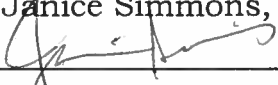

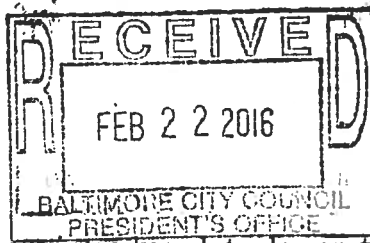


<b>FROM</b>	NAME & TITLE	Janice Simmons, Bureau Chief 	CITY of BALTIMORE	
	AGENCY NAME & ADDRESS	Dept. of Finance/Bureau of Revenue Collections	<b>M E M O</b>	
	SUBJECT	City Council Bill #16-0614: Tax Sales – Interest Rate on Redemption		

TO: The Honorable President and Members of the City Council  
Room 400, City Hall

DATE: February 19, 2016

Attn: Ms. Natawna Austin



City Council Bill 16-0614 has been introduced to lower the interest rate paid to tax sale certificate purchasers by redeeming parties from the current 18% to 12% for owner-occupied residential properties. State law requires a property owner or interested party, such as a mortgage holder, who wants to redeem a property to pay interest to the highest bidder who purchased the liens at the annual tax sale certificate auction. MD. CODE, TAX - PROPERTY ART., § 14-828 (b). State law allows the Mayor and City Council of Baltimore to set the rate of redemption interest. § 14-820 (b) (3).

The proposed bill does not have a direct fiscal impact on the City but may help homeowners. Redemption interest is paid by the owner or interested party, not the City. The administration has reviewed the tax sale process and, with the cooperation and assistance of various stakeholders, has devised a comprehensive plan for tax sale reform. One of the plan's goals is to reduce the financial burdens of tax sale for owners who live in city properties, thereby encouraging home-ownership. A reduced interest rate for owner-occupied properties will be an important step toward accomplishing that goal.

The bill applies only to properties "as of January 1 immediately preceding the tax sale (that were) .. designated by the State Department of Assessments and Taxation ("SDAT") as the owner's principal residence in accordance with the criteria governing the State Homestead Tax Credit" found in § 9-105. January 1 is the "date of finality" used by State law to determine numerous tax-related events. § 1-101 (i). The date is used to determine exemptions for property tax (§ 7-102), the value of real property (§ 8-102), and the ownership of property (§ 10-401). -

Because SDAT can change the ownership designation of property after January 1 and even retroactively, it is vital for owners and bidders to be able to rely on the property's status and to know the status well in advance of the City's May tax sale. The bill irrevocably ties ownership status to January 1. If SDAT changes the status after that date, then it would have no effect on the redemption rate.

To comply with the bill, we anticipate publishing a list on the City's web site in early February to coincide with our mailing of the Final Bills and Legal Notices to the owners of properties then eligible for the May tax sale. For each eligible property, the list would provide the SDAT ownership status designation as of January 1. The list would remain posted and available to the public as long as any property from that tax sale was not redeemed or transferred. It would not be altered even if SDAT subsequently changed a property's status.

However, the January 1 before the City's May 2016 tax sale has already passed. It is difficult from SDAT's records for us to reconstruct the ownership status for the properties eligible for tax sale and to notify the public of the status at this time. Therefore, we recommend that the bill be amended to state that the ordinance will take effect after May 2016 so that the public is clear that the redemption rate for all properties in the 2016 tax sale still is 18%.

Based on the above findings and with the recommended amendment, the Department of Finance supports this legislation as part of the administration's plan for tax sale reform.

cc: Henry Raymond  
Angela Gibson

*Fav w/ Amend*