

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 16

(Delegate Kaiser)

Ways and Means

Budget and Taxation

Tax Sales - Homeowner Protection Program - Funding

This bill requires the State Department of Assessments and Taxation (SDAT) to maintain a website that any person may use to donate to the Homeowner Protection Program (HPP) and requires local tax collectors to include a separate insert with property tax bills that encourages taxpayers to donate to HPP through the website. The bill also establishes a fee of \$15 on each certificate of sale issued to a purchaser at a tax sale, with the fee revenues credited toward HPP. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Special fund revenues increase by at least \$180,000 annually beginning in FY 2025. Expenditures are not materially affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
Expenditure	0	0	0	0	0
Net Effect	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000

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

Local Effect: Local government expenditures increase beginning in FY 2025, as discussed below. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary:

Donations to the Homeowner Protection Program

The bill requires SDAT to (1) maintain a website that any person may use to make a voluntary one-time or recurring electronic donation to HPP and (2) credit donations received through the website to the Homeowner Protection Fund (which supports HPP).

The bill also requires each local tax collector to include with each property tax bill a separate insert that (1) includes a concise description of the assistance HPP provides to prevent low-income, elderly, and disabled homeowners from losing their homes to tax sale foreclosure; (2) may include testimony from participants in the program; and (3) must encourage taxpayers to make a voluntary donation to the program through the website maintained by SDAT. The bill requires the State Tax Sale Ombudsman to design the separate insert and provide it to each local tax collector.

Certificate of Sale Fee

A local tax collector is prohibited from delivering a certificate of sale to a purchaser at a tax sale until the purchaser has paid a \$15 fee to the collector for each certificate issued by the collector. The fee must be credited to the Homeowner Protection Fund.

Current Law:

Homeowner Protection Program

Chapter 382 of 2021 established HPP, 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.

The Homeowner Protection 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.

Certificate of Sale

When the tax lien on a property is purchased at a tax sale, the tax collector issues the purchaser a certificate of sale, certifying the sale and describing the terms of the sale and the certificate.

State Fiscal Effect: Special fund (Homeowner Protection Fund) revenues increase by at least \$180,000 annually beginning in fiscal 2025. This estimate accounts for (1) revenues collected from the \$15 fee on each certificate of sale issued to a tax sale purchaser (approximately \$180,000 annually) and (2) an indeterminate amount of revenues generated from donations to HPP through the website maintained by SDAT. The estimate assumes that the number of certificates of sale issued in future years will be roughly equivalent to the number issued in 2022 (12,004), the most recent data available.

SDAT indicates that costs of third-party services to maintain a donation portal on a website are based on a small percentage of the dollar amount of donations received. It is assumed that any costs SDAT incurs for those services are paid for from the Homeowner Protection Fund, as costs of the program, and minimally offset/reduce donation revenues received. SDAT can handle design of the separate insert for property tax bills, and accounting related to the new revenue sources of the fund, with existing resources.

Local Expenditures: Local government expenditures increase to include the separate insert regarding HPP in property tax bills and, in at least one jurisdiction, to manage collection of the \$15 fee on certificates of sale. Cost estimates provided by a small number of jurisdictions range from \$3,200 in fiscal 2025 (and similar amounts in future years) for the City of Havre de Grace (Harford County), to at least \$70,000 in fiscal 2025 (and \$70,000 annually thereafter) for Montgomery County. The City of Havre de Grace incurs costs to include the separate insert in property tax bills (\$3,200) and Montgomery County also incurs costs to include the separate insert in property tax bills (\$70,000) as well as indeterminate one-time programming costs to manage collection of the \$15 fee on certificates of sale.

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

Additional Information

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

Designated Cross File: None.

Information Source(s): Anne Arundel, Frederick, and Montgomery counties; City of Havre de Grace; Judiciary (Administrative Office of the Courts); Maryland Tax Court; Department of Housing and Community Development; State Department of Assessments and Taxation; Department of Legislative Services

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