

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 518

(Senator Corderman, *et al.*)

Budget and Taxation

Ways and Means

Tax Sales - Revisions

This bill, under State law governing the tax sale process, allows for the governing body of a county or municipality to petition the court to be assigned a certificate of sale for a property, or to take title to a property, under specified circumstances in which the holder of a certificate of sale has not pursued or complied with a foreclosure judgment in a timely manner. The bill also authorizes the governing body of a county or municipality to withhold from a tax sale a property that contains a vacant building or structure the county or municipality intends to demolish because it is unsafe or unfit for habitation. The bill's provisions relating to assignment of certificates of sale to a county or municipality and vesting of title to a property in a county or municipality, apply retroactively and must be applied to and interpreted to affect tax sale actions foreclosing the right to redemption in properties that are pending on the bill's enactment. **The bill takes effect June 1, 2023.**

Fiscal Summary

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

Local Effect: Local government finances may be affected, as discussed below.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Certificate of Sale Assigned to a County or Municipality

The bill authorizes the governing body of a county or municipality to file a motion with the court requesting that a certificate of sale be assigned to the governing body of the county

or municipality if (1) a foreclosure action has been initiated by the holder of the certificate of sale and (2) the foreclosure action is subject to dismissal for a lack of prosecution under the Maryland Rules or a motion for the entry of a final order has not been filed in the foreclosure action within 18 months after the filing of the complaint, whichever is earlier.

If a motion is filed, the court must direct the holder of the certificate of sale to show good cause as to why the court should not grant the motion. If the holder of the certificate of sale fails to respond to the motion in accordance with the Maryland Rules, the court must grant the motion.

If the motion is granted, the holder of the certificate of sale forfeits (1) any rights under the certificate of sale and (2) the amount paid to acquire the certificate of sale.

Title Vested in a County or Municipality

In an action to foreclose the right of redemption of a property, the bill authorizes the court, on motion of the governing body of the county or municipality in which the property is located, to enter a judgment striking the court's final judgment and vesting specified title to the property in the governing body of the county or municipality if (1) the holder of the certificate of sale does not comply with the terms of the final judgment with respect to payment of the balance of the purchase price and all taxes, interest, and penalties that accrue after the date of the sale, within 105 days and (2) no other motion has been filed by an interested party to strike the court's final judgment. The judgment must also direct the collector to execute a deed prepared by the governing body of the county or municipality upon payment to the collector of the balance of the purchase price and all taxes, interest, and penalties that accrue after the date of the sale. However, if a holder of a certificate of sale submits a deed for the property to the governing body of the county or municipality before a judgment is entered regarding a motion to strike the court's final judgment, the motion must be denied as moot.

Authorization for Specified Vacant Properties to Be Withheld from a Tax Sale

The bill authorizes the governing body of a county or municipality to withhold from a tax sale property that has a vacant building or structure that the county or municipality intends to demolish because it is unsafe or unfit for habitation. The bill requires the tax collector to deliver to the governing body of the county or municipality a certificate of sale for each such property withheld from sale as well as for properties withheld from sale under an existing authorization to withhold properties designated for redevelopment purposes.

Current Law:

Foreclosure of the Right of Redemption

For a period of time after a property is sold at a tax sale, up until the right of redemption has been finally foreclosed by a court judgment, the owner of the property (who remains the owner until the right of redemption is foreclosed), or other person that has an estate or interest in the property sold, has the right to redeem the property by paying (1) the total lien amount paid at the tax sale for the property, with interest; (2) taxes, interest, and penalties accruing after the tax sale; and (3) certain expenses of the purchaser. For owner-occupied residential property in Baltimore City, taxes, interest, and penalties accruing after the date of the tax sale are not included in the redemption payment amount.

In general, 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; however, for owner-occupied residential property in Baltimore City, that time period is nine months instead of six months.

In an action to foreclose the right of redemption, if the court finds for the plaintiff (the holder of the certificate of sale), the judgment foreclosing the right of redemption vests in the plaintiff an absolute and indefeasible title in fee simple in the property, free and clear of all alienations and descents of the property occurring before the date of the judgment and encumbrances on the property, except taxes that accrue after the date of sale and easements of record and any other easement that may be observed by an inspection of the property to which the property is subject. If the collector sold the property subject to a ground rent or the plaintiff elected not to include the ground rent holder as a party, the judgment vests a leasehold interest in the plaintiff.

The judgment of the court must direct the collector to execute a deed to the holder of the certificate of sale in fee simple or in leasehold, as appropriate, on payment to the collector of the balance of the purchase price, due on account of the purchase price of the property, together with all taxes, interest, and penalties on the property that accrue after the date of sale. The judgment must direct the supervisor of assessments to enroll the holder of the certificate of sale in fee simple or in leasehold, as appropriate, as the owner of the property.

If the holder of the certificate of sale does not comply with the terms of the final judgment of the court within 90 days as to payments to the collector of the balance of the purchase price due on account of the purchase price of the property and of all taxes, interest, and penalties that accrue after the date of sale, that judgment may be stricken by the court on the motion of an interested party for good cause shown. However, in Baltimore City, a certificate holder who has been enrolled as the owner of the property, as specified, is not an interested party for the purposes of such a motion.

Maryland Rules – Dismissal for Lack of Prosecution

Under the Maryland Rules, an action is subject to dismissal for lack of prosecution after the expiration of one year from the last docket entry.

Withholding of Properties from Sale

State law includes various circumstances in which a property may or is required to be withheld from a tax sale. Those circumstances include:

- the governing body of a county or municipality may withhold from sale property that has been designated for redevelopment purposes if specified criteria are met, including that (1) the county or municipality certifies that the property is a vacant lot or has a building or structure that is vacant and unsafe or unfit for habitation and (2) the governing body of the county or municipality finds that withholding the property from sale for redevelopment purposes is necessary to eliminate a blighting influence and to prevent the tax abandonment of the property;
- Baltimore City may withhold from sale property that has been designated for redevelopment purposes if the property meets objective criteria established by the Mayor and City Council of Baltimore City; and
- a tax collector is required to withhold from sale any real property designated by the governing body of a county or municipality for foreclosure and sale under provisions allowing for *in rem* foreclosure and sale of a property that (1) consists of a vacant lot or improved property cited as vacant and unsafe or unfit for habitation or other authorized use on a housing or building violation notice and (2) for which the total amount of liens for unpaid taxes on the property exceeds the total value of the property.

Local Fiscal Effect: If counties or municipalities use the authority under the bill and are assigned or delivered certificates of sale, or receive title to properties, local government finances may be affected by (1) the cost of acquisition and/or maintenance of those properties the county or municipality takes title to and/or (2) future revenues, to the extent the acquisition of certificates of sale or property titles and/or the subsequent transfer of those properties allows for future tax or other revenue collection from the properties that otherwise does not occur. The extent of any impact cannot be reliably estimated.

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: HB 779 (Delegate Buckel, *et al.*) - Ways and Means.

Information Source(s): Caroline and Prince George's counties; City of Laurel; Maryland Municipal League; Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Maryland Department of Labor; Office of Administrative Hearings; State Department of Assessments and Taxation; Department of Legislative Services

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