

**Department of Legislative Services**  
Maryland General Assembly  
2021 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1217  
Ways and Means

(Delegate Conaway)

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**Baltimore City - Tax Sales - Owner-Occupied Residential Property**

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This bill requires the tax collector in Baltimore City to withhold owner-occupied residential property from a tax sale if the total taxes owed on the property, including interest and penalties, amount to less than \$2,500, instead of less than \$750. **The bill takes effect July 1, 2021.**

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**Fiscal Summary**

**State Effect:** Annuity Bond Fund (ABF) revenues are reduced and/or delayed, beginning in FY 2022, as discussed below.

**Local Effect:** Baltimore City revenues are reduced and/or delayed, beginning in FY 2022, as discussed below. Expenditures are not affected. **The bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

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**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. In Baltimore City, a tax collector 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.

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

**State and Local Fiscal Effect:** ABF revenues and Baltimore City revenues are expected to decrease and/or be delayed due to the restriction on tax sale proceedings for owner-occupied residential property with unpaid taxes of less than \$2,500. Baltimore City advises that, for fiscal 2021, unpaid taxes (including both city and State property taxes) on owner-occupied residential properties that exceed \$750, but not \$2,500, have an aggregate value of \$5.9 million, with the significant majority of that amount consisting of city taxes. The amount of the \$5.9 million that consists of State property taxes may be in the range of \$400,000. The taxes remain owed to the city and State, but increasing the threshold that the outstanding taxes must reach before an owner-occupied residential property may be sold at a tax sale is expected to reduce and/or delay revenues collected from those properties.

Debt service payments on the State’s general obligation bonds are paid from the ABF. Revenue sources for the fund include State property taxes; premium from bond sales; and repayments from certain State agencies, subdivisions, and private organizations.

**Small Business Effect:** Small businesses that would otherwise generate revenue from sales of properties, at tax sales, that no longer occur under the bill may be meaningfully affected.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Baltimore City; Judiciary (Administrative Office of the Courts); Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 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](#).