

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 765

(Senator Zucker, *et al.*)

Budget and Taxation

Ways and Means

Property Taxes - Tax Sales, Legacy Protection Program, and Tax Credits

This bill alters eligibility for certain services and programs offered by the State Tax Sale Ombudsman to include the estate or personal representative of a deceased homeowner, or an heir or a legatee of a deceased homeowner. The bill also establishes the Legacy Protection Program within the State Department of Assessments and Taxation (SDAT), funded by an annual State appropriation of \$250,000, and \$500,000 paid annually by the counties. In addition, the bill requires that an heir who is not shown as the record title holder of a dwelling be granted the homeowners’ and homestead property tax credits for up to three taxable years if the heir meets eligibility and other requirements for the credit. Finally, SDAT may accept an application for the homeowners’ property tax credit from an heir for certain prior taxable years in which the heir was eligible for the credit. **The bill takes effect July 1, 2027, with the exception of the tax credit provisions, which take effect June 1, 2026, and apply to all taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$250,000 annually and special fund revenues and expenditures increase by \$750,000 annually beginning in FY 2028, for the Legacy Protection Program. While not reflected in the table below, general fund expenditures may also increase, beginning in FY 2027, and Annuity Bond Fund (ABF) revenues may decrease, due to the bill’s tax credit provisions, as discussed below. **This bill establishes a mandated appropriation beginning in FY 2028.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0	\$0.75	\$0.75	\$0.75	\$0.75
GF Expenditure	\$0	\$0.25	\$0.25	\$0.25	\$0.25
SF Expenditure	\$0	\$0.75	\$0.75	\$0.75	\$0.75
Net Effect	\$0	(\$0.25)	(\$0.25)	(\$0.25)	(\$0.25)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: County expenditures increase, collectively, by \$500,000 annually beginning in FY 2028. Local property tax revenues may decrease, beginning in FY 2027, as discussed below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary:

State Tax Sale Ombudsman Assistance

Under provisions establishing the State Tax Sale Ombudsman in SDAT, and specified assistance provided by the ombudsman to homeowners with delinquent taxes, the bill specifies that “homeowner” includes (1) the estate of a deceased homeowner; (2) the personal representative of a deceased homeowner; or (3) an individual who is an heir or legatee of a deceased homeowner who is entitled to inherit the deceased homeowner’s dwelling.

Legacy Protection Program

The bill establishes a Legacy Protection Program administered by the State Tax Sale Ombudsman. The purpose of the program is to (1) allow heirs who inherit a dwelling to become the record title holder of the dwelling; (2) prevent tax sales of dwellings inherited by heirs; and (3) allow heirs to remain in their homes.

When SDAT receives information that a homeowner who was granted the homeowners’ or homestead property tax credit has died, the State Tax Sale Ombudsman must mail a notice to the homeowner’s former dwelling, notifying any heir who may be residing in the dwelling:

- that the heir may be eligible for the homeowners’ or homestead property tax credits;
- how to apply for the tax credits by completing an application and filing an affidavit of heirship;
- why it is important for the heir to become the record title holder of the dwelling;
- that the heir should contact the ombudsman for information about how to become the record title holder; and
- that free legal services and grants may be available to assist the heir in becoming the record title holder.

The bill requires that the State Tax Sale Ombudsman, in collaboration with the registers of wills, (1) develop a brief, easy-to-understand, step-by-step guide to probating an estate and becoming the record title holder of a dwelling and (2) post the guide on the ombudsman's website and provide it to heirs who contact the ombudsman.

The ombudsman must provide grants to qualified legal services organizations for the purpose of providing free legal assistance to heirs to navigate the probate process and become the record title holder of their dwellings. The ombudsman must determine:

- the legal services organizations to receive grants;
- the amount of grants to individual legal services organizations; and
- the cumulative amount of grants to award in each fiscal year.

An heir may qualify to receive free legal assistance from a legal services organization that receives a grant if the heir's dwelling is valued at \$350,000 or less, as shown in SDAT records.

The State Tax Sale Ombudsman must also provide grants directly to heirs to pay all or part of probate fees or inheritance taxes. An heir may qualify to receive a grant if the heir's dwelling is valued at \$350,000 or less, as shown in SDAT records. The ombudsman must determine:

- the individual heirs to receive grants;
- the amount and purpose of grants to individual heirs; and
- the cumulative amount of grants to be awarded to all heirs in each fiscal year.

The ombudsman may establish additional eligibility criteria for grants that prioritize low-income, elderly, and disabled heirs.

The ombudsman must provide the name of each heir who contacts the ombudsman and the address of the heir's dwelling to the county where the heir's dwelling is located for inclusion on the county's registry of properties to be withheld from tax sale.

Legacy Protection Fund

The bill establishes the Legacy Protection Fund to finance the program, administered by SDAT. The fund consists of (1) money appropriated to the fund; (2) money paid by county governments (discussed below); (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund.

For each fiscal year, the Governor must include in the annual budget bill an appropriation of \$250,000 of the interest on overdue State property tax to the fund. Additionally, the county governments must collectively pay \$500,000 to the fund each fiscal year that is (1) allocated among the counties based on the number of real property accounts in each county as a percentage of the total number of real property accounts statewide as of July 1 of the preceding fiscal year; (2) derived from interest on overdue county property tax; and (3) remitted to SDAT by each county by the first day of each fiscal year.

The fund may be used only for any expenses associated with the program. The fund may not be used for any expenses of the office of the State Tax Sale Ombudsman that are not directly related to the program. Expenditures from the fund may be made only in accordance with the State budget and the fund is the exclusive source of funding for the program.

Homeowners' and Homestead Tax Credits

The bill establishes that an heir who is not shown as the record title holder of a dwelling in the land records of the county must be granted the homeowners' and/or homestead property tax credits if the heir (1) files an application for the credit; (2) meets the eligibility requirements for a homeowner under the provisions governing the credit; and (3) meets all other requirements. An heir who is not the record title holder may be granted the tax credit(s) for a maximum of three taxable years. After that period, the heir may continue to receive the tax credit(s) only if the heir is shown as the record title holder of the dwelling in the county land records.

For the heir to apply for either tax credit, the heir must (1) complete the required application; (2) complete, under oath, an affidavit on the form provided by SDAT attesting that the individual is an heir or legatee of a deceased homeowner and is entitled to inherit the deceased homeowner's dwelling; and (3) attach to the application a copy of the death certificate of the deceased homeowner from whom the heir inherited the dwelling.

The bill also establishes that, with respect to the homeowners' property tax credit, SDAT may accept an application from a homeowner within three years after April 15 of the taxable year for which a credit is sought if the homeowner is an heir and was eligible for the credit for the taxable year for which the credit is sought.

Current Law:

State Tax Sale Ombudsman

There is a State Tax Sale Ombudsman in SDAT, that must (1) assist homeowners to understand the process for collection of delinquent taxes; (2) actively assist homeowners

to apply for tax credits, discount programs, and other public benefits that may assist the homeowners to pay delinquent taxes and improve their financial situation; (3) refer homeowners to legal services, housing counseling, and other social services that may assist the homeowners to pay delinquent taxes and improve their financial situation; (4) maintain a toll-free telephone number that a homeowner may call to obtain individualized personal assistance with delinquent taxes; and (5) maintain a website that functions as a clearinghouse for information concerning the process for collection of delinquent taxes and services and programs available to assist homeowners. The ombudsman must also contract with a vendor to operate a specified installment payment program for the payment of taxes, for homeowners.

Registry for Properties Withheld from Tax Sale

Chapter 231 of 2025 requires the Mayor and City Council of Baltimore City or the governing body of a county to establish a registry for interested parties or the State Tax Sale Ombudsman to designate a property to be withheld from tax sale in accordance with provisions under § 14-811 of the Tax-Property Article authorizing or requiring properties to be withheld from tax sale under specified circumstances.

Homeowner Protection Program

Chapter 382 of 2021 established the Homeowner Protection Program, administered by the State Tax Sale Ombudsman, and the Homeowner Protection Fund to support the program. The program diverts vulnerable homeowners from the private tax lien sale process into an alternative program – through the purchase of a homeowners’ lien, whether before or after the lien is sold at a tax sale – in order to (1) minimize tax collection costs to homeowners; (2) assist homeowners to pay their taxes; and (3) allow homeowners to remain in their homes. To be eligible for the program, a homeowner must (1) reside in a dwelling that has an assessed value of \$300,000 or less and (2) have a combined income of \$60,000 or less.

“Homeowner” includes, if a homeowner is deceased, (1) the estate of the homeowner; (2) the personal representative of the homeowner; or (3) an heir or legatee of the homeowner who is entitled to inherit the homeowner’s dwelling.

Pursuant to changes made under Chapter 647 of 2025, (1) the Governor must annually appropriate \$250,000 to the Homeowner Protection Fund and (2) county governments must collectively pay \$500,000 to the fund each fiscal year (allocated proportionally among the counties based on the number of real property accounts in a county).

Homeowners’ Property Tax Credit Program

The homeowners’ property tax credit program is a State-funded program that provides credits against State and local real property taxation for homeowners who qualify based on

a sliding scale of property tax liability and income. The fiscal 2027 State budget includes \$56.0 million in funding for the program. Approximately 38,500 individuals are eligible to receive the property tax credit each year.

Homeowners must apply to SDAT each year in order to be eligible for the property tax credit. The maximum assessment against which the credit may be granted is \$300,000, less the amount of any homestead property tax credit received (the homestead property tax credit is discussed below). To be eligible for the property tax credit, a recipient's net worth may not exceed \$200,000 and the combined gross household income may not exceed \$60,000.

Under provisions governing the homeowners' property tax credit, "homeowner" includes an individual who, on July 1 of the taxable year for which the tax credit is to be allowed, actually resides in a dwelling in which the individual has a legal interest. "Legal interest" includes an interest in a dwelling as a surviving family member who stands to inherit the dwelling of a deceased homeowner under the terms of (1) the deceased homeowner's will or trust or a nonprobate instrument of writing or (2) under the laws of intestate succession.

Homestead Property Tax Credit

The homestead property tax credit program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or "cap" in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the cap. A majority of local subdivisions have assessment caps below 10%.

Subject to submitting a specified application to SDAT and having the application approved, the department must authorize and the State, a county, or a municipality must grant a homestead property tax credit for a taxable year unless during the previous taxable year (1) the dwelling was transferred for consideration to new ownership; (2) the value of the dwelling was increased due to a change in the zoning classification of the dwelling initiated or requested by the homeowner or anyone having an interest in the property; (3) the use of the dwelling was changed substantially; or (4) the assessment of the dwelling was clearly erroneous due to an error in calculation or measurement of improvements on the real property.

In addition, in order to qualify for the property tax credit, a homeowner must actually reside in the dwelling by July 1 of the taxable year for which the property tax credit is to be allowed. A homeowner may claim a property tax credit for only one dwelling.

The homestead property tax credit program is administered as follows:

- Increases in property assessments are equally spread out over three years. For example, if a property's assessment increased by \$120,000, from \$300,000 to \$420,000, the increase would be phased in through increments of \$40,000 annually for the next three years.
- If the assessment cap was set at 10%, however, the amount of assessment subject to taxes would increase by only \$30,000 in the first year, \$33,000 in the following year, and \$36,300 in the third year.
- Since the assessment cap was set lower than the actual market increase, the homeowner does not have to pay taxes on the property's full assessed value.

State Expenditures:

Legacy Protection Program: General fund expenditures increase by \$250,000 annually and special fund (Legacy Protection Fund) revenues and expenditures increase by \$750,000 annually beginning in fiscal 2028. This analysis assumes:

- \$250,000 in general funds is appropriated annually to fund the State's debt service in place of State property tax interest revenues that are appropriated to the Legacy Protection Fund under the bill beginning in fiscal 2028.
- The Legacy Protection Fund receives \$500,000 from county payments, pursuant to the bill, each year beginning in fiscal 2028.
- The full amount of funding received by the fund is spent each year under the Legacy Protection Program.

Any additional staff or other resources needed by the State Tax Sale Ombudsman's Office to administer the fund is assumed to be covered by the above special fund expenditures from the Legacy Protection Fund.

Homeowners' Property Tax Credit: General fund expenditures for the homeowners' property tax credit increase, beginning in fiscal 2027, to the extent that:

- heirs (as defined under the bill to include any person receiving property from the deceased person (a legatee)) who are not otherwise granted the credit under current law because they are not shown as the record title holder of the dwelling, are granted the credit under the bill; and
- heirs who are not otherwise able to submit an application for the credit for prior taxable years in which they were eligible (but did not apply), are able to submit the application and are granted a credit under the bill for a prior taxable year or years.

The extent of any increase in expenditures cannot be reliably estimated but may only be a limited increase. As mentioned above, under the existing provisions governing the tax credit, an heir who is a surviving family member who stands to inherit the dwelling of a

deceased homeowner and resides in the dwelling is currently considered, under existing law, to have a “legal interest” in the dwelling, and therefore is a “homeowner” if they reside in the dwelling and eligible for the tax credit. For other heirs who are not surviving family members, the bill affects their ability to be granted the credit for a limited time, only during the time that they are not yet a record title holder of the dwelling.

For context, SDAT indicates that \$55.5 million in total homeowners’ property tax credits were claimed in fiscal 2025. The average credit provided to each homeowner during that period was \$1,572.

State Revenues: ABF revenues decrease to the extent that heirs who are not otherwise granted the homestead property tax credit, under current law, because they are not shown as the record title holder of the dwelling, are granted the credit under the bill. Unlike the homeowners’ property tax credit, the provisions governing the homestead property tax credit do not count the interest of a surviving family member who stands to inherit the dwelling as a legal interest.

The extent of any decrease in revenues cannot be reliably estimated but may only be a limited decrease. The bill does not appear to substantively change the eligibility requirements for the homestead property tax credit aside from allowing, for a maximum of three taxable years, for an heir who otherwise meets the eligibility requirements, but is not yet shown as the record title holder of the property, to be granted the credit.

Debt service payments on the State’s general obligation (GO) bonds are paid from ABF. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to ABF to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2027 budget assumes \$1.3 billion in State property tax revenues to ABF. In addition, \$177.7 million in general funds and \$0.8 million in federal funds are budgeted to ABF, since the State property tax rate is not set high enough to cover the full cost of the debt service payments on the State’s GO bonds.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in ABF revenues, or the State property tax rate would have to be increased to meet debt service payments.

Local Expenditures: County expenditures increase, collectively, by \$500,000 annually beginning in fiscal 2028, to pay each county’s share of the \$500,000 total that must be paid annually to the Legacy Protection Fund. The approximate county shares of the \$500,000 total, based on counties’ shares of the statewide total of real property accounts (as of fiscal 2025), is shown in **Exhibit 1**.

Exhibit 1
Approximate County Share* of \$500,000 Payment to the Legacy Protection Fund

County	Amount
Allegany	\$8,609
Anne Arundel	46,815
Baltimore City	49,448
Baltimore	63,582
Calvert	8,988
Caroline	3,480
Carroll	14,386
Cecil	10,045
Charles	14,935
Dorchester	4,729
Frederick	22,992
Garrett	6,312
Harford	21,378
Howard	23,340
Kent	2,805
Montgomery	72,720
Prince George's	64,798
Queen Anne's	5,700
St. Mary's	10,624
Somerset	3,531
Talbot	4,559
Washington	12,614
Wicomico	9,793
Worcester	13,816
Total	\$500,000

*Based on real property accounts as of fiscal 2025.

Source: Department of Legislative Services

Local Revenues: Local government revenues may decrease, beginning in fiscal 2027, to the extent that heirs who are not otherwise granted the homeowners' and/or homestead property tax credits because they are not shown as the record title holder of the dwelling, are granted the credit under the bill.

With respect to the homestead property tax credit, similar to the effect on State revenues, the extent of any decrease in revenues cannot be reliably estimated but may only be a limited decrease. The bill does not appear to substantively change the eligibility requirements for the homestead property tax credit aside from allowing, for a maximum of three taxable years, for an heir who otherwise meets the eligibility requirements, but is not yet shown as the record title holder of the property, to be granted the credit.

With respect to the homeowners' property tax credit, local government revenues may decrease to the extent that heirs (as defined under the bill to include any person receiving property from the deceased person (a legatee)) who are not otherwise granted the credit under current law (*e.g.*, because they are not shown as the record title holder of the dwelling), are granted the credit under the bill.

Local governments are authorized to grant a local supplement to the homeowners' property tax credit program. While SDAT administers the local program, local governments are responsible for covering the cost of the local supplement. Currently, Baltimore City and 13 counties (Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Garrett, Harford, Howard, Kent, Montgomery, and Washington) provide a local supplement to the State program.

The overall impact on local revenues cannot be reliably estimated. However, to the extent that more homeowners become eligible for the homeowners' property tax credit program, local governments that provide a supplement to the State homeowners' property tax credit will realize a decrease in revenues.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1148 (Delegate Kaiser, *et al.*) - Ways and Means.

Information Source(s): Kent, Montgomery, and Worcester counties; Maryland Municipal League; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Register of Wills; Department of Legislative Services

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