2021 Annual Maryland Tax Sale Report](#).