

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 563

(Senators Corderman and McKay)

Budget and Taxation

**Tax Sales - Property Maintenance and Nuisance Condition Violation Judgments
and Foreclosure Proceedings**

This bill establishes under Title 14, Subtitle 8 (Collections) of the Tax-Property Article of the Maryland Code that a judgment in favor of a political subdivision – for real property maintenance or nuisance condition violations of local law – can be collected through a tax sale and is a first lien with the exception of a lien for real property taxes. The bill also allows for the governing body of Allegany County or Washington County, or a municipality within those counties, to file a complaint to foreclose all rights of redemption in a property for which it holds a certificate of sale, at any time after the sale and without specified notice. **The bill takes effect July 1, 2023.**

Fiscal Summary

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

Local Effect: Local government revenues may increase, as discussed below.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Specified Judgments Collected Through a Tax Sale

Under Title 14, Subtitle 8 of the Tax-Property Article, which includes State law governing tax sales, the bill modifies the definition of “tax” to include a judgment in favor of a

political subdivision for real property maintenance or nuisance condition violations of local law, if the judgment is indexed and recorded in accordance with the Maryland Rules. Accordingly, the bill establishes that such recorded judgments can be collected through the tax sale process.

From the date a judgment in favor of a political subdivision for real property maintenance or nuisance condition violations of local law is indexed and recorded, liability for the judgment and a first lien attaches to the real property in the amount of the judgment. However, the lien does not have priority over a lien related to unpaid real property taxes.

The bill also includes such recorded judgments among the “unpaid municipal corporation taxes or charges” that a municipality collector may collect through the tax sale process if the county collector has not acted within 30 days of receiving notice from the municipality collector of the unpaid taxes or charges.

Specified Counties’ and Municipalities’ Ability to File a Complaint to Foreclose

The bill authorizes the governing body of Allegany County or Washington County or a municipality in those counties – when the governing body becomes the holder of a certificate of sale in accordance with specified provisions (discussed below under Current Law) – to file a complaint to foreclose all rights of redemption in the property, at any time after the date of sale. For such filings, requirements that notice be given to the person who last appears as owner of the property on the collector’s tax roll (and the current mortgagee or other specified interested party) before a complaint to foreclose is filed do not apply, unless a complaint is filed more than six months after the date of sale.

Current Law:

Definition of “Tax”

Under Title 14, Subtitle 8 of the Tax-Property Article, “tax” means any tax, or charge of any kind due to the State or any of its political subdivisions, or to any other taxing agency, that by law is a lien against the real property on which it is imposed or assessed. “Tax” includes interest, penalties, and service charges.

Tax Sales

Subject to exceptions, a tax collector must proceed to sell and sell – 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 – all property in the county in which the collector is elected or appointed on which the tax is in arrears.

When a property in a municipality is delinquent in the payment of municipal taxes or charges, the appropriate municipal official responsible for the collection of taxes must notify the collector of the county of the unpaid taxes or charges on the property.

If the county collector does not begin the tax sale process to recover the unpaid taxes or charges within 30 days of receiving notice from the municipality collector, the municipality collector may, at any time after the 30-day period, use the tax sale process to recover the unpaid taxes or charges.

Real Property Tax Lien

From the date property tax on real property is due, liability for the tax and a first lien attaches to the real property in the amount of the property tax due on the real property.

Judgment Lien

Pursuant to § 11-402 of the Courts and Judicial Proceedings Article of the Maryland Code, if indexed and recorded as prescribed by the Maryland Rules, a money judgment of a court constitutes a lien to the amount and from the date of the judgment on the judgment debtor's interest in land located in the county in which the judgment was rendered, or another county, except for specified leases.

Complaint to Foreclose the Right of Redemption

An owner or other person that has an estate or interest in property sold by a tax collector may redeem the property at any time until the right of redemption has been finally foreclosed. In general, a holder of a certificate of sale is not authorized to file a complaint to foreclose the right of redemption earlier than six months after the date of the tax sale. For owner-occupied residential property in Baltimore City, that time period is nine months instead of six months.

Subject to limited exceptions, the holder of a certificate of sale must send two specified notices before filing a complaint to foreclose the right of redemption of the property to which the certificate relates. The notices are sent to (1) the person last listed as owner of the property on the collector's tax roll and (2) the current mortgagee (or assignee of a mortgagee of record, or servicer of the current mortgage) or the current holder of a beneficial interest in a deed of trust recorded against the property. The holder of the certificate of sale may not file a complaint to foreclose the right of redemption until at least two months after sending the first notice and at least 30 days after sending the second notice.

When the governing body of a county or municipality becomes the holder of a certificate of sale pursuant to a statutory requirement that the governing body buy in and hold properties offered for sale at a tax sale for which there is no private purchaser (discussed below), the governing body may file a complaint, at any time after the date of sale, to foreclose all rights of redemption in abandoned property consisting of (1) a vacant lot or (2) improved property cited as vacant and unfit for habitation on a housing or building violation notice. For such filings, the requirements that notice be given to the person who last appears as owner of the property on the collector's tax roll (and the current mortgagee or other specified interested party) before a complaint to foreclose is filed do not apply.

Certificate of Sale Held by the Governing Body or Taxing Agency

The governing body of a county or other taxing agency must buy in and hold any property in their respective counties offered for sale for nonpayment of any taxes for which there is no private purchaser. The collector must issue a certificate of sale in the name of the governing body or taxing agency and the governing body or taxing agency has the same rights and remedies with regard to the property as other purchasers, including the right to foreclose the right of redemption.

Local Fiscal Effect: Local government revenues may increase to the extent the bill increases a county or municipality's ability to collect judgments in favor of the county or municipality for real property maintenance or nuisance condition violations of local law, through the tax sale process. The extent of any increase in revenues cannot be reliably estimated.

The bill's authorization for the governing body of Allegany County or Washington County, or a municipality in those counties, to accelerate the process of filing a complaint to foreclose the right of redemption on a property for which the governing body holds the certificate of sale, and take ownership, presumably may benefit the county or municipality; however, the extent of any operational and/or fiscal benefit has not been determined.

Additional Comments: Descriptions of the tax sale process and related subjects are included on the Office of the State Tax Sale Ombudsman [web page](#) on the State Department of Assessments and Taxation's website, along with the office's most recent annual report, which contains data on tax sales in the State. The office was established in 2020 pursuant to Chapter 730 of 2019.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 939 of 2022.

Designated Cross File: HB 780 (Delegates Buckel and Grossman) - Ways and Means.

Information Source(s): Washington County; Maryland Municipal League; Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Office of Administrative Hearings; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - May 15, 2023
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