

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 194

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

Budget and Taxation

**Property Tax - Deadline Extension for Homeowners to Redeem Property
Involved in a Tax Sale**

This departmental bill extends – from four months to six months – the time period that must elapse following a tax sale before the holder of a certificate of sale of the property may be reimbursed for specified expenses when the property is redeemed.

Fiscal Summary

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

Local Effect: The bill is not anticipated to materially affect local operations or finances. Any minimal operational changes may be handled using existing resources.

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.

Analysis

Bill Summary/Current Law: Generally, under current law, if an action to foreclose the right of redemption has not been filed, and the property is redeemed more than four months after the date of sale, a holder of a certificate of sale may be reimbursed for expenses actually incurred related to (1) the cost of recording the certificate of sale; (2) a title search fee up to \$250; (3) the postage and certified mail costs for sending required notices; and (4) reasonable attorney’s fees up to \$500. The bill extends the existing statutory period from four months to six months.

Also, in general, under current law, the plaintiff or holder of a certificate of sale may not be reimbursed for expenses incurred within four months after the date of sale with specified exceptions. The bill extends the existing statutory period from four months to six months.

In Baltimore City, for owner-occupied residential property, under current law (and not changed by the bill), the above-described existing statutory periods are seven months instead of four months.

In general, under current law, any time after six months from the date of sale, a holder of a certificate of sale may file a complaint to foreclose the right of redemption. For owner-occupied residential property in Baltimore City, that time period is nine months instead of six months.

Background: SDAT advises that under current law, a tax lien purchaser is able to add legal fees and title search expenses (in preparation for foreclosure) totaling up to \$750 to the owner's redemption payment amount four months after the date of the tax sale. However, the tax lien purchaser is unable to file a complaint to foreclose the right of redemption until six months after the sale date. SDAT indicates that the discrepancy of two months creates a situation in which the lien purchaser may add additional foreclosure-related fees to an owner's redemption payoff amount, making redemption more difficult, prior to the lien purchaser's ability to start the foreclosure process.

According to the SDAT [2021 Annual Tax Sale Report](#), the number of property liens offered for sale in 2020 for all counties that held a tax sale was 11,056. This includes liens on commercial, non-owner-occupied, and owner-occupied properties. During fiscal 2020, 10,287 owners paid off a sold tax lien – redeemed – on their property prior to foreclosure, accounting for redemptions between July 1, 2019, and June 30, 2020 (some of which may have been associated with liens sold in a prior year).

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

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Baltimore City; Caroline, Howard, Montgomery, and Prince George's counties; City of Annapolis; Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 18, 2022
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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 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](#).

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property Tax – Deadline Extension for Homeowners to Redeem Property Involved in a Tax Sale

BILL NUMBER: SB 194

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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 result in an economic impact.