

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 967

(Senator Edwards)

Budget and Taxation

Tax Sales - Final Judgments in Foreclosure Actions - Revisions

This bill establishes procedures that allow for the governing body of a county or municipality to pay for and take title to property sold in a tax sale if the holder of the certificate of sale does not comply, within 120 days, with specified terms of the final judgment of the court in an action foreclosing the right of redemption in the property. The bill applies retroactively and must be applied to and interpreted to affect tax sale actions foreclosing the right of redemption in properties that are pending when the bill is enacted. **The bill takes effect June 1, 2022.**

Fiscal Summary

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

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

Small Business Effect: Minimal.

Analysis

Bill Summary: If the holder of a certificate of sale does not comply, within 120 days, with the terms of the final judgment of the court in an action foreclosing the right of redemption, with regard to payments to the collector of the balance of the purchase price due on account of the purchase price of the property and of all taxes, interest, and penalties that accrue after the date of sale, the court may, on motion of the governing body of the county or the municipality in which the property is located, for good cause shown (1) strike the final judgment of the court and (2) grant the governing body of the county or the municipality the right to pay the balance of the purchase price due.

Upon payment to the tax collector of the balance of the purchase price due, the court must direct the collector to execute a deed prepared by and to the governing body of the county or the municipality in fee simple or in leasehold, as appropriate. The governing body of the county or the municipality takes title to the property (1) in fee simple, free and clear of all alienations and descents of the property occurring before the date of the final judgment and encumbrances on the property, except any other easement that may be observed by an inspection of the property to which the property is subject, or (2) in leasehold, if the collector sold the property subject to a ground rent or the holder of the certificate of sale elected not to include the ground rent holder as a party in the foreclosure action.

Current Law: For a period of time after a property is sold at a tax sale, up until the right of redemption has been finally foreclosed by a court judgment, the original owner of the property, or other person that has an estate or interest in the property sold, has the right to redeem the property by paying the total lien amount on the property, delinquent taxes, penalties, interest, and certain expenses of the purchaser (for owner-occupied residential property in Baltimore City, taxes, interest, and penalties accruing after the date of the tax sale are not included in the redemption payment amount).

In an action to foreclose the right of redemption, if the court finds for the plaintiff (the holder of the certificate of sale acquired through the tax sale), the judgment foreclosing the right of redemption vests in the plaintiff an absolute and indefeasible title in fee simple in the property, free and clear of all alienations and descents of the property occurring before the date of the judgment and encumbrances on the property, except taxes that accrue after the date of sale and easements of record and any other easement that may be observed by an inspection of the property to which the property is subject. If the collector sold the property subject to a ground rent or the plaintiff elected not to include the ground rent holder as a party, the judgment vests a leasehold interest in the plaintiff.

The judgment of the court must direct the collector to execute a deed to the holder of the certificate of sale in fee simple or in leasehold, as appropriate, on payment to the collector of the balance of the purchase price, due on account of the purchase price of the property, together with all taxes, interest, and penalties on the property that accrue after the date of sale. The judgment must direct the supervisor of assessments to enroll the holder of the certificate of sale in fee simple or in leasehold, as appropriate, as the owner of the property.

If the holder of the certificate of sale does not comply with the terms of the final judgment of the court within 90 days as to payments to the collector of the balance of the purchase price due on account of the purchase price of the property and of all taxes, interest, and penalties that accrue after the date of sale, that judgment may be stricken by the court on the motion of an interested party for good cause shown. However, in Baltimore City, a certificate holder who has been enrolled as the owner of the property, as specified, is not an interested party for the purposes of such a motion.

For more information regarding tax sales, see the **Appendix – Tax Sale Process**.

Local Fiscal Effect: If counties or municipalities petition courts under the bill and take title to properties, local government finances may be affected by (1) the cost of acquisition and/or maintenance of those properties and/or (2) future revenues, to the extent the acquisition and/or subsequent transfer of those properties allows for future tax or other revenue collection from the properties that otherwise does not occur. The extent of any impact cannot be reliably estimated.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Kent, Montgomery, Prince George’s, Washington, and Worcester counties; City of Salisbury; Maryland Municipal League; Town of Leonardtown; Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Office of Administrative Hearings; 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 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](#).