

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 57
Ways and Means

(Delegate Atterbeary)

Budget and Taxation

Property Tax – Tax Sales – Requirement to Sell

This bill repeals limitations on the authority of local governments to set the time by which a property with taxes in arrears must be sold by the tax collector. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Annuity Bond Fund (ABF) revenues may be delayed, beginning in FY 2024, as discussed below. Expenditures are not affected.

Local Effect: Local government revenues may be delayed, beginning in FY 2024, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/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. In Calvert County, the collector must advertise and sell real property immediately after the tax becomes delinquent for one year.

The bill repeals the time limit requirements in existing statute and instead only requires that the properties must be sold at the time required by local law.

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.
- The governing body of a county or municipality is permitted to withhold from sale owner-occupied residential property that meets objective criteria established by the governing body of the county or municipality.
- A tax collector is permitted to withhold from sale any residential property, when the total taxes owed on the 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 or a parsonage or convent if the taxes consist only of a lien for unpaid water and sewer charges.
- The governing body of a county or municipality may withhold from sale a residential property or a property owned by a nonprofit organization if the property is enrolled in a specified payment program.
- A tax collector is required to withhold from sale the dwelling of a homeowner who is enrolled in the Homeowner Protection Program administered by the State Tax Sale Ombudsman.
- The 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.

State and Local Fiscal Effect: ABF revenues (State property tax revenues) and local government revenues may be delayed, beginning in fiscal 2024, to the extent any local governments allow for properties to have taxes in arrears for longer periods of time before being sold at a tax sale, as a result of the bill's elimination of the requirement that a property be sold within two years (or one year, in Calvert County) after taxes are in arrears. The extent of any delay cannot be reliably estimated.

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.

Small Business Effect: To the extent any counties allow for properties to have taxes in arrears for longer periods of time before being sold at a tax sale, as a result of the bill, small businesses whose property may otherwise be sold at a tax sale may benefit from extended time to pay the taxes in arrears. Small businesses that would otherwise generate revenue from sales of properties (at tax sales) that are delayed or no longer occur (because taxes in arrears are paid within the extended time period) may be meaningfully affected.

Additional Comments: Descriptions of the tax sale process and related subjects are included on the Office of the State Tax Sale Ombudsman [webpage](#) on the State Department of Assessments and Taxation’s website, along with the office’s most recent annual report which contains data on tax sales in the State. The office was established in 2020 pursuant to Chapter 730 of 2019.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 23, 2023
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