

Department of Legislative Services  
 Maryland General Assembly  
 2023 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 236  
 Ways and Means

(Delegate Kaiser, *et al.*)

Budget and Taxation

**Tax Sales - Homeowner Protection Program - Outreach**

This bill establishes the intent of the General Assembly that at least 2% of the balance in the Homeowner Protection Fund be spent each year to conduct specified outreach to encourage homeowners in tax sale to enroll in the Homeowner Protection Program. The bill also (1) establishes authority of the State Tax Sale Ombudsman to conduct the outreach and gather related information and (2) requires that a summary of the outreach conducted by the ombudsman be included in a specified annual report.

**Fiscal Summary**

**State Effect:** Special fund expenditures may increase by up to \$204,200 in FY 2024; future years reflect annualization and inflation. Special fund revenues may decrease annually beginning in FY 2025, as discussed below.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	(-)	(-)	(-)	(-)
SF Expenditure	\$204,200	\$187,100	\$191,700	\$196,400	\$202,100
Net Effect	(\$204,200)	(\$187,100)	(\$191,700)	(\$196,400)	(\$202,100)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** The bill is not anticipated to materially affect local government operations or finances.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:** The bill establishes that it is the intent of the General Assembly that:

- at least 2% of the balance in the Homeowner Protection Fund be spent each year to conduct outreach to homeowners in tax sale to encourage the homeowners to enroll in the Homeowner Protection Program;
- the outreach consist of (1) live telephone calls to homeowners whenever practicable or (2) if live telephone calls are not practicable, methods of contacting homeowners other than sending information by mail; and
- priority be given to contacting homeowners as soon as possible after their dwellings are sold at tax sale.

The bill authorizes the State Tax Sale Ombudsman to (1) conduct outreach to homeowners using State employees and resources or (2) contract with a private vendor to conduct outreach to homeowners.

At the request of the ombudsman (1) promptly after each county tax sale, the local tax collector must provide the ombudsman with the list of homeowners whose dwellings were sold at the tax sale; (2) the Comptroller must provide the telephone number of a homeowner if the homeowner included the homeowner's telephone number on a tax return filed with the Comptroller; and (3) any other State or local government agency must promptly provide any information required to conduct outreach. The ombudsman may obtain information from any reliable private source to conduct outreach.

The bill requires that a summary of outreach to homeowners pursuant to the bill be included in an annual report – on tax sale information and the activities of the ombudsman – that, under existing law, the State Department of Assessments and Taxation (SDAT) must publish on its website and submit to the Senate Budget and Taxation Committee and the House Committee on Ways and Means by November 15 each year.

### **Current Law:**

#### *State Tax Sale Ombudsman*

Chapter 730 of 2019 established the State Tax Sale Ombudsman within SDAT to, among other things, (1) actively assist homeowners to apply for tax credits, discount programs, and other public benefits that may assist the homeowners to pay delinquent taxes and improve their financial situation; (2) refer homeowners to legal services, housing counseling, and other social services that may assist the homeowners to pay delinquent taxes and improve their financial situation; and (3) maintain a toll-free telephone number

that a homeowner may call to obtain individualized personal assistance with delinquent taxes.

By November 15 of each year, SDAT must publish on its website and submit to the Senate Budget and Taxation Committee and the House Committee on Ways and Means a report that includes (1) an analysis and summary of tax sale information collected through a required annual survey of the counties and (2) information on the activities of the ombudsman, including a summary of the implementation of the Homeowner Protection Program.

### *Notice of Sale*

At least 30 days before any property is first advertised for sale by a tax collector, the collector must mail to the owner a specified notice that the collector will proceed to sell the lien on the property if unpaid taxes are not paid within 30 days. The notice must include specified information about assistance available to the homeowner, including (1) the State Tax Sale Ombudsman's availability to assist the homeowner and the ombudsman's toll-free telephone number and website address and (2) information on the homeowner's property tax credit and Homeowner Protection Program.

### *Right of Redemption*

An owner or other person that has an estate or interest in property sold by a tax collector may redeem the property at any time until the right of redemption has been finally foreclosed. In general, a holder of a certificate of sale is not authorized to file a complaint to foreclose the right of redemption earlier than six months after the date of the tax sale. For owner-occupied residential property in Baltimore City, that time period is nine months instead of six months.

The person redeeming the property must pay the collector (1) the total lien amount paid at the tax sale for the property together with interest; (2) any taxes, interest, and penalties paid by any holder of the certificate of sale; (3) except if the property is owner-occupied residential property in Baltimore City, any delinquent taxes, interest, and penalties accruing after the date of the tax sale; and (4) in the manner and by the terms required by the collector, any expenses or fees for which the plaintiff or the holder of a certificate of sale is entitled to reimbursement.

### *Homeowner Protection Program and Fund*

Chapter 382 of 2021 established the Homeowner Protection Program administered by the State Tax Sale Ombudsman, and the Homeowner Protection Fund to support the program. The program diverts vulnerable homeowners from the private tax lien sale process into an

alternative program – through the purchase of a homeowners’ lien, whether before or after the lien is sold at a tax sale – in order to (1) minimize tax collection costs to homeowners; (2) assist homeowners to pay their taxes; and (3) allow homeowners to remain in their homes.

By June 30 each year, SDAT must determine the maximum number of homeowners who may be enrolled in the program in the next succeeding fiscal year based on the amount of funding available for the program in the fund.

The ombudsman must (1) prominently advertise the program and make applications available on the ombudsman’s website and (2) collaborate with local governments, community organizations, and public and private providers of social services and benefits to raise awareness of the program and disseminate applications.

The fund consists of (1) tax and interest payments made to the department by homeowners enrolled in the program; (2) money appropriated in the State budget to the fund; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund. For each of fiscal 2023 through 2025, the Governor is required to include an appropriation of \$750,000 for the fund in the annual budget bill. The fund may be used only for any expenses associated with the program. The fund may not be used for any expenses of the tax sale ombudsman’s office that are not directly related to the program. Expenditures from the fund may be made only in accordance with the State budget and the fund is the exclusive source of funding for the program.

**State Fiscal Effect:**

*Special Fund Expenditures*

Special fund (Homeowner Protection Fund) expenditures may increase by up to \$204,166 in fiscal 2024 for costs associated with the outreach program. This estimate reflects the cost of (1) hiring one additional staff person within the ombudsman’s office to coordinate the outreach campaign with a call center vendor and assist with increasing incoming call volume to the ombudsman’s office as a result of the outreach campaign; (2) a contract with a call center vendor; (3) phone number research services; and (4) programming for the Comptroller’s Office to be able to produce available phone numbers from its database from a list of homeowners provided by the ombudsman’s office. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate is based on the following assumptions:

- A significant outreach effort is conducted, attempting to contact all homeowners whose properties are sold at a tax sale each year. To the extent a more limited

outreach effort is undertaken – due to availability of funding and/or the number of homeowners the program can enroll – costs are reduced.

- The programming costs of the Comptroller’s Office (\$30,000) are able to be covered by special funds as an expense associated with the Homeowner Protection Program. Otherwise, general funds are needed to cover the cost.
- The amount of funding in the Homeowner Protection Fund that is spent, if a significant outreach effort is undertaken, is well above the minimum 2% of the balance in the fund that the General Assembly intends, under the bill, to be spent on outreach, barring a significant increase in funding for the program. While the balance in the fund presumably varies from year to year (and over the course of a fiscal year), *for illustrative purposes*, 2% of the \$750,000 mandated appropriation to the fund in fiscal 2024 is \$15,000.
- Special fund expenditures only increase in a fiscal year to the extent that, in the absence of the bill, that funding is not otherwise spent on costs of purchasing homeowners’ liens. To the extent that the funding is otherwise partially or fully spent in the absence of the bill, the amount of the increase in special fund expenditures is reduced or even eliminated – since that funding is just shifted from being spent on costs of purchasing homeowners’ liens to costs of conducting outreach.

Position	1.0
Salary and Fringe Benefits	\$59,557
Call Center Vendor	100,000
Programming	30,000
Phone Number Research Services	7,200
Other Operating Costs	<u>7,409</u>
<b>Total FY 2024 Special Fund Expenditures</b>	<b>\$204,166</b>

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

*Special Fund Revenues*

Special fund (Homeowner Protection Fund) revenues decrease in future years to the extent that funding spent on conducting outreach (administrative costs that are not recoverable) otherwise would have been spent on costs of purchasing homeowners’ liens, which are intended to be at least partially recovered through enrollees’ reimbursement of the fund over the course of their enrollment in the program. This analysis assumes that revenues may decrease beginning in fiscal 2025, the first year after any shift in the use of funding from costs of purchasing homeowners’ liens to costs of conducting outreach.

**Additional Comments:** Descriptions of the tax sale process and related subjects are included on the Office of the State Tax Sale Ombudsman [webpage](#) on SDAT's website, along with the office's most recent annual report, which contains data on tax sales in the State.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Anne Arundel, Baltimore, Charles, Garrett, and Howard counties; Comptroller's Office; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2023  
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