

Written Testimony HB 865 SB 769 - tax payment exem

Uploaded by: Allison Harris

Position: FAV



HB 865/SB 769
BALTIMORE CITY - RESIDENTIAL REAL PROPERTY -
DISCLAIMED PROPERTY AND EXEMPTIONS FROM PREPAYMENT
HEARING BEFORE THE SENATE JUDICIAL PROCEEDINGS COMMITTEE
FEBRUARY 28, 2023
POSITION: SUPPORT

The Pro Bono Resource Center of Maryland (“PBRC”), an independent 501(c)(3) non-profit organization, is the statewide thought leader and clearinghouse for pro bono civil legal services in Maryland. PBRC provides training, mentorship, and pro bono service opportunities to members of the private bar and offers direct legal services through free legal clinics. **PBRC supports HB 865/SB 769 because vulnerable surviving family members of homeowners who are under economic strain need relief from a large tax payment to help prevent the loss of their homes.**

Over the past eight years, PBRC has assisted nearly 800 homeowners at risk of losing their homes to tax sale. For homeowners, ending up on the tax sale list is usually the result of the inability to pay one’s property taxes, not an unwillingness. The clients served by our tax sale prevention clinics held in Baltimore in 2022 represented some of our state’s most vulnerable citizens: 74% were seniors, 39% were disabled, 76% identify as Black, and 76% reported annual household incomes of less than \$30,000. On average, our 2022 Baltimore clients encountered in our clinics had owned their homes for 32 years, and over 70% of them owned their homes free of a mortgage. As lower-income homeowners, the predominant form of accumulated wealth that they have, and that they can pass on to their families, is the equity in their homes.

When homeowners pass away, the heirs to their home must pre-pay the home’s tax bill to properly obtain title to the home. The prepayment requirement may force an unexpected and large expense on the family, and it precludes certain heirs who would be eligible for the Homeowners’ Property Tax Credit from receiving the discount prior to paying the full bill. The full property tax bill, required to be paid in a single lump sum, is simply out of reach for many low-income surviving families and so they are unable to get the deed in their names. This “tangled title” problem frequently lands families in tax sale. By exempting surviving family members of homeowners from the prepayment requirement, these heir homeowners will be better positioned to obtain title, avoid tax sale foreclosure, and keep their homes and the equity their families have worked to build.

PBRC supports HB 865/SB 769, which may protect certain Baltimore residents from the loss of their family home to tax sale foreclosure, thereby preserving homeownership and the transfer of intergenerational wealth. Thank you for the opportunity to testify.

For the above reasons,

PBRC urges a FAVORABLE report on HB 865/SB 769.

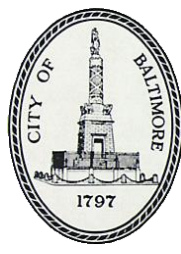
Please contact Allison Harris, Director of PBRC’s Home Preservation Project, with any questions.

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SB0769-JPR-FAV.pdf

Uploaded by: Brandon Scott

Position: FAV



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

SB 769

February 28, 2023

TO: Members of the Senate Judicial Proceedings Committee

FROM: Mayor Brandon M. Scott, City of Baltimore

RE: Senate Bill 769 – Baltimore City – Residential Real Property – Disclaimed Property and Exemptions From Prepayment

POSITION: Support

Chair Smith, Vice-Chair Waldstreicher and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 769.

SB 769 allows for property to be transferred to heirs prior to the liens being paid. Typically, all liens need to be cleared before transfer of property. In this case, heirs can inherit the property, but still need to work through payment after the transfer. This Bill would alleviate the immediate need to find funding to clear liens in order to transfer property to heirs, which is now a major obstacle for lower income residents to continue property ownership, apply for assistance programs and build generational wealth.

Currently, constituents can be guided in developing estate plans through involvement with programs such as the Maryland Volunteer Lawyers Service's *My Home, My Deed, My Legacy*, which partners with Maryland Department of Housing and Community Development to provide free legal assistance for low-income property owners. This is a wonderful program, but SB 769 would go one step further by removing immediate barriers to the acquisition of property and the building of generational wealth.

The passage of SB 769 would provide support to struggling property occupants and provide ways to connect them to appropriate homeownership preservation resources available in the Community.

For these reasons, the BCA respectfully request a **favorable** report on SB 769.

SB769 estate tax sale issues Judicial Committee.pd

Uploaded by: Dan Ellis

Position: FAV



Neighborhood Housing Services of Baltimore, Inc.

February 27, 2023

Senator William C. Smith
Judicial Proceedings Committee
Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 769

Honorable Senator Smith and Members of the Committee:

I am the Executive Director of Neighborhood Housing Services of Baltimore (NHS), and a resident of Baltimore City. Our organization believes that economic and social justice are a right for all residents and communities. We promote this belief by removing barriers of access to homeownership, helping resident access resources to maintain their homes, and supporting communities historically impacted by systemic disinvestment.

In October 2021, Mayor Scott appointed me co-chair, along with the Deputy City Administrator, of a work group charged with creating an equitable tax collection system that would serve the needs of residents of Baltimore City. The work group, made up of advocates and tax sale stakeholders familiar with the current tax sale system, recognized the need to develop an entirely new system rather than adjust the current system. This is because the existing system has functioned to strip wealth from low-income city residents while contributing significantly to the vacant property challenges encountered in the city by creating confusion about property ownership and responsibility. The work group also recognized that for occupied properties we need a system that treats residents with dignity and provides affordable and accessible ways to make payments while for vacant properties we need an efficient way for the city to be able to obtain title to a property. The work group established two sub-groups that met to identify solutions and make recommendations. SB769 is one of three bills that were developed out of work done by the group. All meetings were open with participation from diverse stakeholders.

SB769 addresses issues with heir properties and estates. There were two primary issues related to estates that emerged from the work of the group. Both are addressed in this bill. The first is that when a property owner dies, and an estate is opened there are times that the heirs do not want the property and it is discharged from the estate. At a future time, whenever the city is interested in acquiring the property, they are required to reopen the estate and provide notice to all heirs. SB769 would remove the need to reopen the estate after the property is discharged because all heirs have already expressed (via the discharge) that they have no interest in the property. The property will also be offered to



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Baltimore City, and they may choose to acquire the property for no cost. This would help avoid a period of time with no legal ownership since it has been discharged by the estate and the prior owner is deceased.

The second issue addressed by SB769 is allowing heirs to acquire properties with existing liens. Currently all liens are required to be satisfied prior to the property being transferred. This requirement means that even though family members live in the homes they do not have the rights of ownership or access to any equity generated by the home. They are also not able to access federal, state, and local programs designed to assist homeowners. This creates barriers for making repairs for the home and to accessing important state tax credits designed for homeowners. SB769 would allow properties to be transferred without all debts being satisfied. The transfer would not reduce the debt but would provide an interested party who could satisfy the obligations over time. They could enter into payment plans that are affordable and also access programs to support them. This is also a common practice in many states. It will result in increased collections by the city because the interested party would have incentive to pay the liens. They would also have the support needed to be successful. It would also support legacy wealth allowing families to maintain wealth across generations.

We ask that the Committee issue a *favorable* report on SB 769.

Sincerely,



Daniel T. Ellis
Executive Director

SB 769 Testimony.pdf

Uploaded by: Jill Carter

Position: FAV



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony of Senator Jill P. Carter

**In Favor of SB769 Baltimore City – Residential Real Property –
Disclaimed Property and Exemptions From Prepayment**

**Before the Judicial Proceedings Committee
on February 28, 2023**

**Chair Smith, Vice-Chair Waldstreicher, and Members of the
Committee:**

- **SB 769 allows for property to be transferred to heirs prior to the liens being paid.**
- **Typically, all liens need to be cleared before transfer of property. In this case, heirs can inherit the property, but still need to work through payment of the lien after the transfer.**
- **This Bill would alleviate the immediate need to find funding to clear liens in order to transfer property to heirs, which is now a major obstacle for lower income residents to continue property ownership, apply for assistance programs and build generational wealth.**

- **Currently, constituents can be guided in developing estate plans through involvement with programs such as the Maryland Volunteer Lawyers Service's My Home, My Deed, My Legacy, which partners with the Maryland Department of Housing and Community Development to provide free legal assistance for low-income property owners.**
- **This is a wonderful program, but SB 769 would go one step further by removing immediate barriers to the acquisition of property and the building of generational wealth.**
- **The passage of SB 769 would provide support to struggling property occupants and provide ways to connect them to appropriate homeownership preservation resources available in the Community.**

For these reasons, I urge a favorable report of SB769.

Sincerely,



Jill P. Carter, Esq.

SB769 (1).pdf

Uploaded by: Margaret Henn

Position: FAV



JUSTICE FOR ALL

MARYLAND SENATE JUDICIAL PROCEEDINGS COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN SUPPORT OF SB769: BALTIMORE CITY – RESIDENTIAL REAL
PROPERTY – DISCLAIMED PROPERTY AND EXEMPTIONS FROM
PREPAYMENT

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TUESDAY, FEBRUARY 28, 2023

Chair Smith and distinguished members of the Committee, thank you for the opportunity to testify in support of Senate Bill 769.

My name is Margaret Henn, and I am the Deputy Director at the Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. MVLS was founded in 1981 by a group of concerned Maryland lawyers, legal services providers and leadership of the Maryland State Bar Association. Since then, our statewide panel of over 1,700 volunteers has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters. In FY22, MVLS volunteers and staff lawyers provided legal services to 3,458 people across the state.

As part of our Advance Planning Project and My Home, My Deed, My Legacy Project, we encounter numerous clients facing economic barriers, such as probate fees and large property tax bills, which make it impossible to transfer property. For the reasons explained below, we respectfully request a favorable report on Senate Bill 769

The Advanced Planning Project is an outreach effort designed to stabilize neighborhoods, preserve family assets and reduce the number of properties with deed and title entanglements that prevent homes from being in productive use. In conjunction with community partners, MVLS is raising awareness about the importance of estate planning, especially in the context of community stabilization in Baltimore City. As part of the My Home, My Deed, My Legacy Project, MVLS provides homeowner legal clinics to help clients stabilize their homes, through estate planning discussions, and secure critically important resources, including the Homeowners' Property Tax Credit. MVLS' community outreach and provision of legal services on these issues are statewide as the challenges with deeds and estate administration is a statewide problem. Additionally, the My Home, My Deed, My Legacy Project provides continuing direct representation, both by volunteer attorneys, MVLS staff attorneys, and myself, to clients navigating the probate process.

Many of these clients are the surviving relatives of deceased homeowners. Oftentimes, although our clients have lived in their home for decades and are the de facto owners, these homes are still titled in the deceased's name. Our clients are paying the property taxes, making mortgage payments, and making needed repairs to the home. The home is the only asset that the family has, and our clients are the children or grandchildren of the named owner and are unaware that they must go through probate to retitle the deed. Estate administration is an expensive and time consuming process, and in addition to the fees associated with estate administration, our clients must pay any outstanding property taxes in order to eventually record the new deed. This presents a major barrier for our clients because they must bear the full burden of the taxes without access to the Homeowners' Property Tax Credit. The historical over-assessment of homes in communities of color coupled with our clients' limited resources directly leads to housing destabilization and the extraction of wealth in these communities. Without the resources to pay any outstanding taxes, many of our clients face the prospect of losing their homes in tax sale foreclosure. Below is an example that MVLS has seen of how the requirement to pay outstanding taxes to record a new deed can have a ruinous effect on a household facing financial hardship.

Evelyn lives in Baltimore City and is currently in the process of probating her grandmother's estate so that she and her family can move back into the family home. Evelyn has been in the process of estate administration for several years now mainly due to several years of outstanding property taxes, water bills, and environmental citations. Evelyn had to completely pay these bills, which totaled \$3,335 down to \$0 so that she can proceed with recording the deed, and this created an added burden on top of her usual living expenses. Her annual income is \$36,000 so that additional cost was almost insurmountable. The deed is now being recorded but this process has been substantially delayed due to the requirement to prepay those municipal bills.

The requirement to prepay property taxes to record a new deed after a relative's death creates a near-insurmountable barrier for families facing financial hardships. This requirement leads directly to homelessness. MVLS supports SB769 because it would remove a significant barrier standing in the way of Maryland families' ability to sustain homeownership. Additionally, the removal of the prepayment of outstanding taxes is not an abatement of those taxes, it is instead a requirement to enter into a payment plan with the City. The taxes stay on the property and these individuals are still incentivized to pay the taxes like every other homeowner, but they can now access those critical resources while still allowing the city to collect these taxes eventually. SB769 offers greater community stabilization because if the home is lost, not only does the family suffer, the community at large suffers from vacant or derelict properties.

Chair and members of the Committee, thank you again for the opportunity to testify.

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Maryland Volunteer Lawyers Service (MVLS) removes barriers to justice through free civil legal help, community engagement, and advocacy for equitable laws. Our vision is for a fair legal system that is free of injustice and equitably serves underrepresented Marylanders.

Disclaimer Letter SB769.pdf

Uploaded by: Sarah Kahl

Position: INFO



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To: Maryland Senate – Judicial Proceedings Committee

From: MSBA Estate & Trust Law Section

Date: February 27, 2023

Subject: **SB 769**– Baltimore City – Residential Real Property – Disclaimed Property and Exemptions from Prepayment

The Estate and Trust Law Section of the Maryland State Bar Association (MSBA) wishes to offer comment on **Senate Bill 769**.

SB 769 allows Baltimore City to acquire certain disclaimed residential real property of a decedent’s estate that has been closed and if the appointment of the personal representative has terminated.

We do not express an opinion about the merits of this bill; rather, we are writing to ensure the process of disclaimer is fully understood. If a formal disclaimer is filed, it means that someone in the decedent’s family did not want the property—it does not necessarily mean that nobody in the decedent’s family wanted the property, although we anticipate that is sometimes the case. Disclaimer shifts the interests of one heir to other heirs.

When property is disclaimed from an estate, the person initially entitled to receive the property formally renounces the interest in the property. The disclaimer must be in writing and delivered to the personal representative, or if none, to the Orphans’ Court.

If the initial person entitled to receive the property files a formal disclaimer, then another person would have a right to receive the property. Usually, this new recipient is the same person who would receive if the first recipient had been deceased. In some cases, a person will disclaim property knowing that it will pass instead to that person’s children.



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In the normal course of administration, if property is disclaimed, the personal representative would find the next person in line and transfer the property to that person. If that person also disclaimed, then the process would continue. The person next in line may or may not be considered an Interested Person who would have received notice of estate proceedings.

If an estate has been closed, the court has allowed the personal representative to be terminated, and property has been formally disclaimed without a new recipient taking the property, something has gone awry with the estate administration process. It may be that the next person in line could not be found, or the lack of a personal representative means that there is no one looking for the next person in line, or there is an awareness that no family member will be willing to accept the property because of associated liabilities. All of these could trap the property in the estate, a problem that we anticipate SB769 is intended to address.

In short, a single disclaimer shifts the interest in property to another heir, but the fact pattern identified by the bill may suggest a failure in the process to get the property to that person.

We hope this is helpful in your evaluation of SB769.

For further information, please contact:

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