



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

HB 1217

March 2, 2021

TO: Members of the Ways and Means Committee
FROM: Natasha Mehu, Director of Government Relations
RE: House Bill 1217 - Baltimore City - Tax Sales - Owner Occupied Residential Property

POSITION: OPPOSE

Chair Kaiser, Vice Chair Washington, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **opposes** House Bill (HB) 1217.

HB 1217 proposed to increase the threshold for tax sale eligibility from \$750 to \$2,500 of combined taxes on the property, including interest and penalties of owner-occupied residential property.

The policy would significantly affect revenues with the potential reduction in the real property tax collections rate for Baltimore City. The threat of tax sale represents one the only enforcement mechanism for the City to recoup delinquent payments. Even though many tax sale eligible owners would still pay their taxes before tax sale due to this threat, this policy would potentially encourage some of these individuals who own any amount less than \$2,500 to not to pay their dues if this enforcement mechanism is not in place. More importantly, this policy would incentivize owner-occupied tax payers who currently keep balances under \$750 to avoid tax sale to riskless increment their unpaid balance by more than 233%.

Using FY 2021 data, there are 3,855 individuals who received Final Bill and Legal Notices for the FY2021 tax sale because they owe more than \$750, but they would be removed from this list because they still would owe less than the proposed threshold of \$2,500. This policy would, at the minimum, represent a potential revenue reduction of \$5.9 million, but, as mentioned before, this value would materially grow as it would

*Annapolis – phone: 410.269.0207 • fax: 410.269.6785
Baltimore – phone: 410.396.3497 • fax: 410.396.5136
<https://mogr.baltimorecity.gov/>*

incentivize individuals to increase their unpaid balance and avoid tax sale as long as their keep their balances under the proposed threshold of \$2,500. There are currently more than 35,500 owner-occupied residents whose annual real property tax bills itself are less than \$2,500 and account for \$51.7 million, which in the extreme case scenario could become fully delinquent by removing the existing threshold provision.

Based on existing list of individuals receiving Final Bill and Legal notices \$5.9M if individuals on this list are removed from tax sale; however impact could reach up to \$52M per year. Raising the threshold can delay the tax sale for owner occupants, but can also have the impact of ensuring that if not resolved when the property does go to tax sale the cost of redemption is significantly higher and is far more less likely to be resolved favorably at that point. If passed this could lead to delayed negative impacts several years after implementation.

The BCA is supportive of comprehensive rather than piecemeal approaches to tax sale reforms to find a sustainable program that works for the City and its residents. Increasing the threshold as proposed by HB 1221 may just disrupt the cash flow the City urgently needs to continue funding its operations.

Accordingly, the BCA requests a **unfavorable** report on House Bill 1217.