

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 252
Ways and Means

(Delegates Long and Arikan)

Budget and Taxation

Tax Sales – Owner–Occupied Residential Property

This bill authorizes the governing body of a county or municipal corporation to withhold owner-occupied residential property from tax sale during the period from June 1, 2021, through June 30, 2023. **The bill takes effect June 1, 2021 and terminates June 30, 2023.**

Fiscal Summary

State Effect: None.

Local Effect: To the extent local governments exercise the authority granted by the bill, local government tax sale revenues decrease, as discussed below. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Subject to certain exceptions, State law requires a tax collector to sell, through the tax sale process established in statute, all property in the county on which tax is unpaid, at the time required by local law, but in no case, except in Baltimore City, later than two years from the date the tax is in arrears.

However, State law includes various circumstances in which a property may or is required to be withheld from sale. Those circumstances include, among others:

- A tax collector is permitted to withhold from sale any property, when the total taxes owed on a property, including interest and penalties, amount to less than \$250 in any one year.

- A tax collector is permitted to withhold from sale any residential property, when the total taxes owed on a property, including interest and penalties, amount to less than \$750.
- A tax collector, in Baltimore City, is required to withhold from sale owner-occupied residential property when the total taxes on the property, including interest and penalties, amount to less than \$750. Additionally, in Baltimore City, a collector is required to withhold from sale a residential property or a property owned by a religious group or organization that is actually and exclusively used for public religious worship, a parsonage or convent, or educational purposes, if the taxes consist of only of a lien for unpaid water and sewer charges.
- A governing body of a county or municipal corporation may withhold from sale a dwelling owned by a homeowner who is low income, at least 65 years old, or disabled if the homeowner meets eligibility criteria established by the county or municipal corporation.

For more information about the tax sale process, see the **Appendix – Tax Sale Process**.

Local Revenues: Local government tax sale revenues decrease to the extent the authority in the bill is used by jurisdictions. *For contextual purposes only*, the [2020 Annual Maryland Tax Sale Report](#) provides data from 10 of the 11 counties which held tax sales in 2020 (tax sales were delayed or canceled in many counties), on the number of liens sold on owner-occupied properties, including dual-use properties occupied by the owner – 2,552 liens among the 10 counties. For certain counties, the report also provides the average lien amount on those owner-occupied properties – \$5,709 in Baltimore City (1,015 liens), \$2,324 in Cecil County (212 liens), and \$4,495 in Howard County (108 liens).

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Garrett, and Howard counties; Maryland Association of Counties; City of Laurel; Maryland Municipal League; Judiciary (Administrative Office of the Courts); Maryland Tax Court; State Department of Assessments and Taxation; Department of Legislative Services

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Appendix – Tax Sale Process

In general, a tax collector must sell, at an auction, not later than two years from the date the tax is in arrears, all property in the county on which the tax is in arrears. However, this requirement does not apply in Baltimore City, and statute is silent as to any timeline for the sale. The time for the tax sale is established by local law. Failure of the collector to sell the property within the two-year period does not affect the validity or collectability of any tax or the validity of any sale subsequently made.

The tax collector sets specified terms for the auction and publishes public notice of the tax sale, including requirements for potential bidders.

When a property is purchased at a tax sale, the purchaser must pay to the tax collector any delinquent taxes, penalties, sale expenses, and a high-bid premium, if any. The terms for payment of the purchase price and high-bid premiums, if any, are determined by the collector.

Generally, the property owner has the right to redeem the property within six months from the date of the tax sale by paying the total lien amount on the property, delinquent taxes, penalties, interest, and certain expenses of the purchaser. If the owner redeems the property, the purchaser is refunded the amounts paid to the collector plus the interest and expenses. If the owner does not redeem the property, the purchaser has the right to foreclose on the property after the six-month right of redemption period has passed. Under most circumstances, if the right to foreclose is not exercised by the purchaser within two years, the certificate of sale is void, and the purchaser is not entitled to a refund of any monies paid to the collector.

Chapter 440 of 2020 requires the State Department of Assessments and Taxation (SDAT) to issue a report each year that includes an analysis and summary of the information collected through an annual tax sale survey. Each county must provide SDAT all specified information on the form that SDAT provides. For more information regarding tax sales in the State – see [2020 Annual Maryland Tax Sale Report](#).