

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 522

(St. Mary's County Delegation)

Ways and Means

Budget and Taxation

St. Mary's County - Tax Sales - Auctioneer Expenses

This bill establishes that the actual cost of an auctioneer's fee for a tax sale in St. Mary's County may be included as an expense of the sale of the property.

Fiscal Summary

State Effect: The bill does not affect State operations or finances.

Local Effect: St. Mary's County expenditures decrease by a minimal amount beginning in FY 2023. County revenues are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Title 14 of the Tax-Property Article establishes that the auctioneer's fee for properties sold at a tax sale auction in St. Mary's County that may be included as an expense of the sale, is set at a maximum of \$10 per property on a day when up to three properties are sold and \$3 per property on a day when four or more properties are sold. Expenses relating to the sale of a property are liens on the property. Except in the case of certain abandoned property, the expenses of the sale of a property are included in the sales price and paid by the purchaser, and the liens for the expenses are passed to the purchaser.

For more information on tax sales, see **Appendix – Tax Sales Process**.

Local Fiscal Effect: St. Mary's County expenditures decrease by a relatively minimal amount, beginning in fiscal 2023, due to a reduction in auctioneer's fees paid by the county (as opposed to the purchaser of a property). *For illustrative purposes*, the county sold 204 properties during its 2021 tax sale auction. Under current law, the county is allowed to include \$3 of an auctioneer's fee as an expense of the sale of a property (if the tax sale auction features four or more properties), which is passed on to the purchaser. The county previously had an agreement with an auctioneer for \$3 per property. However, due to a change in auctioneers, the county anticipates that its new auctioneer fee will be \$10 per property. Consequently, under current law, the county will have to pay the difference (\$7) between the allowable charge (\$3) that can be passed on to the purchaser and the amount the auctioneer needs to hold the auction (\$10). If the county sells a number of properties in future tax sales that is similar to the number sold during the 2021 auction (204), assuming the county saves \$7 on each sale, county expenditures decrease by approximately \$1,400 annually beginning in fiscal 2023.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): St. Mary's County; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2022
fnu2/sdk Third Reader - March 21, 2022

Analysis by: Donovan A. Ham

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

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 after the date of the tax sale (and beyond the six-month period if the right of redemption has not yet been foreclosed by a court decree) by paying the total lien amount on the property, delinquent taxes, penalties, interest, and certain expenses of the purchaser. However, for owner-occupied residential property in Baltimore City, any taxes, interest, and penalties accruing after the date of the tax sale may not be included in the redemption payment. Chapter 108 of 2021 altered the amount that a person must pay to a local tax collector to redeem a property sold at a tax sale in the State (other than an owner-occupied residential property in Baltimore City) 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.

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 the right of redemption after the six-month 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 the [2021 Annual Maryland Tax Sale Report](#).