



CITY OF PHILADELPHIA

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Hon. Keith Gillespie, Chair
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Hon. R. Ted Harhai, Democratic Chair
House Committee on Urban Affairs
32 East Wing
PO Box 202058
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November 8, 2013

Dear Chairman Gillespie and Chairman Harhai:

Please allow me to submit the following written comments on HB 1409 on behalf of the City of Philadelphia in advance of the hearing on this Bill on November 12, 2013 in the Committee on Urban Affairs. I would like to thank you, the sponsor, Rep. Ross, and the members of the committee for this opportunity to present these comments on behalf of the City.

HB 1409 would add new provisions to Title 53, the Local Government Code, that reform the real estate tax sale process in Pennsylvania. It would, among other things, provide for payment plans for delinquent taxes for eligible, low-income property owners; specific, accelerated timeframes for bringing delinquent properties to tax sale; and sets out new requirements for notice to owners and others entitled to notice of a contemplated sale.

The City of Philadelphia shares the eminently laudable goal of this bill, which is streamlining and simplifying the tax sale process, realizing revenues, and freeing up land for responsible development – all while respecting the rights of property owners. It is no secret that the problem of delinquent real estate taxes has weighed heavily on Philadelphia—so much so, in fact, that the City this past year undertook a thoroughgoing reform of its own real estate tax collection and foreclosure processes. These reforms include:

- A significant increase in tax sale filings. In a year and a half, filings have roughly tripled, to 1,000 per month.

Revenues for Schools and Services

- **Use of sequestration lawsuits against delinquent landlords.** This allows the City to obtain rent otherwise destined for tax-delinquent landlords, in payment of delinquent taxes.
- **Reforms to local legislation.** A joint effort of the Administration and City Council produced Bill No. 120054, which implemented numerous reforms to the real estate tax collection process locally:
 - **Clear, consistent notice provisions with information on payment plans and pertinent resources.** The notice process is designed to give early warning that taxes are late, to help taxpayers avoid the trap of delinquency.
 - **Clear enforcement timeline:** The bill makes clear that the City can foreclose following one full year of delinquency, consistent with state law .
 - **Incentives to comply.** Application of payments to principal incentivizes taxpayers to pay off their debt. Previously-accrued interest and penalties may be partially abated upon successful completion of the plan. Importantly, taxpayers must stay current on current taxes while paying off old tax liability in a payment plan.
 - **Fair, transparent, and consistent rules.** The bill creates a clear set of rules for breach and default, and requires appropriate warning notices that advise taxpayers of the consequences of nonpayment. These rules apply to City agencies and outside collection firms alike.
 - **Guidelines for eligibility:** The bill fixes longstanding confusion over eligibility for payment plans, and creates guidelines for offering plans to “equitable owners,” such as heirs of “Tangled Title” properties.
 - **Right to review:** The Tax Review Board will be empowered to review decisions regarding homeowners’ eligibility for, and compliance with, payment plans.
 - **Affordable payment plan options:** Among payment plan options, taxpayers at or below 70% of the Area Median Income will be allowed to pay a scaled percentage of their monthly household income. Taxpayers with unusually high expenses, such as medical bills, will have the option of requesting a plan based on available income after expenses.

The City has undertaken a substantial commitment to these reforms, and they result in a fairer, more efficient, and more effective process that is tailored to the specific needs and circumstances of the City and its taxpayers.

These reforms rely closely on the provisions of the Municipal Claims and Tax Lien Law (MCTLL). A mandated departure from MCTLL under HB 1409 would upend these local reforms, and would deprive the City of needed flexibility in addressing its particular circumstances. It is for this basic reason that the City respectfully requests that the bill be

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amended to permit the City to proceed under MCTLL in all respects, including notice. This would enable the City to continue with the positive and substantial reforms it has made to date.

Thank you for this opportunity to present the City's views on HB 1409. I would be happy to respond to any inquiries you or other members of the committee may have.

Respectfully,



Clarena I. W. Tolson
Commissioner of Revenue

cc: Hon. Chris Ross
Hon. Cherelle L. Parker, Chair, Philadelphia House Delegation