

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 790
Ways and Means

(Delegate Atterbeary)

Budget and Taxation

Property Tax - Payment Plans - Notice to Taxpayers

This bill requires county governments (through the county tax collector) to include with each property tax bill a separate insert containing a specified statement and other information. This information must be included on both the State Tax Sale Ombudsman's website and county government websites. **The bill takes effect May 1, 2027.**

Fiscal Summary

State Effect: None. The requirements of the bill can be handled with the existing resources of the State Department of Assessments and Taxation (SDAT).

Local Effect: Potential increase in county expenditures related to new notification costs, beginning in FY 2027, which could total approximately \$500,000 statewide. County revenues are not directly affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The separate insert for property tax bills must include the following statement: "If you would like to pay your property taxes in monthly installments, you may be eligible to enroll in an installment payment plan."

The separate insert must also include (1) a concise description of the installment program or any local installment payment program for property taxes and (2) instructions on how

to enroll in the installment program or any local installment payment program for property taxes.

The State Tax Sale Ombudsman must design the separate insert and provide the insert to each county tax collector. However, county tax collectors must design the separate insert if the insert includes information on a local installment payment program for property taxes.

Current Law: Chapter 771 of 2024 requires the State Tax Sale Ombudsman to contract with a vendor to operate an installment payment program available to any homeowner for the payment of property taxes, whether in advance, currently due, or in arrears. The legislation also authorizes counties and municipalities to establish installment payment programs for taxes in arrears on any residential property.

State Tax Sale Ombudsman Installment Payment Program

The State Tax Sale Ombudsman is required to contract with a vendor to operate an installment payment program for the payment of taxes in which any homeowner may enroll. The installment payment program must allow a homeowner to (1) make advance payments of taxes; (2) make payments of taxes currently due; or (3) make payments of taxes in arrears.

A homeowner whose dwelling is subject to a deed of trust, a mortgage, or any other encumbrance that includes the escrowing of tax payments may not enroll in the installment payment program for the advance payment of taxes. An advance payment of taxes is calculated by applying the current property tax rate to the assessment of the homeowner's property for the prior year. If the advance payment is different than the taxes due as finally determined, the vendor must bill the homeowner for the unpaid balance or refund any excess tax paid. The failure by a homeowner to make an advance payment under the installment payment program may not be considered to be a failure to pay the property tax when due except as provided for otherwise applicable property tax due dates.

The ombudsman must notify the county or municipal tax collector to whom the taxes are owed when a homeowner enters into an installment payment plan. If the homeowner is in compliance with the terms of an installment payment plan, the collector may not take any action (including sale of a lien on the property at a tax sale) under Title 14, Subtitle 8 ("Collection") of the Tax-Property Article to collect any property taxes in arrears that are included in the installment payment plan. A homeowner is not in compliance with the terms of an installment payment plan if the homeowner fails to make a payment for a period of 90 days after the date the payment is due, or a longer period determined by the ombudsman. If a homeowner is not in compliance with the terms of an installment payment plan (1) the ombudsman may terminate the installment payment plan and must notify the collector to

whom the taxes are owed and (2) the collector may take action under Title 14, Subtitle 8 to collect any property taxes in arrears that were included in the installment payment plan.

The cost of the contract with the vendor to operate the installment payment program must be paid entirely by reasonable fees imposed on homeowners enrolled in the program.

Local Installment Payment Programs for Taxes in Arrears

County and municipal governments (including the Mayor and City Council of Baltimore City) are authorized to establish an installment payment program for taxes in arrears on any residential property. Any fee or charge of any kind that is included on a property tax bill may be paid through the installment payment program. Local governments may provide for (1) any additional eligibility criteria for an installment payment program; (2) the process for enrolling in an installment payment program; (3) the frequency and due dates of installment payments; and (4) any other provision necessary to carry out the installment payment program.

If a person is in compliance with the terms of an installment payment program, the tax collector may not take any action (including sale of a lien on the property at a tax sale) under Title 14, Subtitle 8 of the Tax-Property Article to collect any property taxes in arrears that are included in the installment payment program. A person is not in compliance with the terms of an installment payment program if the person fails to make a payment for a period of 90 days after the date the payment is due, or a longer period determined by the Mayor and City Council of Baltimore City or the governing body of a county or municipality. If a person is not in compliance with the terms of an installment payment program, the collector may (1) terminate the person's enrollment in the installment payment program and (2) take action under Title 14, Subtitle 8 to collect the property taxes in arrears that were included in the installment payment program.

State Tax Sale Ombudsman

Chapter 730 of 2019 established the State Tax Sale Ombudsman within SDAT to, among other things, (1) actively assist eligible 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 eligible 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.

Payment of Property Taxes

Property taxes for owner-occupied residential property and certain small business property are due on a semiannual schedule. The first installment is due on July 1 and may be paid without interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Local governments may add a service charge to the second installment to pay for administrative costs and lost interest between September 30 and December 31. Homeowners and certain small business owners may elect to pay the full year's property tax on or before September 30 to avoid the service charge.

Chapter 647 of 2019 authorizes local governments to provide, by law, for an optional installment payment schedule for county, municipal, or special taxing district real property taxes and any local fees or other charges included on a tax bill.

An installment payment schedule may be scheduled in advance of the property tax bill and may include any number of due dates scheduled on or after January 1 and on or before otherwise applicable due dates (see the semiannual due dates above for owner-occupied residential property and certain small business property). For any installment payment scheduled after July 1, the local government may impose a service charge.

Local governments are prohibited from authorizing advance payment or an installment payment schedule for property taxes imposed on real property that is subject to a deed of trust, a mortgage, or any other encumbrance that includes the escrowing of property tax payments.

Local Fiscal Effect: County governments are responsible for property tax billing on behalf of the State, county, and municipal governments and therefore will be responsible for preparing and sending out the notices required by the bill. As a point of reference, there are approximately 2.1 million residential real property accounts in the State. Assuming the additional notification costs average \$0.25 per account, county government expenditures could increase by approximately \$500,000 annually, beginning in fiscal 2027. The estimated notification costs reflect one additional page within the property tax bill for the new insert and an increase in mailing costs.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510