

# **HB 509 non-profits tax sale.pdf**

Uploaded by: Dan Ellis

Position: FAV



# Neighborhood Housing Services of Baltimore, Inc.

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February 11, 2022

Delegate Vanessa E. Atterbeary, Chair  
Ways and Means Committee  
House Office Building Room 131  
Annapolis, Maryland 21401

**RE:** House Bill 0509

Honorable Chair Atterbeary and Members of the Committee:

I am the Executive Director of Neighborhood Housing Services of Baltimore (NHS), and a resident of Baltimore City. Our organization believes that economic and social justice are a right for all residents and communities. We promote this belief by removing barriers of access to homeownership, helping resident access resources to maintain their homes, and supporting communities historically impacted by systemic disinvestment.

Our organization works primarily in the space of homeownership creation, preservation and comprehensive community development. We have worked for years to bring change to the tax sale system in Baltimore. We were successful in passing legislation that would have owner occupied properties, who had delinquent water bills, removed from the tax sale list and prevent them from being added to future tax sales. This, however, did not address buildings owned by non-profits. HB 0509 would keep real property owned by non-profit entities, who are exempt from taxation, and have less than \$750,000, exclusive of government funds, from being placed on the tax sale list for water/sewer bills. Non-profits provide critical services to our communities and should not be subject to tax sale.

It is our philosophical belief that NO property should end up in tax sale because of water bills. We ask that the Committee issue a *favorable* report on HB 0509.

Sincerely,

A handwritten signature in black ink that reads "Daniel T. Ellis".

Daniel T. Ellis  
Executive Director



# **HB 509 0to W&M Support - liens on water bills.pdf**

Uploaded by: Henry Bogdan

Position: FAV

February 15, 2022

**Testimony on House Bill 509**  
**House Ways and Means Committee**  
**Baltimore City – Tax Sales – Nonprofit Entity–Owned Real Property**

**Position: Favorable**

Maryland Nonprofits is a statewide association of more than 1300 nonprofit organizations and institutions. We urge you to support House Bill 509 that would treat certain nonprofits already exempt from property taxes from being sold at tax sale in Baltimore City for liens due to unpaid water and sewer service bills.

Issues with accuracy of water and sewer bills in the City of Baltimore have led to numerous controversies, and have already resulted in statutory protection of other properties.

House Bill 509 would add protection for properties owned by nonprofits under a certain size that are already exempt from property taxes because of their use to further missions of public service. In doing this it would add these properties to residential property and houses of worship.

We believe that in recognition of the value and service these organizations provide to the community, and the fact the properties are already dedicated to public service and cannot be sold for private profit, it's entirely reasonable to provide the same protection that already exists for residential and those religious properties.

We urge you to give House Bill 509 a favorable report.

# Testimony HB-509\_Rosenberg.pdf

Uploaded by: Jennifer Sutton

Position: FAV

SAMUEL I. "SANDY" ROSENBERG  
*Legislative District 41*  
Baltimore City

Health and Government Operations  
Committee

*Chair*

Government Operations and  
Health Facilities Subcommittee

*House Chair*

Joint Committee on Administrative,  
Executive, and Legislative Review



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

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Testimony of Delegate Samuel I. Rosenberg  
Before the House Ways and Means Committee  
In support of House Bill 509

**Baltimore City – Tax Sales – Nonprofit Entity-Owned Real Property**

Madam Chair and Members of the Committee:

Like all Maryland counties, Baltimore City is mandated by the State to sell liens on past due tax debt to investors at an annual<sup>1</sup> auction. Past due water and sewer bills can also be converted to liens and sold at the auction. If these liens are purchased, they compensate the City's – and, in turn, the State's – coffers for the taxes or bills that were not paid by the property owner. The investors that purchase the liens charge fees and interest (12% APR in Baltimore City) on the lien amount until the property owner pays the investor back.

This system leaves property owners who were already unable to pay their taxes with an even larger burden. The City and State are paid back what the property owner owed in taxes, but the high interest rates and fees that third party investors charge do not benefit the City or the State.

In addition to charging interest and fees, the investors who purchase these liens can foreclose on and eventually take ownership of these properties. Since the interest and fees are often more lucrative and require less work than foreclosing on and reselling the property, investors usually purchase the debt that is most likely to be paid back.

Put another way, tax lien investors tend to purchase liens on owner-occupied properties, because people are willing to pay almost anything when they fear losing their home. The City is forced to hold the tax debt on the other – often vacant and abandoned – properties and provide services to these properties without tax revenue.

The current system is flawed in many ways. Baltimore's poorest and most vulnerable populations face off against highly sophisticated attorneys and investors in battles over their homes and life savings. Many pay fees and interest that far exceed what they owed in taxes to

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<sup>1</sup> Wicomico County holds an auction every other year.

third party investors. Some lose homes to foreclosure over small tax debts, even though they have paid off their mortgage. Neither Baltimore City nor the State recoup any of this extra money, but the City is left to hold onto the “bad debt” that is unlikely to be repaid. The only beneficiaries of the Tax Sale system are those that invest in tax debt.

In the past, the General Assembly has put guardrails on this predatory process, some specifically geared towards Baltimore City. One such guardrail precludes the City from selling liens on tax debt on owner-occupied property if the debt is less than \$750.

Another guardrail under current law mandates that Baltimore City withhold property owned by certain nonprofit organizations from the tax sale when they owe water and sewer charges.

Currently, property owned by religious nonprofits that are used as a place of worship, convent, or parsonage as defined under §7-204(1) or (2) are withheld from the tax sale if they owe back water and sewer charges. HB 509 seeks to expand which nonprofits are exempted from auction over unpaid sewer and water charges. The bill would exempt property owned by nonprofits collecting less than \$750,000 in annual donations that have a charitable or educational purpose as defined in §7-202 from auction over water and sewer charges.

This tweak to the language is just that, a tweak. This is not a major overhaul of the tax sale process, but this change will protect charitable and educational nonprofits from paying exorbitant fees to investors to keep the property that they need to fulfill their missions. Miscommunications within organizations or between nonprofits and the City can lead to water and sewer bills not being paid, or balances being left open. This should not throw the important work of these organizations into disarray.

HB 509 is prompted by the near sale of the Forest Park Senior Center because of an unpaid debt on its water bill. Other non-profits should be spared the trauma that the Senior Center’s leaders and members faced.

These nonprofits need to leverage what resources and donations they have towards the important work that they do for the community. HB 509 does not forgive the debt that these organizations owe to the City, but would prevent their property from being foreclosed on, and remove the threat of this potential foreclosure.

I strongly urge your favorable report on HB 509.

February 15, 2022

**HB0509-WM-OPP.pdf**

Uploaded by: Natasha Mehu

Position: UNF





**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

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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.