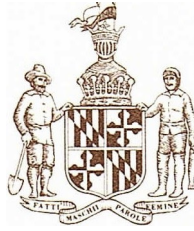


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Health and Government  
Operations Committee

*Subcommittees*  
Government Operations and  
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Public Health and Minority  
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**THE MARYLAND HOUSE OF DELEGATES**  
**ANNAPOLIS, MARYLAND 21401**

February 7, 2023

**SUPPORT**  
**HB205 Real Property- Transfer to Heir- Exemption from Prepayment**

Dear Chairwoman, Atterbeary, Vice-Chair Wilkins, and Committee Members,

**HB205 would allow for deferral** of payment of inherited, residential real property until after ownership transference. In situations where the property is the primary assets of the estate, the heir lacks financing ability, or cash fluidity to pay the taxes, or the money from the estate that could go towards the taxes is tied up in other proceedings, this gives the heir the ability to leverage the property towards paying the debt. Because the deferment of payment is not an exemption from payment, there is no change in the debt position of state and local jurisdictions than had the decedent not died. As the Fiscal Analysis substantiates, State and local “property taxes will not be affected by the proposed exemption.”

To be clear, the deferral of payment or exemption from **prepayment** under **HB 205** applies only to *inherited* real property and not to arms-length transfers or sales. For sales, taxes and liens would have to be satisfied before the transference of title, just as is the case now. And in cases where the decedent is in arrears and there are outstanding tax liens over years, the transference of the title to the heir(s) does not reset the clock for when the property can go to tax sale.

Even for those with means, finding cash to make a lump sum tax payment can be daunting. That is why our tax bills are split into semiannual installments, and why most homeowners put a little bit towards taxes away in an escrow account with each month’s mortgage payment. Such large lump-sum payments for families and heirs of limited means may be impossible.

Ownership allows the home to be leveraged (through rent, lease, or sale) to pay tax and other liens, and encourages an heir’s interest in investing in the upkeep, repairs to, and maintenance of the property. The prepayment exemption decreases the risk of home abandonment and the number of tax sales. This in turn helps retain neighborhood property values, keep members of multi-generational households from losing the family home, and support generational wealth accumulation, particularly for those who have long been outside of that system.

This legislative proposal is a work product of the Life and Health Planning Committee of the Attorney General’s 2020 COVID-19 Access to Justice Taskforce, a partnership between then Attorney General Brian Frosh’s office and the Maryland Access to Justice Commission tasked with “developing strategies and solutions to address the significant civil legal challenges facing Marylanders in the wake of COVID-19.”

A home is often the most valuable part of an estate. Currently, if the property is the only liquid asset, and there are insufficient funds to pay the taxes, ownership cannot transfer. Under **HB205**, however, as the homeowner, the heir may be eligible for assistance in paying the debt, such as through the Maryland Homeowner Assistance Fund. Such programs help them pay down housing and mortgage related debt while they occupy and maintain the home. If the heirs cannot afford to hold onto the property, they can sell it, generally at a higher price than being sold in a tax sale. Any outstanding liens are satisfied as a part of the sale. And if, alternatively, the transferred property eventually goes to tax sale, the tax lien is also satisfied. State and jurisdictional interest are protected in each case.

Historical over-assessment of Black-owned homes, and other insidious practices, have resulted in Black families

paying 13% more in property taxes than white. As Black families also earn half as much as their white counterparts, a greater percent of their assets have been, and are, paid in property taxes. That has put Black families at greater risk of losing their homes. I am confident that similar inequities exist for other traditionally marginalized people. The multi-factorial, disproportionate economic impact of the pandemic, from which we continue we are still recovering, has exacerbated these relative vulnerabilities. Addressing the insidious impact of property tax policy and its inequitable effect on inheritance and the opportunities for creation of generational wealth positively impacts homeownership across the range of Maryland residents and has a relative greater positive impact on Black homeownership.

Two years ago, I introduced, and we passed another of the taskforce bills, allowing qualifying heirs to apply eligible Homeowners and Homestead Tax credits to the inherited property. That was a good thing, but it was not enough.

An amendment is offered for consideration, permitting local jurisdictions to require an heir-as-owner enter into a payment schedule and/or contact the Office of the State Tax Sale Ombudsman to discuss the situation, assistance resources, and whether they qualify for the Homeowner Protection Program or other assistance.

**HB205** offers another tool for increasing homeownership by targeting a significant cause of resident displacement and homelessness, supporting neighborhoods, helping families build and retain transgenerational wealth, and narrowing the racial wealth disparity gap. I urge a favorable report.

A handwritten signature in black ink, appearing to be "D. L. ...", with a long horizontal line extending to the left from the top of the signature.