



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael L. Higgs, Jr., Director

DATE: January 27, 2021

BILL NUMBER: SB0325

COMMITTEE: Budget and Taxation

BILL TITLE: Tax Sales – Redemption – Nondelinquent Taxes

SDAT POSITION: Support

The State Department of Assessments and Taxation (SDAT) supports SB0325, a bill that would reduce the payoff amount for homeowners redeeming their property after tax sale when the redemption occurs between July 1 and December 31.

Currently, to redeem a sold tax lien certificate on a property after a tax sale, a homeowner must pay the county Collector the total tax lien sale price, plus interest, as well as any taxes, penalties, and interest accruing after the date of the tax sale. If the redemption occurs after June 30, the entire tax bill for the next fiscal year will be included. For a principal residence, from July 1 - September 30, half of the next fiscal year's property taxes are due, but not delinquent until October 1. And the second half is not delinquent until after December 31. These extra months, while the new property tax bill is not yet past due, would give homeowners more time to assemble the funds needed to redeem their property, and lower the redemption amount during that period.

Current law (requiring the next fiscal year's property taxes to be due before they are delinquent) places a more substantial financial burden on homeowners facing tax sale than homeowners not facing tax sale. For instance, a tax lien on the home of a Prince George's County resident was recently sold at the county's June 22, 2020 tax sale. The lien was for the unpaid portion of the homeowner's 2019/2020 tax bill. After the tax sale, the payoff amount to redeem the property was \$2,111.48.

Current law requires the county to add any taxes accrued after the tax sale date to the redemption payoff amount. After July 1, the county will include the new 2020/21 property tax bill, here \$7,645.92, as part of the redemption payoff amount. Essentially, treating the new 2020/21 property tax bill as delinquent.

Office of the Director

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Under the new legislation, since the example is the homeowner's principal residence, only half of the 2020/21 tax bill is due by September 30, and the second half is due by December 31. However, under current law, the redemption payoff amount immediately includes the entire 2020/21 tax bill even though it is not yet delinquent, making the redemption payoff total, as of August 2020, \$9,757.40.

Under this proposed legislation, only delinquent taxes would be added to the redemption payoff amount, and this homeowner could redeem the property by paying \$2,111.48 until September 30, 2020. Of course, if the homeowner fails to redeem by October 1, half of the new 2020/21 tax bill becomes delinquent and added to the redemption payoff amount. Furthermore, after December 31, the second half of the new bill becomes delinquent and added to the redemption payoff amount. By requiring only delinquent taxes to be added to the redemption payoff amount, the homeowner would have more time to redeem their home at a lower payoff amount. Currently, the only way for this homeowner to redeem the property, clear the title and prevent future foreclosure action by the tax lien purchaser is to pay the full amount of \$9,757.40, and this amount increases each month with interest and fees.

The proposed legislation will reduce a homeowners' tax sale redemption payment amount and give homeowners more time to assemble funds to redeem their property after a tax sale. Accrued taxes added to the redemption amount will be limited to delinquent taxes only. Currently, homeowners must pay the tax sale amount and their entire new property tax bill after July 1, essentially doubling their redemption payoff amount. There is no reasonable basis for including the next fiscal year property taxes (that are non-delinquent) in the required redemption payment. The proposed legislation will allow the counties to retain their ability to collect taxes that become delinquent after a property is redeemed in their next tax sale.

For these reasons, SDAT strongly urges a favorable vote by the Committee for Senate Bill 0325.

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