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**BALTIMORE CITY COUNCIL
WAYS AND MEANS
COMMITTEE**

Mission Statement

The Committee on Ways and Means (WM) is responsible for ensuring taxpayer dollars are expended prudently and equitably. WM will exercise regular oversight of the City's budget, expenditures, loans, and other financial matters. The committee's areas of jurisdiction include: budget & appropriations, taxation, financial services, consumer protection, audits, and the Comptroller's Office.

**The Honorable Eric T. Costello
Chairman**

PUBLIC HEARING

**TUESDAY, SEPTEMBER 28, 2021
11:00 AM**

VIRTUAL WEBEX MEETING

Council Bill #21-0099

Study and Report - Tax Sale Accounting

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James Torrence
Staff: Richard Krummerich



BILL SYNOPSIS

Committee: Ways and Means

Bill 21-0099

Study and Report - Tax Sale Accounting

Sponsor: Councilmember Ramos, et al

Introduced: June 21, 2021

Purpose:

For the purpose requiring the Department of Finance and the Office of the City Administrator to submit a report outlining how they will address problems with the accounting system preventing residents from paying correct property taxes and problems with the tax lien sale system so that these problems are fixed before the next tax sale; and providing for a special effective date.

Effective: On the date it is enacted.

Agency Reports

Law Department	Favorable/Comments
City Administrator	<i>None as of this writing</i>
Department of Finance	Favorable/Comments
Baltimore City Information Technology Office (BCIT)	Favorable/Defers to Finance

Analysis

Current Law

Baltimore City Code – Article 28, Taxes – outlines the rules, regulations, and mandates for taxes imposed by the City of Baltimore.

Background

Approximately four (4) months after this Ordinance is enacted the Department of Finance and the Office of the City Administrator is to submit to the City Council a report that outlines how they will address problems with the accounting system that prevents residents from paying correct property taxes; to include how to address problems associated with the tax lien sale system.

The goal of the report is to depict how to fix these problems before the next tax sale. The annual tax sale is normally held during the third week in May of each year. *See attached timeline for tax sale.*

Additional Information

Fiscal Note: None

Information Source(s): Baltimore City Code, Council Bill 21-0099, and all agency reports received as of this writing.

Analysis by: Marguerite M. Currin
Analysis Date: September 23, 2021

Direct Inquiries to: (443) 984-3485

Tax Sale Process – Baltimore City

The annual tax sale process begins in the first week of February when the City mails a Final Bill and Legal Notice to the property owner of record at the address on file in the City's real property database. The notice lists all of the delinquent City taxes and charges due through the last day of February. If the amounts that are due remain unpaid, then additional penalty or interest charges may continue to accrue for each unpaid item.

Tax Sale Timetable

- **March:** The complete list of properties still eligible for tax sale is published twice in two newspapers of general circulation during the month of March.
- **Early April:** The City mails a second tax sale notice to the same property address during the first week of April. The amounts included in the second notice are due and valid until the last day of April, the last day to pay all of the outstanding taxes and charges owed the City to avoid tax sale.
- **Mid-May:** The annual tax sale is normally held during the third week in May.
- **Late May:** Redemption can begin. Redemption involves the owner, or an interested party such as a mortgage holder, reimbursing the bidder an amount of interest and other fees and costs. If a property is not redeemed by July 1, then the new fiscal year's real property taxes also must be paid to redeem the property.

Redemption Process

Once a successful bidder has paid to the City all of the taxes and charges listed in the tax sale for a property, the property owner may only redeem their property by reimbursing the bidder. The sooner a property is redeemed, the lower the additional charges imposed by the bidder will be.

- Four months after the tax sale, other fees and costs may be added to the redemption amount.
- Six months after the sale, the successful bidder may file a lawsuit to foreclose the right of redemption on non-owner-occupied residential properties.
- More fees and costs may be added seven months after the tax sale on owner occupied properties.

The successful bidder may file a lawsuit to foreclose the right of redemption nine months after the tax sale on owner occupied properties. Fees and most costs are defined by State law and are owed to bidder, not to the City. The City has no power to waive or to reduce the fees and costs set by State law.

It is important to note that the earlier a property is redeemed, the smaller the amount to redeem will be. Delay causes the costs to increase significantly.

Council Bill 21-0099

AGENCY REPORTS

SEE ATTACHED

CITY OF BALTIMORE

BRANDON M. SCOTT
Mayor



DEPARTMENT OF LAW
JAMES L. SHEA, CITY SOLICITOR
100 N. HOLLIDAY STREET
SUITE 101, CITY HALL
BALTIMORE, MD 21202

August 23, 2021

The Honorable President and Members
of the Baltimore City Council
Attn: Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Re: City Council Bill 21-0099 – Study and Report – Tax Sale Accounting

Dear President and City Council Members:

The Law Department has reviewed City Council Bill 21-0099 for form and legal sufficiency. The bill requires the Baltimore City Department of Finance and the City Administrator to submit a report to the Mayor and City Council that “a report outlining how they will address problems with the accounting system preventing residents from paying correct property taxes and problems with the tax lien sale system.” The bill also details topics to be addressed in the report.

There are no legal impediments to the passage of this bill.

Very truly yours,

Hilary Ruley
Chief Solicitor

cc: James L. Shea, City Solicitor
Nina Themelis, Mayor’s Office of Government Relations
Elena DiPietro, Chief Solicitor, General Counsel Division
Victor Tervalo, Chief Solicitor
Ashlea Brown, Assistant Solicitor

FROM	NAME & TITLE	Robert Cename. Budget Director <i>Robert Cename</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 21-0099 – Study and Report - Tax Sale Accounting		

DATE:

TO

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

August 16, 2021

The Department of Finance is herein reporting on City Council Bill 21-0099, Study and Report - Tax Sale Accounting, the purpose of which is to report on tax sale issues resulting from the City's accounting system.

The Department of Finance is committed to develop strategies to resolve challenges derived from the limitations of our existing billing, payment, and accounting systems. Consequently, the Department has identified a course of actions intended to address many of the concerns recognized by this legislation. Some of these actions can be achieved within existing resources, but other will require significant capital investments.

In the short-term, the Department of Finance in partnership with the Baltimore City Information Technology (BCIT), will implement corrections, adjustments and necessary upgrades to the mainframe, accounting, and tax sale systems. These are longstanding platforms that do not interact with each other, creating many operational and customer services deficiencies. In the long-term, the ultimate objective is the permanent replacement of the mainframe system along with upgrading capabilities of the tax sale and accounting system.

The Department of Finance and BCIT will explore opportunities to improve overall customer service to all City residents. The City will work towards the consolidation of systems to provide options where taxpayers are able to see all type of bills and liens in one place. The City will explore the use of technology to create Final Bill and Legal Notices (FBLN) with a scan line in order to facilitate the payments of individual and multiple bills under the same platform, minimizing errors and addressing overpayment, and refund issues more timely and efficiently. These technology upgrades will take time, but the planning and scoping have already begun as BCIT is expected to start implementation of a new Payment system December 2021 and will begin the replacement of tax/property systems by the third quarter of 2022 once Phase II of Workday Enterprise Resource Management (ERP) implementation is completed and stabilized. BCIT is gearing up now for these major technology platform upgrades including planning for technology, database, and system documentation assessments prior to the start of the tax/property systems upgrades in the third quarter of 2022. In the interim, BCIT will prioritize and fix current system issues as they arise.

The Department of Finance, more specifically the Bureau of Revenue Collections (BRC), is developing strategies for increasing the promotion of the Homeowners' Tax Credit (HTC) and other programs intended to assist City residents. This initiative will include the mailing of inserts with HTC and other assistance program information to tax payers, especially senior and low-income residents, three times a year: October, January and along with the Mayor's Tax Message in July. These inserts will include key information such as the eligibility criteria and details of the application process, but more importantly, they will serve as a reminder to tax payers about the availability of these programs and credits. Additionally, BRC will increase the display of HTC and other programs' information on its monitors located

in the hall of the Municipal Building and will add signs with their information in high visibility areas of the building. In addition to the HTC, the following is a list of Property tax resources available for Baltimore City residents that will be promoted:

- Supplemental Homeowner's Tax Credit
- Homestead Tax Credit
- Targeted Homeowner's Tax Credit
- Future Tax Saving Program
- Tax Sale Exemption Program
- Veterans Property Tax Exemption
- Partial Tax exemption for Blind Persons
- Exemption for Home Improvements for Health or Medical Conditions
- Department of Housing and Community Development (DHCD's) My Home, My Deed, My Legacy Program
- Department of Public Works' Discount Program
- Department of Public Works' BH2O Program
- DHCD's LIGHT Program

The City is also committed to proactively and progressively correct issues with properties misclassified resulting from the lack of systems that efficiently enable communications within City agencies and with the State. It is important to recognize that in recent years the City has discovered, corrected, and significantly reduced the errors in City records pertaining to homeowner indicators as the result of the implementation of the following two processes:



- Delivery of electronic transmittal of the property's homeowner indicator directly from the City Transfer and Recordation Office at BRC to the State Department of Assessments and Taxation (SDAT.)
- Enforcement of homeowner benefits such as the THTC to property owners who have been approved for the Homestead tax credit (ATC.) The City sent communication to all properties indicating only those owners with filed ATC application with SDAT will be recognized with owner-occupied indicator. This policy prompted many property owners to apply for the Homestead tax credit and update their homeowner indicator.

The Department of Finance, the Law Department, and the DHCD will continue working together to help customers to access external resources to update deeds. Currently, affidavit is not an option as SDAT approves Homeowner's and Homestead tax credits eligibility based on homeowner indicator.

Finally, the Department of Finance will carefully investigate and provide a plan to address issues with taxpayers not receiving City's official communications. However, the Department has performed a review of its property tax database and the addresses of properties receiving FLBN and it has been determined that there is no significant evidence of properties experiencing issues such as erroneous zip codes. Therefore, the Department considers that at this time, no plan of action is needed to address this particular concern. The Department will continue resolving identified issues on a case by case basis.

The Department of Finance will attend the hearing for this bill to respond to any fiscal inquiries and to address the provisions outlined in this bill.

cc: Henry Raymond
Natasha Mehu
Nina Themelis

I N F O R M	NAME & TITLE	Todd Carter Chief Information Officer 	CITY OF	
	AGENCY NAME & ADDRESS	Baltimore City Office of Information & Technology (BCIT) 401 E Fayette Street, 3 rd floor	BALTIMORE	
	SUBJECT	City Council Bill 21-0099 – Study and Report – Tax Sale Accounting	MEMO	

TO: The Honorable President and
Members of the City Council
Room 400 City Hall
c/o Natawna Austin, Executive Secretary

July 16, 2021

The Baltimore City Office of Information & Technology (BCIT) has reviewed City Council Bill 21-0099 – Study and Report – Tax Sale Accounting. The purpose of this bill is to require the Department of Finance and the Office of the City Administrator to submit a report outlining how they will address problems with the accounting system preventing residents from paying correct property taxes and problems with the tax lien sale system so that these problems are fixed before the next tax sale; and providing for a special effective date.

Upon reviewing 21-0099, BCIT collaborated with Finance and contributed to their bill report outlining work and investments BCIT will make to implement a new Payment system, re-architect tax/property systems, and fix immediate problems within the existing systems. To that end, implementation of the new Payment System is scheduled to begin December 2021, and the Tax/Property System work is set to begin Q3 2022 once phase II of Workday ERP implementation is completed and stabilized. BCIT is gearing up now in anticipation of this work. As a result of above-mentioned collaboration and planning with Finance, BCIT will defer to the Department of Finance's 21-0099 City Council Bill report.

If you have any questions, please contact Leyla Layman, Chief of Staff, at (443) 202-4511.

Cc: Ms. Natasha Mehu, *Mayor's Office of Government Relations*
Ms. Nina Themelis, *Mayor's Office of Government Relations*

**CITY OF BALTIMORE
COUNCIL BILL 21-0099
(First Reader)**

Introduced by: Councilmembers Ramos, Bullock, Cohen, Dorsey

Introduced and read first time: June 21, 2021

Assigned to: Ways and Means Committee

Referred to the following agencies: City Solicitor, City Administrator, Department of Finance

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Study and Report – Tax Sale Accounting**

3 FOR the purpose of requiring the Department of Finance and the Office of the City Administrator
4 to submit a report outlining how they will address problems with the accounting system
5 preventing residents from paying correct property taxes and problems with the tax lien sale
6 system so that these problems are fixed before the next tax sale; and providing for a special
7 effective date.

8 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That:**

9 (a) No later than 120 days after the enactment of this Ordinance, the Department of Finance
10 and the Office of the City Administrator shall submit a report outlining how they will
11 address problems with the accounting system preventing residents from paying correct
12 property taxes and problems with the tax lien sale system.

13 (b) The report shall include:

14 (i) plans for a new system to ensure residents' payments are recorded properly by the
15 accounting system so that residents do not receive a Final Bill and Legal Notice
16 when they have paid their property taxes;

17 (ii) plans regarding how to correct all zip codes in the system so that residents who
18 are supposed to receive tax bills or Final Bill and Legal Notice do receive them;

19 (iii) plans regarding how to correct balance discrepancies in the system;

20 (iv) plans regarding "tangled titles", in which a property remains in a deceased
21 relative's name while an heir lives on the property, and which can prevent
22 homeowners from accessing programs meant to help them with home repair,
23 property tax discounts, and more;

24 (v) plans for marketing the Homeowner's Property Tax Credit as a valuable resource
25 for our older adult and low-income homeowners, including partnerships,
26 marketing and more;

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

Council Bill 21-0099

- 1 (vi) plans regarding the implementation of a user portal that enables property tax
2 payers to see the amount they owe and the breakdown of that balance;
- 3 (vii) plans regarding the correction and future prevention of situations in which a
4 property is misclassified in SDAT because the Baltimore City Department of
5 Land Records did not inform SDAT that the property was owner-occupied;
- 6 (viii) plans for the reclassification of misclassified property in City records;
- 7 (ix) plans regarding the implementation of property tax payment plans for delinquent
8 homeowners, as required by the State Homeowner Protection Program;
- 9 (x) plans for marketing the Future Tax Savings Plan for payment of taxes;
- 10 (xi) plans regarding how to fix accessibility issues with Final Bill and Legal Notice;
- 11 (xii) plans regarding the correction and future prevention of situations in which a
12 resident has paid taxes but due to accounting errors the resident's property was
13 incorrectly put up for tax sale; and
- 14 (xiii) plans addressing how to fix other obstacles that prevent homeowners from
15 paying correct property taxes, such as:
 - 16 (A) inflated property tax assessments;
 - 17 (B) difficulty navigating the property tax assessment appeal process; and
 - 18 (C) the assignment of property tax debts in excess of assessed property values.

19 **SECTION 2. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect on the date it is
20 enacted.