



BRANDON M. SCOTT
MAYOR

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

HB 509

February 15, 2022

TO: Members of the House Ways and Means Committee

FROM: Natasha Mehu, Director, Office of Government Relations

RE: House Bill 509 - Baltimore City - Tax Sales - Nonprofit Entity-Owned Real Property

POSITION: OPPOSE

Chair Atterbeary, Vice Chair Washington, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **opposes** House Bill (HB) 509.

HB 509 would require the tax collector in Baltimore City to withhold from tax sale real property that is owned by a nonprofit entity that is exempt from property taxation and receives less than \$750,000 of annual donations; would prohibit Baltimore City from selling a property for unpaid charges for water and sewer service if the property is owned by a nonprofit entity that is exempt from property taxation and receives less than \$750,000 in annual donations.

Baltimore City is home to approximately 3,000 nonprofits that are exempt from property taxes. Approximately \$3.5 billion in charitable property value is exempt from Baltimore City's Assessable Base; the next leading county has \$1.7 billion in exempt property value. This inequity is the single most important factor that escalates Baltimore's property taxes and special considerations to formulas have to be made to accurately measure the City's wealth.

Except for a few notably large nonprofit institutions, a preponderance of Baltimore's 3,000 nonprofits receives less than \$750,000 in annual donations, and therefore the City would be unable to pursue the redemption of liens for water and sewer service through the tax sale process, under the provisions of this legislation. Basic overhead expenses, like water and sewer charges, are necessary expenses for businesses and nonprofits alike. This legislation provides no incentive for nonprofits to pay for water and sewer charges they incur. The water and wastewater utilities offer payment plans to all account holders to help get their accounts in good standing.

Furthermore, the City performed a self-imposed moratorium on sending owner-occupied property to tax sale solely due to unpaid water and sewer bills since Fiscal 2018. This resulted in

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

the removal of approximately 403 owner-occupied residential properties from its annual tax sale in Fiscal Year 2019, which represented a total value of nearly \$4.2 million in liens not sold and revenue lost. In addition, the Maryland General Assembly passed Senate Bill 96 during the 2019 legislative session. This law required the City to withhold from tax sale any residential property or certain tax-exempt religious property if the obligations on the property consist only of a lien for unpaid charges for water and sewer service effective May 2020. As a result, balances are only able to be collected in these instances where there is a transfer of real property.

These proposed exemptions have the potential to add to the amount of uncollected revenue for water and sewer services already provided to nonprofit customers who, unlike residential customers, have a fundraising model that is meant to provide for overhead costs as well as their mission-critical work. Arrearages that can only be collected should a nonprofit be sold sometime in the future puts further pressure on water and sewer rates for the rest of the ratepayers to support.

For these reasons we respectfully request an **unfavorable** report on HB 509.