

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Third Reader

Senate Bill 325

(Chair, Budget and Taxation Committee)(By Request -  
Departmental - Assessments and Taxation)

Budget and Taxation

Ways and Means

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Tax Sales – Redemption – Nondelinquent Taxes

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This departmental bill alters the amount that a person must pay to a local tax collector to redeem a property sold at a tax sale in the State by requiring that only *delinquent* taxes accruing after the date of the tax sale be paid, instead of any taxes accruing after the date of the tax sale. **The bill takes effect June 1, 2021.**

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Fiscal Summary

**State Effect:** The bill is not expected to materially affect State operations or finances.

**Local Effect:** Local government administrative expenses may increase relatively minimally, as discussed below.

**Small Business Effect:** The State Department of Assessments and Taxation (SDAT) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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Analysis

**Current Law:** If a property sold at a tax sale is redeemed by the owner or other person that has an estate or interest in the property, the person redeeming the property is required to pay the local tax collector:

- the total lien amount paid at the tax sale for the property together with interest;
- any taxes, interest, and penalties paid by any holder of the certificate of sale;

- except for owner-occupied residential property in Baltimore City, any taxes, interest, and penalties accruing after the date of the tax sale;
- specified expenses or fees for which the plaintiff or the holder of a certificate of sale is entitled to reimbursement; and
- for vacant and abandoned property sold for less than the amount due, the difference between the price paid and the unpaid taxes, interest, penalties, and expenses.

**Background:** SDAT advises that the current requirement that a person redeeming a property pay any taxes accrued after the tax sale date can result in a large portion of the taxes added to the redemption amount being nondelinquent taxes. For a homeowner's principal residence, half of the fiscal year tax bill is due by September 30, and the second half is due by December 31. Under current law, after June 30, the redemption payoff amount immediately includes the entire next fiscal year's tax bill even though it is not yet delinquent or not all of it is delinquent during the period from July 1 to December 31.

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

**Local Revenues:** The bill is not expected to materially affect local tax revenues, though it may delay collection of the nondelinquent taxes no longer included in redemption payoff amounts. Local government administrative expenses may increase relatively minimally. Harford County indicates that its costs increase by \$2,500 in fiscal 2022 and 2023, and by \$3,500 in fiscal 2024 and future years, for administrative costs of delinquent tax notices and tax sale notices.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Harford, Montgomery, Prince George's, Talbot, and Wicomico counties; Judiciary (Administrative Office of the Courts); Maryland Tax Court; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 2021  
rh/sdk Third Reader - February 18, 2021

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## Appendix – Tax Sale Process

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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](#).

## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Tax Sales – Redemption – Nondelinquent Taxes

BILL NUMBER: SB 325

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### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X  WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will not have an economic impact.