



House Bill 59

Property Tax – Tax Sales – Revisions

MACo Position: **SUPPORT**

To: Ways and Means Committee

WITH AMENDMENTS

Date: January 28, 2025

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS HB 59 WITH AMENDMENTS.**

This bill proposes significant reforms to Maryland's tax sale system to improve equity, efficiency, and homeowner protection. MACo supports the bill's overall goal but urges amendments to avoid a significant unfunded mandate and to protect enterprise funds for water and sewer systems, which depend on timely revenue to maintain and deliver critical services.

The tax sale process, or more specifically, the potential for a property to go to tax sale, presents a much-needed tool of last resort to ensure that property owners remit payment for their fair share of taxes and charges connected to public services. Broad tax compliance promotes fairness among dutiful taxpayers.

MACo strongly prefers that homeowners receive all counseling, education, information, support, and additional assistance when appropriate to help them pay on time and avoid going through tax sale. To that end, MACo has supported legislation establishing the Homeowner Protection Program and several bills to reform the tax sale process to ensure its fairness.

HB 59 requires local governments to withhold specified properties from tax sale, alters redemption rates for certificates sold at tax sale, and adds new recordkeeping requirements, among other provisions. Under current law, counties must sell liens associated with unpaid taxes and fees for any property over \$750 in arrears. This bill raises the threshold to \$1,000 for owner-occupied properties. Several counties use billing software that does not differentiate between property types for tax sale purposes. As such, counties would incur significant costs to update systems to comply with the bill.

Additionally, the bill requires counties to withhold residential properties from tax sale if their taxes consist only of a lien for unpaid water service charges. It is important to note that counties lack any other enforcement mechanism to collect unpaid water charges, meaning these unpaid balances would continue to grow unchecked. This threatens the stability of enterprise funds, which rely on consistent revenue to provide vital water and sewer services. Additionally, it increases challenges for property owners, as delayed tax liens become increasingly burdensome to resolve.

To mitigate these challenges, MACo requests amendments to limit the bill's application to water liens on owner-occupied residential properties. In addition, MACo urges the Committee to retain Baltimore City's current provisions, which reflect local decision-making and community priorities.

Counties continue to support reforms to the tax sale process. Still, amendments are necessary to prevent a significant unfunded mandate, avoid disruptions to county enterprise funds, and reduce additional burdens on homeowners. Accordingly, MACo urges the Committee to issue a **FAVORABLE WITH AMENDMENTS** report on HB 59.