

**Local Revenues Subcommittee
House Ways and Means Committee
Delegate Darryl Barnes, Chair**

Agenda

Thursday, October 8, 2020

1:00 p.m.

Virtual Meeting

I. Call to Order and Opening Remarks

II. Briefing on Tax Sales During the Pandemic

Department of Legislative Services

Stan Ward, Policy Analyst

State Department of Assessments and Taxation

Corbett Webb, Associate Director of Taxpayer Services

Robert Yeager, State Tax Sale Ombudsman

Maryland Association of Counties

Kevin Kinnally, Associate Director

Daniel Lewis, Treasury Manager, Frederick County

Baltimore City

Pedro Aponte, Director of Revenue, Finance Department

Michael O’Leary, Tax Sale Coordination and Prevention Services program

Odette Ramos, Democratic Nominee in Baltimore City Council District 14 and
Former Executive Director, Community Development Network of Maryland

Neighborhood Housing Services

Dan Ellis, Executive Director

Maryland Consumer Rights Coalition

Marceline White, Executive Director

Maryland Volunteer Lawyers Service

Amy Hennen, Director of Advocacy and Financial Stabilization

Fight Blight Baltimore

Nneka Nnamdi, Executive Director

III. Closing Remarks and Adjournment

Tax Sales in Maryland

Local Revenues Subcommittee Briefing

October 8, 2020

Outline of Presentation

- I. What are tax sales?
- II. Overview of Tax Sale Process
- III. Impact of the Pandemic on Tax Sales
- IV. Data on Tax Sales in Maryland

What are tax sales?

Tax sales are the process local governments use in Maryland to collect overdue property taxes and other government charges from property owners.

In a tax sale, the property is not sold. The government sells the right to collect the government's debt to a private party. The tax sale purchaser pays the government the full amount of the debt and then tries to collect that debt from the property owner. If the property owner does not pay the purchaser, the purchaser can foreclose and become the owner of the property.

Why tax sales?

Tax sales allow local governments to collect debts from property owners without the administrative burden and expense of attempting to collect and possibly foreclose on property owners individually. Instead, private purchasers bear the costs of collection and recover those costs from the property owner.

Tax sales also allow local governments to receive a large, predictable amount of money at the tax sale all at once, instead of waiting until individual property owners pay over time.

Tax Sales are Not Just for Property Taxes

Properties are sold at tax sale to collect many kinds of debts owed to local governments, not just property taxes. Depending on the county, tax sales may include:

- Water and sewer charges
- Environmental charges (animal violations, failure to remove trash, noise, false alarm fees, high grass and weeds, etc.)
- Solid waste charges
- Bay Restoration Fund charges
- Other local taxes (hotel rental tax, impact fees, excise taxes, etc.)
- Clean Energy Loans

Overview of Tax Sale Process

I. Taxes Become Delinquent

II. Tax Sale

III. Redemption Period

IV. Foreclosure

Taxes Become Delinquent

- State law generally requires that properties go to tax sale within 2 years after the taxes on the property become delinquent.
- Subject to this requirement, the date of the tax sale is set by local law.
- In most counties, tax bills sent in July that remain unpaid go to tax sale the following spring, most often in May or June.

Tax Sale

- At the tax sale, the tax lien on each property, not the property itself, is sold at public auction to the highest bidder.
- The tax sale purchaser pays the county the taxes due, interest, penalties, certain expenses of the sale, and a high-bid premium, if applicable.
- Any bid amount over the amount required for payment of the taxes, interest, penalties, and costs of the sale is paid to the property owner if the property is foreclosed.

Properties Withheld from Sale

Counties **may** withhold from sale:

- Any property on which the taxes are less than \$250;
- Residential property on which the taxes are less than \$750;
- A dwelling owned by a homeowner who is low-income, at least 65 years old, or disabled;
- Property designated for redevelopment; or
- Property that is vacant and abandoned.

In most counties, properties are withheld from sale when the taxes are \$250 or less.

Redemption Period

- The owner of a property may stop the tax sale process and prevent foreclosure at any time by paying the taxes, interest and penalties due to the tax sale purchaser, plus reimbursement for certain expenses of the tax sale purchaser in preparing or bringing a foreclosure action. This is known as “redemption” of the property.
- The redemption period continues until the property is finally foreclosed. A foreclosure proceeding generally may not begin until 6 months after the tax sale.
- A tax sale purchaser loses the right to foreclose if a foreclosure proceeding is not filed within 2 years of the date of the tax sale.

Redemption Costs

- Tax sale purchasers earn interest on the property owner's debt. The property owner must pay the interest to the purchaser to redeem the property. The interest rate is set by the counties. Redemption interest rates in Maryland range from 6% per year to 20% per year.
- The property owner must also reimburse the tax sale purchaser for certain expenses of the tax sale purchaser if the purchaser prepared or brought a foreclosure action. These expenses may include: a title search fee, postage and mailing costs, attorney's fees, certain expenses for repairs to the property, and certain court fees. These fees may add up to thousands of dollars.

Foreclosure

- An action to foreclose is filed in the circuit court. Notice must be given to all persons with an interest in the property, including the owner, any mortgagee, and any tenant.
- Anyone with an interest in the property may stop foreclosure by paying the taxes or contesting the validity of the tax sale in court for a specified time after receiving the notice.
- After the time for contesting the foreclosure expires, the court forecloses on the property. Ownership of the property transfers to the tax sale purchaser. The purchaser may take possession of the property and evict the former owner or occupant.

Impact of the Pandemic on Tax Sales

- The Chief Judge of the Court of Appeals stayed all foreclosures of residential properties, including tax sale foreclosures, starting on March 18, 2020 due to the potential for “undue hardship” during the pandemic.
- The Chief Judge lifted the stay on foreclosures of residential properties effective July 25, 2020. Any party seeking to foreclose on a residential property must prove that the action is not subject to any federal moratorium on residential foreclosures.
- 19 counties have postponed or cancelled their tax sales this year.

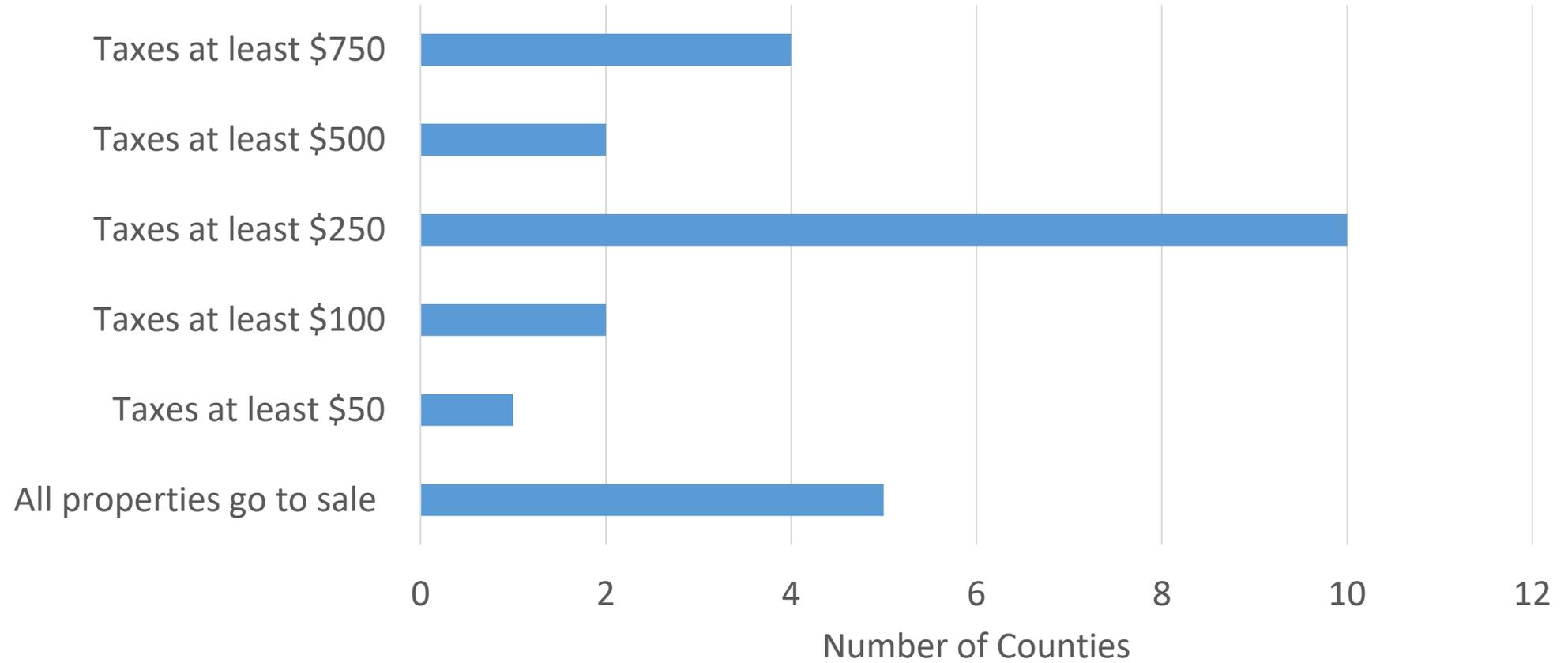
Key Facts About Tax Sales

- 21 counties collect unpaid water and sewer bills through the tax sale process. Charles, Montgomery, and Prince George's counties do not.
- Half of counties collect environmental charges through the tax sale process and half do not.
- In 2019, 21,064 properties were offered for sale, and 16,211 were sold at tax sale.
- In 2019, at least 4,004 owner-occupied properties were sold at tax sale.

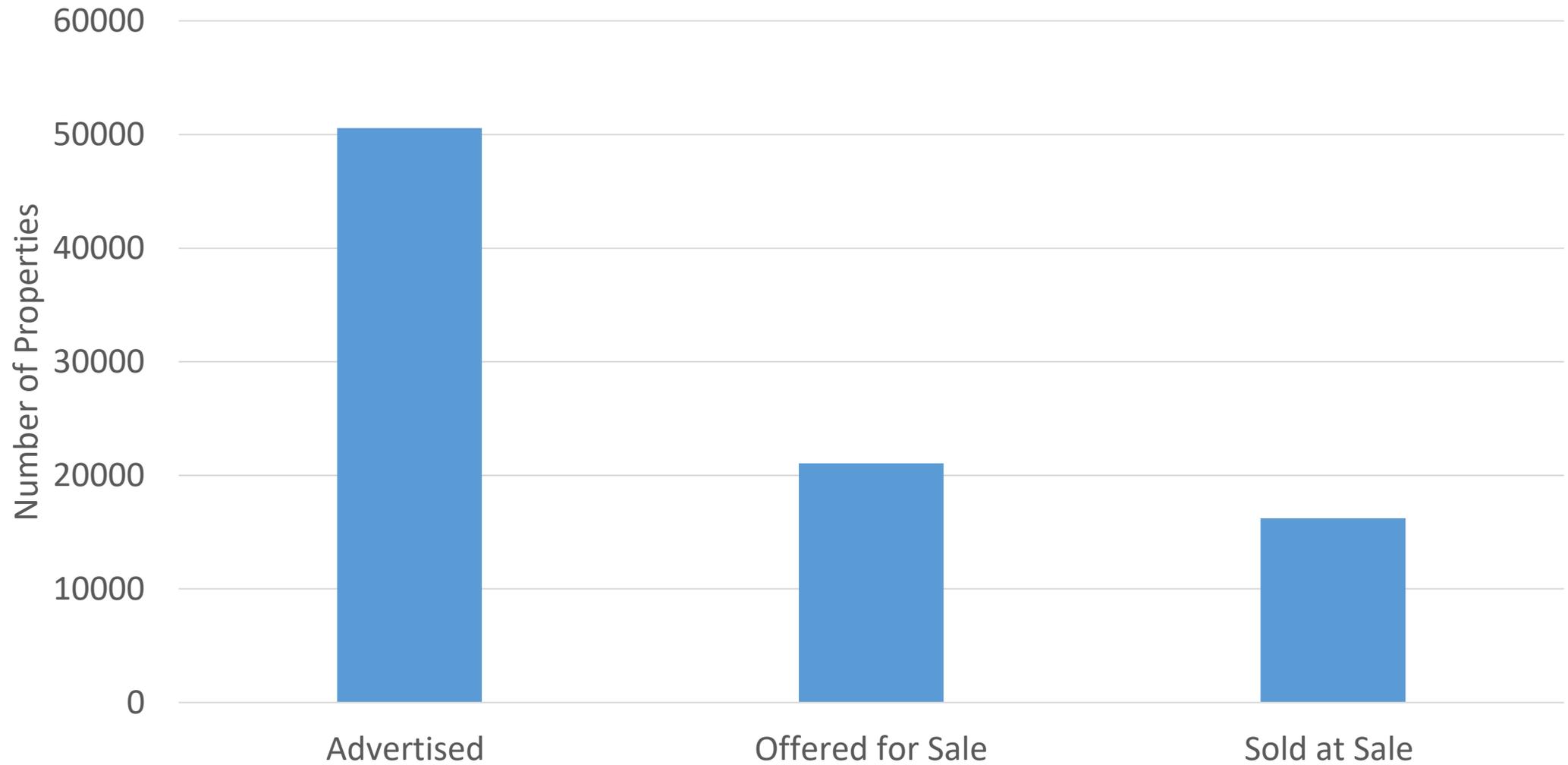
Key Facts About Tax Sales

- The total amount of tax liens offered for sale in Maryland in 2019 was \$208.4 million. The total amount of liens sold at tax sale was just \$50 million. This large difference is due to Baltimore City, which offered \$170.8 million in liens for sale but only sold \$19.8 million of them. The vast majority of the liens offered for sale in the city cannot be sold because the lien exceeds the value of the property. These are typically vacant or abandoned properties.
- The average lien amount for all properties sold in 2019 was \$3,008. The average lien amount for owner-occupied properties sold in 2019 was \$2,490 in the 13 counties that reported this information.

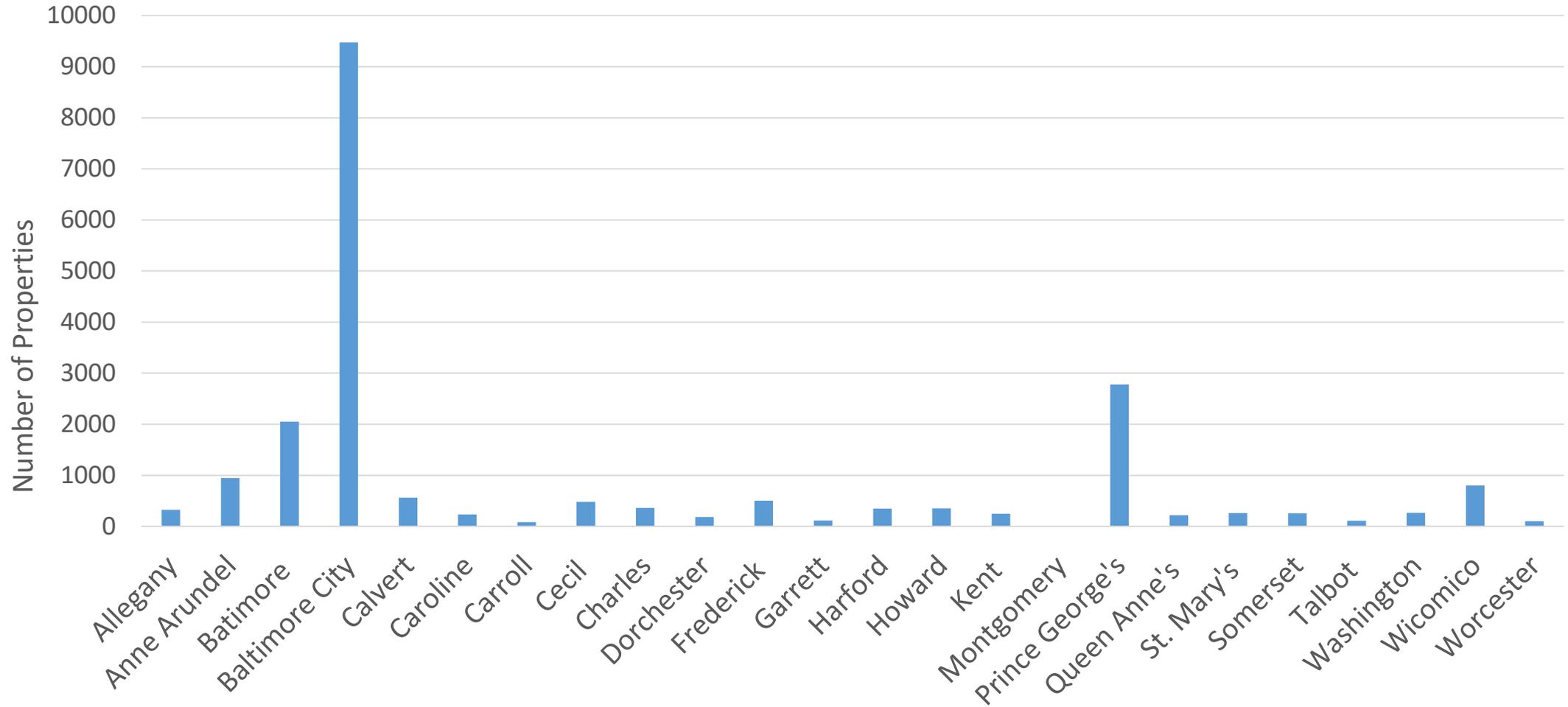
Minimum Amount of Taxes Required Before Residential Property Goes to Tax Sale



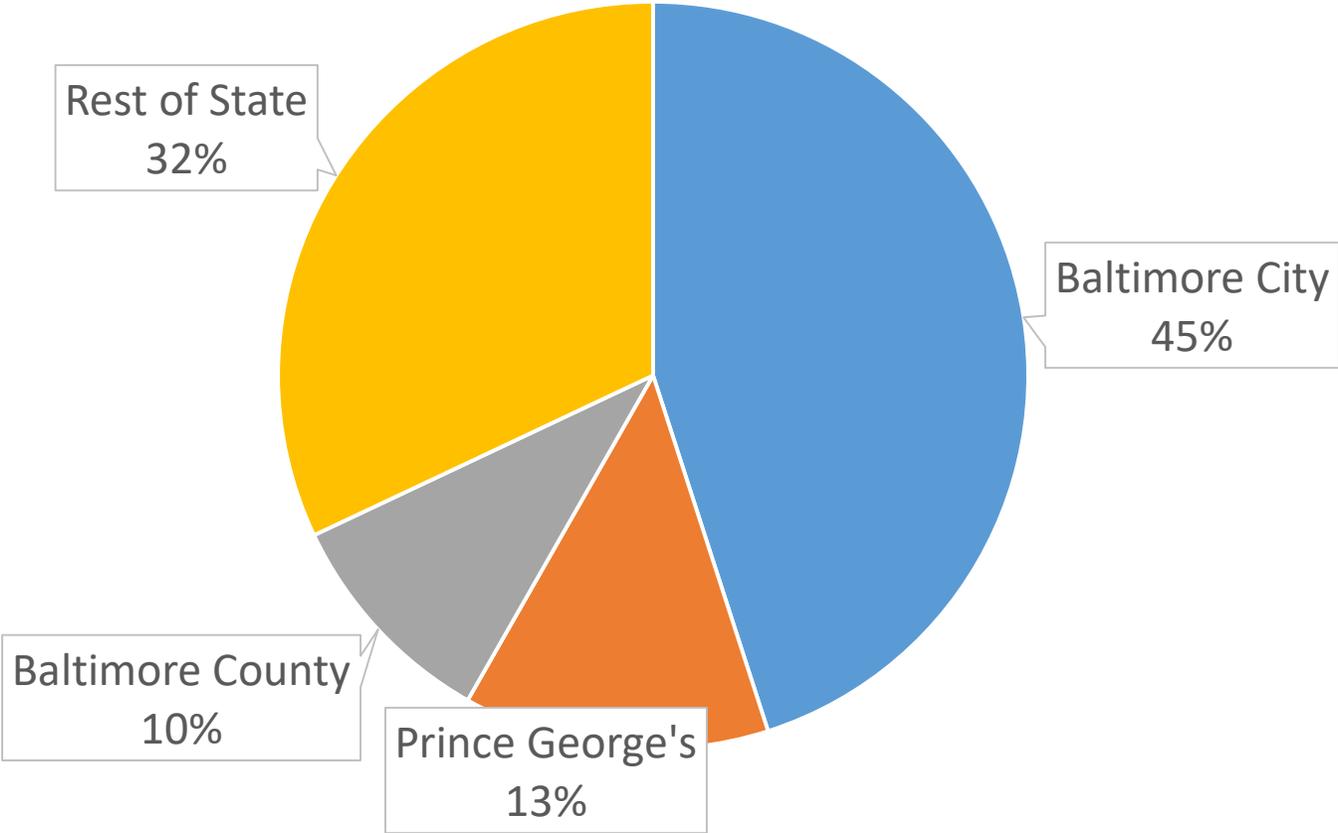
Number of Properties in the Tax Sale Process in 2019



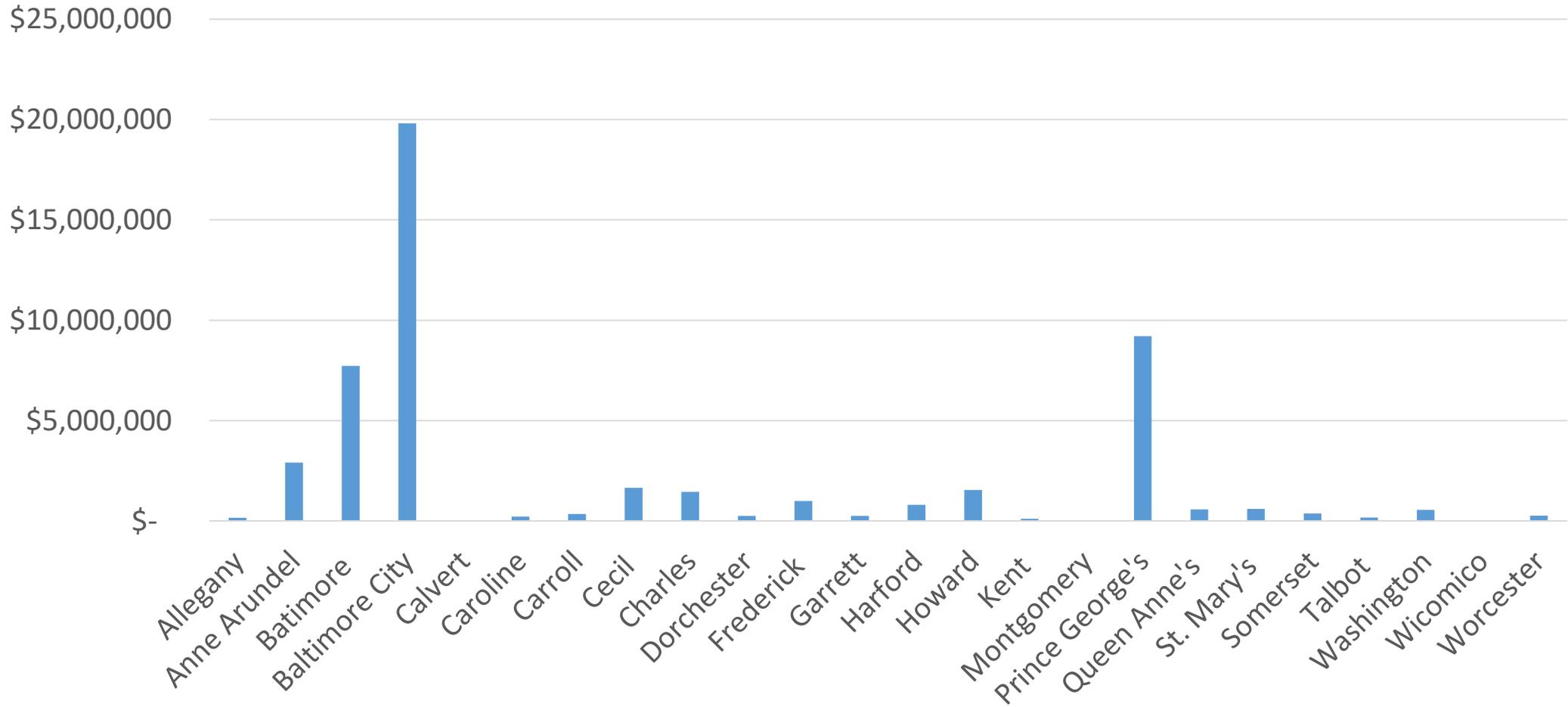
Number of Properties Offered for Sale in 2019



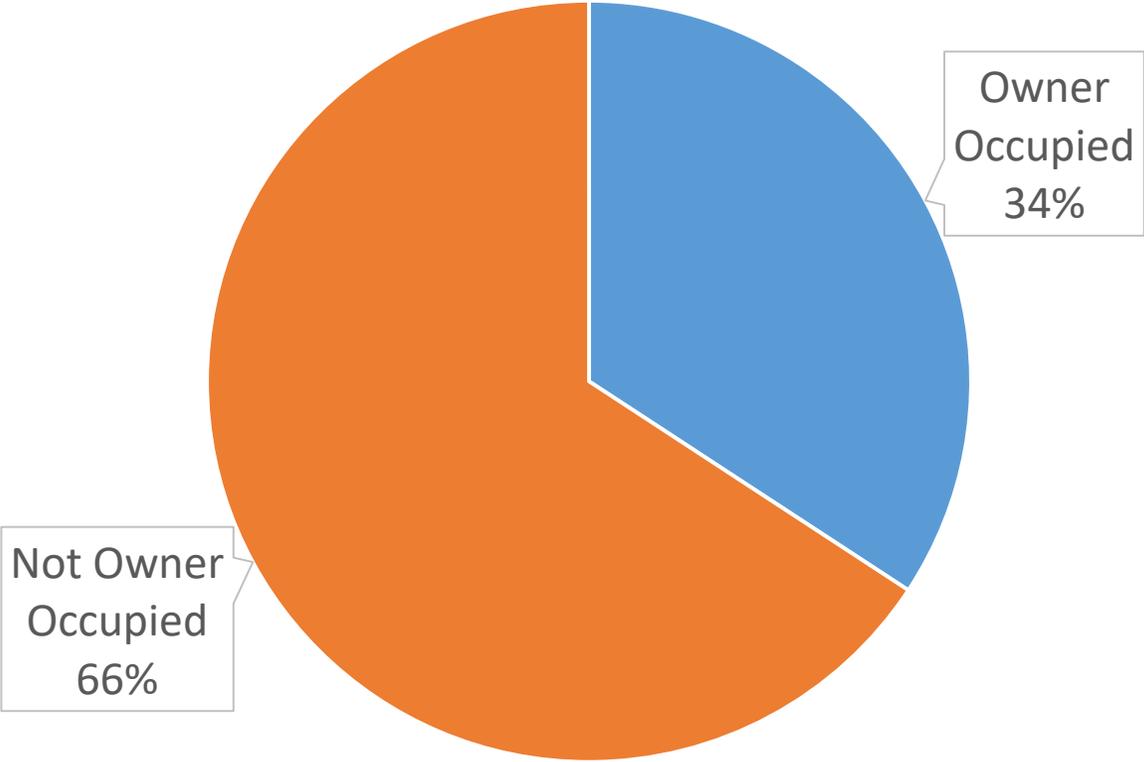
Percentage of Properties Offered for Sale in 2019



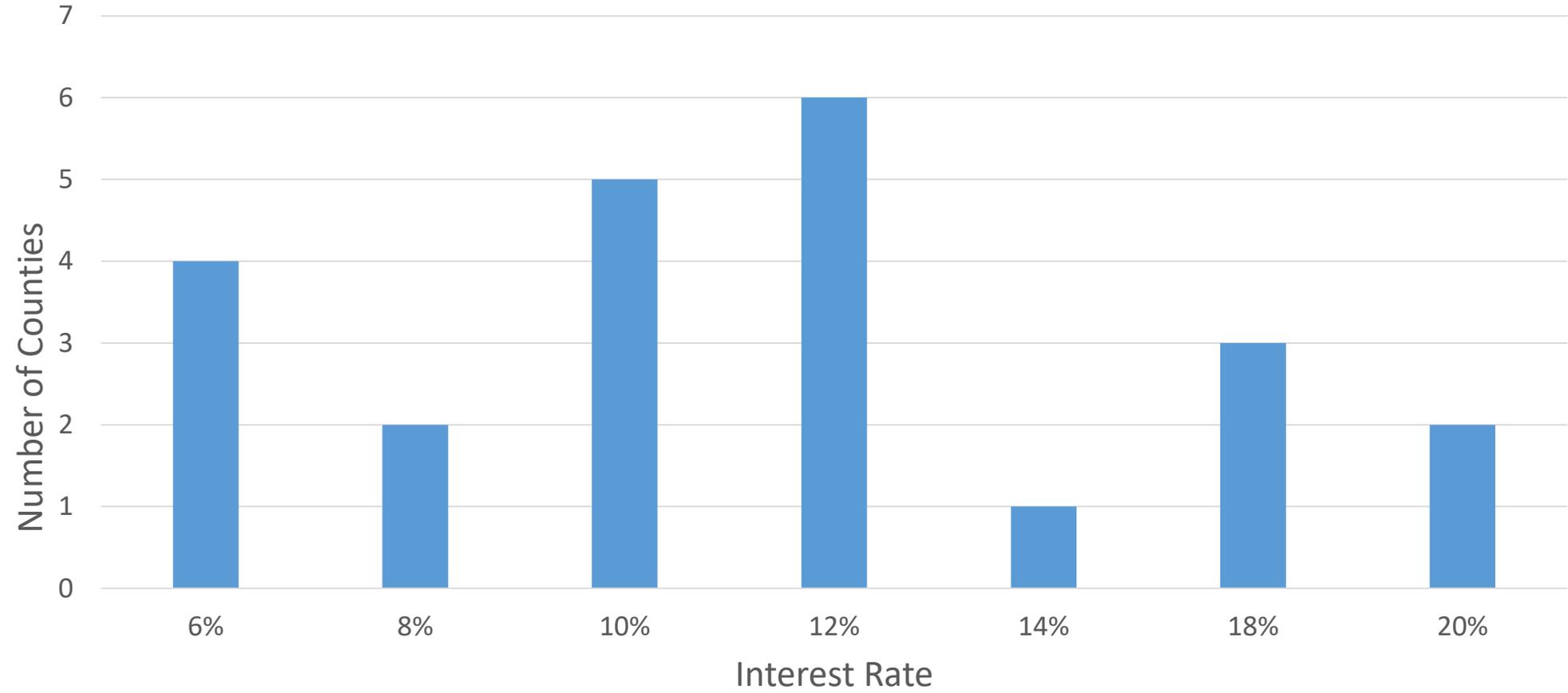
Total Lien Amounts Sold at Sale in 2019



Properties Sold in 2019 (in reporting counties)

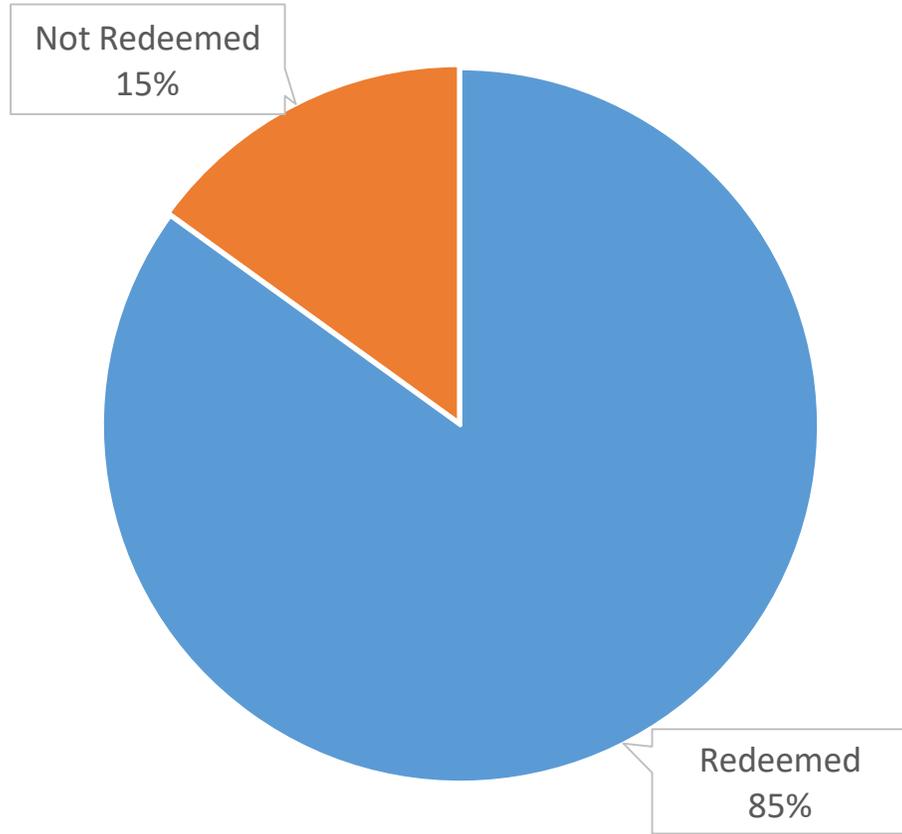


Redemption Interest Rates

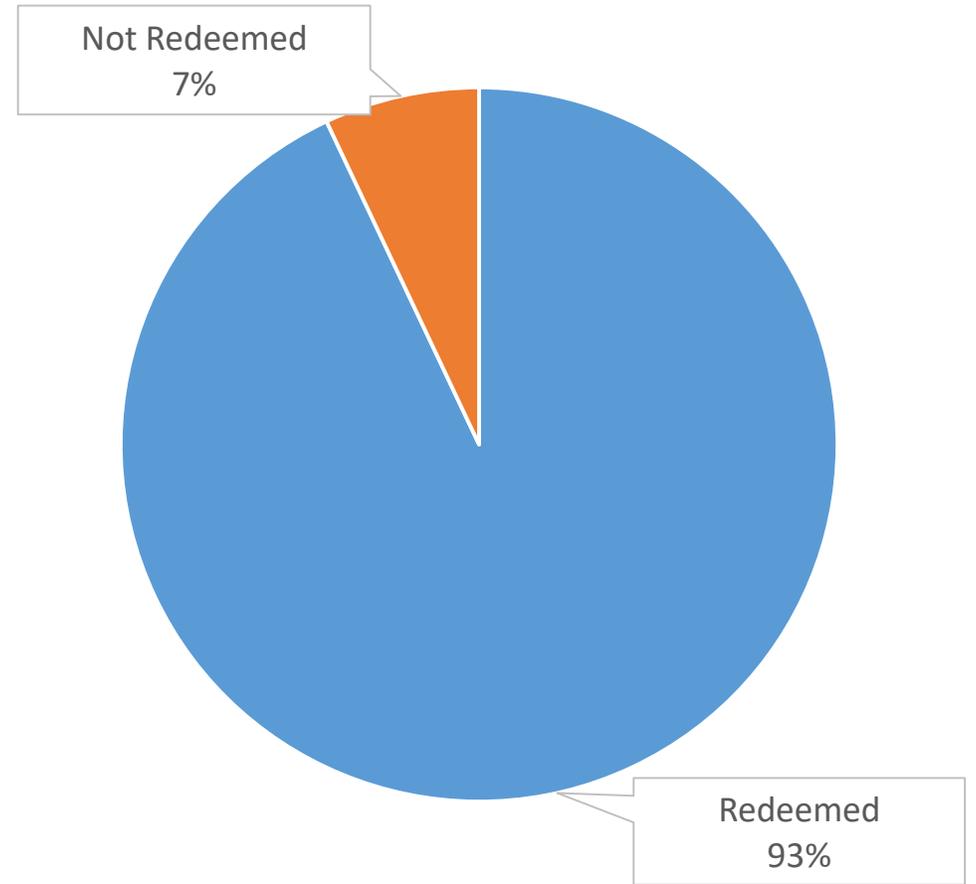


Rate of Redemption of Properties Sold in 2018

All Properties



Owner-Occupied Properties





Office of the State Tax Sale Ombudsman

Dept. of Assessments & Taxation

- Overview & Accomplishments in First 9 Months
- Effects of COVID-19
- Future Plans

Overview & Accomplishments in First 9 Months

Office created January 1, 2020 by HB1209 (2019)

Tools we created to help homeowners:

- Local and toll-free telephone help line
- Dedicated email address
- Website - county-specific processes, tax sale updates, & 75 resources

Overview & Accomplishments in First 9 Months

How we've helped so far, by the numbers:

Calls	900
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Emails	200
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Overview & Accomplishments in First 9 Months

How we help homeowners:

Success Story

- Listen & inquire
- Explain the process, assist & refer
- Apply for credits & other benefits

Overview & Accomplishments in First 9 Months

How we help homeowners:

Refer to Service Providers

Overview & Accomplishments in First 9 Months

How we help homeowners:

Success Story

- *Collaborating with Service Providers*

Overview & Accomplishments in First 9 Months

Local Tax Collectors:

- How we've connected with the Counties
- How we work with the Counties

State Workgroups:

- AG's Access 2 Justice Task Force's Housing Security Committee and Homeowner's Subcommittee.

Overview & Accomplishments in First 9 Months

How we help homeowners:

Success Story

- *Working with the Counties*

Overview & Accomplishments in First 9 Months

Collecting & Reporting Data:

- Annual survey of the counties
- Data on homeowners we've helped
- November 15 Annual Report

Effects of COVID-19

- Tax Sale schedule changes
- County process changes
- Impact on homeowners

Future Plans

- Analyze data & propose new strategies
- Expand outreach
- Improve website
- Expand collaboration with service providers
- Explore new tools for homeowners



CHANGING
Maryland
for the Better

Thank you

House Ways & Means Briefing on Tax Sales

— Marceline White, —
Executive Director, MCRC

Who is MCRC

The Maryland Consumer Rights Coalition (MCRC) is a statewide nonprofit that advances economic rights and equity through research, education, advocacy, and direct service. We have 8500 supporters across the state.



MCRC's Work on Tax Sale

-Involved in two primary areas of tax sale

1. Legislative -primarily through promotion of the Homeowner's Tax Credit
2. Direct Service-through our Securing Older Adult Resources (SOAR) program

Securing Older Adult Resources (SOAR)

SOAR is our direct service program which focuses on

- helping homeowners apply for the Homeowners Tax Credit through screening, application assistance (high touch clients), and follow up

- awareness-raising of HOTC once we realized that only about 10% of eligible homeowners took the credit-many confused it with the Homestead credit, others were unaware that it was an annual credit

- focused on this credit because we realized that many homeowners were able to receive enough money in tax credits (and retroactive credits) to take homes out of tax sale

Maryland Tax Credit

SOAR created a website, video, brochures, bus interiors to promote HOTC

[www. Marylandtaxcredit.com](http://www.Marylandtaxcredit.com)

- Eligibility

- download application

- estimated savings

- see who has taken the credit

SOAR 2020 Tax Sale Activities as of Sept.15

-9 clients referred to our SOAR financial counselors for help with tax sale

-70% were female-headed households

-100% were African-American

-average age of clients, 71

-total value assessed homes-\$868,933

-average household income \$17,484

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SOAR Tax Sale Activities as of Sept. 15

- We returned \$10,119 to those clients
- some are also submitting for retroactive credits so that number should go up for several clients
- those whose tax sale debt will not clear from the HOTC credits had a warm referral to NHS to apply for their tax sale small dollar consumer loan
- Legal Aid referred the clients to us
- Higher number than year before when we had 4 referrals

Increased Demand for tax credit help, \$ stress

2019

Website views-7,750

Hotline calls-437

Screenings-153

Applications mailed -161

2020

Website views-11,000 42.2 %
increase

Hotline calls -1,185 171% increase

Screenings 310, 102% increase

Applications mailed-310, 93%
increase

In Summary

- The use of Homeowners Tax Credits through awareness raising, marketing, assistance in screening, applying, troubleshooting can help homeowners receive enough credits to get their homes out of tax sale.
- BUT this is a stop-gap solution. It addresses the immediate need but does not solve the problem. Real reform on the tax sale process is needed.
- Time intensive process for staff, time better spent on coaching, financial literacy, direct service.

Questions?

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TESTIMONY

To: Honorable Chair and Members of the Maryland House Ways and Means Committee,
Local Revenues Subcommittee

From: Michael O’Leary, Tax Sale Coordination and Prevention Services Program, Baltimore
City Department of Housing and Community Development

Date: October 8, 2020

Re: Hearing on Tax Sales During the Pandemic

My name is Michael O’Leary, and I run the Tax Sale Coordination and Prevention Services Program in the Baltimore City Department of Housing and Community Development.

I have held this position since it was created in 2015 in response to recommendations in the Abell Foundation’s October 2014 report *The Steep Price of Paying to Stay: Baltimore City’s Tax Sale, The Risk to Vulnerable Homeowners, and Strategies to Improve the Process*.

I focus on helping low income homeowners understand what tax sale is, why, when, and how it happens, and how to avoid it. And I do this well in advance of tax sale, to give people time to prepare. Reducing outstanding bills before January 1 is key, and once tax sale liens have been sold, there’s little I can do to help.

When I train I promote and provide handouts on: annual Tax Sale Clinics run by the ProBono Resources Center and Maryland Volunteer Lawyers Service, the MVLS Program, “My Home, My Deed, My Legacy”, PBRC’s annual Tax Sale Resources Guide, my 1-page information sheet of important tax sale dates, tax sale facts and resource phone numbers, and information and applications for the Homeowners and Homestead Property Tax Credits.

I train people directly, in community and neighborhood-based groups and senior centers, and indirectly by training those who closely interact with homeowners: senior center managers and staff, 211 United Way call center staff, Enoch Pratt Library branch managers and resource managers, BCHD Division of Aging and CARE Services Maryland Access Point call center staff, Housing and Health Department field program staff, and programs like HUBS (Housing Upgrades to Benefit Seniors) with social service coordinators covering 5 areas strategically located across the city.

For the Division of Aging and CARE Services I update the notification letter they’re required to send annually to those older homeowners on the Final Bill and Legal Notice List, and provide that list when it is generated. I also provide it to HUBS.



I provide the list of all homeowners in each City Council District, including those older homeowners, to each Councilmember along with resource handouts.

I've also worked with mayors to produce PSAs promoting the Homeowners Property Tax Credit.

I work closely with the city's Department of Finance, DPW, and Environmental Control Board to understand problems that individual homeowners have as well as with the City Council members looking out for their constituents.

I'd like to say in closing that the key to reducing the numbers of vulnerable Baltimore City homeowners in tax sale each year is to get them as much help as we can before January 1 when the annual tax sale clock starts ticking. The work I do is important. The resources I provide are important. But, we must make financial assistance, such as property tax credits, easier to receive, if we're to reduce the numbers of vulnerable homeowners at tax sale risk.

Thank you.