

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 235
Ways and Means

(Delegate Kaiser, *et al.*)

Budget and Taxation

**Tax Sales - Owner-Occupied Property - Foreclosure, Notice, and Reimbursement
of Expenses**

This bill makes extended time periods that are only applicable to owner-occupied residential property in Baltimore City under current law – that govern when a complaint to foreclose the right to redeem a property sold in a tax sale can first be filed, when a related notice can first be sent, and when related expenses can be reimbursed – applicable to owner-occupied residential property statewide. As a result, in jurisdictions other than Baltimore City, the bill (1) increases the amount of time that must pass – after an owner-occupied residential property is sold at a tax sale and before a holder of a certificate of sale can first file a foreclosure complaint – from six months to nine months, and (2) increases the amount of time that must pass – after an owner-occupied residential property is sold at a tax sale and before the holder of a certificate of sale can first send a required foreclosure notice and be reimbursed for expenses relating to filing a foreclosure complaint – from four months to seven months. **The bill takes effect January 1, 2024, and only applies to certificates of sale issued on or after January 1, 2024.**

Fiscal Summary

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

Local Effect: The bill is not anticipated to materially affect local government finances.

Small Business Effect: Minimal.

Analysis

Current Law:

Redemption and Complaint to Foreclose

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.

The person redeeming the property must pay the collector (1) the total lien amount paid at the tax sale for the property together with interest; (2) any taxes, interest, and penalties paid by any holder of the certificate of sale; (3) except if the property is owner-occupied residential property in Baltimore City, any delinquent taxes, interest, and penalties accruing after the date of the tax sale; and (4) in the manner and by the terms required by the collector, any expenses or fees for which the plaintiff or the holder of a certificate of sale is entitled to reimbursement. Statute specifies the various expenses or fees, which the plaintiff or the holder of a certificate of sale may be reimbursed for, specifically those incurred in any action or in preparation for any action to foreclose the right of redemption.

Notices Sent by the Holder of the Certificate of Sale

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.

The first of the two notices may not be sent until four months after the date of the tax sale. In Baltimore City, for owner-occupied residential property, the first of the two notices may not be sent until seven months after the date of the tax sale.

The notices must include, among other things:

- a statement of the fact of the issuance of a certificate of sale;
- a statement that the owner, a mortgage holder, or any other person that has an estate or interest in the property may redeem the property at any time until the right of redemption has been finally foreclosed;
- a statement that the holder of the certificate of sale may file an action to foreclose the right of redemption at any time after two months from the date of the first notice;
- statements describing what must be paid to redeem the property; and
- the name, address, and telephone number of the holder of the certificate of sale, or the holder's agent or attorney, and the collector who made the sale.

Reimbursement for Expenses

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 the tax sale, the holder of a certificate of sale may be reimbursed for the following expenses actually incurred: (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. Statute specifies additional expenses and fees that the plaintiff or holder of a certificate of sale may be reimbursed for if an action to foreclose the right of redemption has been filed.

In general, the plaintiff or holder of a certificate of sale may not be reimbursed for expenses incurred within four months after the date of sale.

In Baltimore City, for owner-occupied residential property, these statutory periods are seven months instead of four months.

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 not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Harford, Montgomery, Talbot, and Wicomico counties; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

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