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	SUBJECT	Study and Report-Tax Sale Accounting		

DATE:

TO

Ways and Means Committee
 Baltimore City Council
 100 N. Holliday Street, Room 400
 Baltimore, MD 21202
 City Council President Nick J. Mosby
 Chairman Eric Costello
 City Councilwoman Odette Ramos, Sponsor

April 5, 2022

The Department of Finance is submitting the enclosed report as enacted by [City Council Bill 21-0099](#) on December 6, 2021. This legislation requires that Finance and the Office of the City Administrator submit a report outlining how specific problems with the accounting system and the tax lien sale system will be addressed. The report was completed by the Department of Finance, with assistance from the Baltimore City Office of Information Technology.

Please contact Mara James (mara.james@baltimorecity.gov), Assistant Budget Director for Policy and Administration, with any questions about the report.

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Study and Report—Tax Sale Accounting

Overview

The Department of Finance is committed to developing strategies to resolve challenges derived from the limitations of our existing billing, payment, and accounting systems. Addressing these issues requires extensive reorganizing of current systems in partnership with the Baltimore City Office of Information Technology (BCIT). These are longstanding platforms that do not interact with each other, creating many operational and customer services deficiencies.

As participants in the Mayor’s Tax Sale Workgroup, Finance and BCIT are actively working to improve the tax sale system and process. 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. However, Finance and BCIT have identified short-term actions to improve the taxpayers’ experience.

This report, as required by [City Council Bill 21-0099](#), provides an overview of the City’s current systems and procedures, communications and outreach, and coordination with the State Department of Assessments and Taxation (SDAT), as well as the short- and long-term solutions that have been implemented or are being explored. 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 in April/May 2022 and will begin the replacement of property tax systems by the third quarter of 2022, once Phase II of Workday Enterprise Resource Management (ERP) implementation is completed and stabilized.

Systems and Procedures

The City’s billing systems, which include bills from Real Property, Special Benefits Districts, Alley and Footway, and Environmental Citations, generate bills based on receivables due to the City, which are mailed to residents. The data in these systems is managed by BCIT, but used by various agencies across the City. Most of these bills are one-time events except for Real Property bills for homeowners, which are broken down into two semi-annual bills.

Each year in October, the City generates and mails a notification of Real Property and Special Benefit open bills by property location to the owners. Then, in January, BCIT and Finance’s Bureau of Revenue Collections (BRC) start the tax sale process by identifying and recording all open lienable receivables by property location. The inclusion or exclusion of a receivable is governed by a set of rules established by statute and business process. Based on this list, in February, Final Bill and Legal Notices (FBLN) and warning letters are produced and mailed for those eligible properties. In May the tax sale occurs for those properties still eligible.

Concerns and Plans to Address

Accounting Errors

Due to the functionality of current systems, the real property tax bills are not consolidated, so each year is a separate record. As a result of this, taxpayers sometimes pay the wrong tax year in error, resulting in properties getting put on the tax sale list when payments have been made. When BRC is made aware of these cases, the properties are removed from the tax sale list and any tax sales are voided. Beyond these direct actions, BCIT and BRC are working on short- and long-term solutions.

Enhancements to Mainframe

Each year, the tax sale data programs are modified to reflect any statute changes or situational changes that will affect the property's eligibility for tax sale. In recent years, this included the elimination of water meter receivables for owner occupied properties and the inclusion/exclusion of environmental citations due to their review status.

Payment System

One of the shortcomings of the current mainframe systems is that there is no consolidated view of the receivables due to the City for a property. Finance received approval by the Board of Estimates on March 16, 2022 for a contract with Paymentus Corporation to provide an electronic billing and payment system. Once Paymentus is fully implemented, all the open receivables for a property will be viewable and payable in one place. Another benefit of this solution is that multiple payments can be made online, via mobile, or in person at over 350 locations throughout the city, such as CVS, Walgreens, Rite Aid, Food Lion, Walmart, and many more.

Real Property System

In the long-term, BCIT is exploring what systems are available to replace the mainframe real property systems and will begin working with a consultant to assess the various these systems and associated data. This work will be coordinated with city agencies and taxpayers to ensure a coordinated and effective business process is achieved.

Payment Plans

Currently, the City does not offer payment plans due to limitations of our current billing and payment systems, as well as limited legal authority to offer payment plans for accounts in arrears. However, the City is exploring options for implementing payment plans in accordance with [City Council Bill 21-0058](#), which requires that the City allow residents to pay the local portion of real property taxes in monthly installments beginning July 1, 2023.

One option currently available to residents is the Future Tax Savings Program, which is a lay-a-way plan for real property owners who want to make payments on their future real property bills. Homeowners can participate in the program by mailing a check or money order, made payable to the ‘Director of Finance – Baltimore City’ to the Abel Wolman Municipal Building, 200 Holliday Street, Baltimore, MD. 21202. On the memo line of the financial instrument, ‘Future Tax Savings’ and the property address should be indicated. Pre-payments by credit or debit cards can only be made in person at the Abel Wolman Municipal Building and not online. The functionality for making Future Tax Savings will be available in Paymentus.

Communication and Outreach

BRC issues various mailings throughout the fiscal year for residents, including annual property tax bills, notice of delinquent bills, and FBLNs. The annual property tax bill includes the Mayor’s Tax Message, which provides detailed information about the City’s property taxes, as well as specific tax credit programs residents might be eligible for to receive tax relief. BRC customer service representatives also engage with taxpayers through the call center and central email system, providing direct support on billing issues and referring to relevant agencies, such as SDAT or City agencies, and community organizations.

Concerns and Plans to Address

Mailings and receipt of notices

In the past few years, there have been delays in mail delivery due to operational issues with the United States Postal Service. This has shown the importance of finding alternative means of reaching delinquent property owners to ensure that proper notice is provided to allow payment and resolution of any issues. BRC and BCIT are expecting the new Paymentus system will provide alternative means of communication with taxpayers.

Finance has performed a review of its property tax database and the addresses of properties receiving FBLN and determined that there is no significant evidence of properties experiencing issues such as erroneous zip codes. Therefore, at this time, no plan of action is needed to address this particular concern, but Finance will continue resolving identified issues on a case-by-case basis.

“Tangled titles”

For many residents, their name may not be listed on the deed of the property, which can impact their ability to participate in specific programs. When these cases are identified, BRC refers residents to community organizations, such as the Pro Bono Resource Center of Maryland and Maryland Volunteer Lawyers Service, since the City does not have the capacity to assist residents with this process.

Outreach about programs

BRC is working to improve communications about State and City programs that can provide tax relief for residents, as well as assistance with tax sale.

- Information about the Homeowners Tax Credit was included in the real property tax bill in July 2021 and in water bills in September 2021.
- Information about City and State assistance with tax sale was included in the FBLN mailing in February and will be included in another mailing scheduled for April 6, 2022.

When taxpayers reach out to BRC directly, they are also referred to the City’s [Tax Sale Ombudsman](#) for assistance, as well as other community resources. BRC has established a specific [webpage](#) on the Department of Finance website about tax sale, which provides detailed information on the tax sale process and community resources. In addition, BRC is developing materials to post in the Abel Wolman Municipal Building, including displays on monitors and signage in high visibility areas.

Coordination with SDAT

BRC is dependent on data provided by SDAT when issuing real property tax bills and determining properties eligible for tax sale, specifically if properties are classified as owner occupied. BRC refers homeowners to SDAT and lets the homeowner know what is required to ensure that their property is properly classified. As needed, we will contact SDAT on behalf of the homeowner if it appears the homeowner is being bounced around or needs more assistance.

Concerns and Plans to Address

Misclassification of properties

In the last few years, the City of Baltimore discovered that the homeowner indicator was incorrect for some properties, which resulted in errors. Since then, the City has implemented the below two processes that significantly reduced the number of errors.

- The City implemented enhancements to the electronic transmittal of the property's homeowner indicator from the City Transfer and Recordation Office to SDAT.
- Last year, the City of Baltimore sent a communication to all City property owners informing them that starting with July 1st of 2021, only property owners who have been approved for the Homestead tax credit will be eligible for the Targeted Homeowner's Tax Credit. This communication prompted many property owners to apply for the Homestead Tax Credit, which resulted in the homeowner indicator being updated.

As a result of these changes, BRC has not seen this as an issue as much this year. However, there are always homeowners who claim the property is their principal residence, but it is coded differently. BRC refers homeowners to SDAT since property assessment is a SDAT function.

Assessment values and increases

The legislation raises concerns about inflated property tax assessments, navigating the property tax assessment appeal process, and the assignment of property tax debts in excess of assessed property values. Property tax assessments are managed by SDAT and the City does not play a role in this process. However, when a taxpayer reaches out with questions or concerns about assessments, BRC staff provide direct contact information to the appropriate staff or make direct contact with SDAT to ensure that the issue is properly addressed. The City would be happy to partner with SDAT on any reforms to their processes.

Conclusion

The Department of Finance and BCIT are committed to improving bill payment experiences, as well as educating the public on the various payment methods and programs available to homeowners. BCIT, along with BRC, is establishing a new payment processing system, which will continue through the end of the calendar year as the City phases out the current vendor. This process will allow additional payment methods and a payment plan option with real time account data for taxpayers. In addition, BRC provides information on specific programs via various bill inserts and the Department of Finance website.