
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 758 Session of
2017

INTRODUCED BY WARD, STAATS, FREEMAN, BARRAR, IRVIN, SANKEY,
SCHWEYER, KLUNK, METZGAR, CAUSER, ZIMMERMAN AND JOZWIAK,
MARCH 8, 2017

REFERRED TO COMMITTEE ON URBAN AFFAIRS, MARCH 8, 2017

AN ACT

1 Authorizing local taxing authorities to provide for tax
2 exemption incentives for certain deteriorated industrial,
3 commercial, business and residential property and for new
4 construction in deteriorated areas of communities; providing
5 for an exemption schedule; and establishing standards and
6 qualifications.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Short title.

10 This act shall be known and may be cited as the Tax Exemption
11 and Mixed-Use Incentive Program Act.

12 Section 2. Construction.

13 This act shall be construed to authorize local taxing
14 authorities to provide for tax exemption incentives for new
15 construction in deteriorated areas of communities and
16 improvements to certain deteriorated industrial, commercial,
17 business and residential property. In addition, this act shall
18 be construed to allow for mixed-use housing and development in
19 accordance with zoning ordinances within designated areas. This

1 act supplements the act of July 9, 1971 (P.L.206, No.34), known
2 as the Improvement of Deteriorating Real Property or Areas Tax
3 Exemption Act, and the act of December 1, 1977 (P.L.237, No.76),
4 known as the Local Economic Revitalization Tax Assistance Act,
5 which implement section 2(b)(iii) of Article VIII of the
6 Constitution of Pennsylvania.

7 Section 3. Definitions.

8 The following words and phrases when used in this act shall
9 have the meanings given to them in this section unless the
10 context clearly indicates otherwise:

11 "Adult entertainment." As defined in 68 Pa.C.S. § 5502
12 (relating to definitions).

13 "Blighted property." Any such property described in section
14 12.1 of the act of May 24, 1945 (P.L.991, No.385), known as the
15 Urban Redevelopment Law.

16 "Deteriorated property." Any industrial, commercial,
17 business or residential property owned by an individual,
18 association or corporation and located in a deteriorated area,
19 or a single unit of property located within or outside a
20 deteriorated area, which has been the subject of an order by a
21 government agency requiring the unit to be vacated, condemned or
22 demolished by reason of noncompliance with laws, ordinances or
23 regulations.

24 "Exemption schedule." The tax exemption schedule under
25 section 5.

26 "Impoverished area." Any area in this Commonwealth which is
27 certified as an impoverished area by the Department of Community
28 and Economic Development and the certification is approved by
29 the Governor. Certification shall be made on the basis of
30 Federal census studies and current indices of social and

1 economic conditions.

2 "Improvement." Repair, construction or reconstruction,
3 including alterations and additions, having the effect of
4 rehabilitating a deteriorated property so that it becomes
5 habitable or attains higher standards of safety, health,
6 economic use or amenity, or is brought into compliance with
7 laws, ordinances or regulations governing such standards.
8 Ordinary upkeep and maintenance shall not be deemed an
9 improvement.

10 "Local taxing authority." A county, city, borough,
11 incorporated town, township, institution district or school
12 district having authority to levy real property taxes.

13 "Mixed-use housing and development." Any urban, suburban,
14 village development or single building that combines
15 residential, commercial, cultural, institutional or industrial
16 uses to provide more efficiency for the community in terms of
17 space, transportation and economic development.

18 "Municipal corporation." A city, borough, incorporated town
19 or township.

20 "Property maintenance code." A municipal ordinance which
21 regulates the maintenance or development of real property. The
22 term includes a building code, housing code and public safety
23 code.

24 "Serious violation." A violation of a State law or a
25 property maintenance code that poses an immediate imminent
26 threat to the health and safety of a dwelling occupant,
27 occupants in surrounding structures or passersby.

28 Section 4. Deteriorated areas.

29 (a) Real property tax exemption.--

30 (1) A local taxing authority may by ordinance or

1 resolution exempt from real property taxation the assessed
2 valuation of improvements to deteriorated properties and the
3 assessed valuation of new construction within the respective
4 municipal corporation's designated deteriorated areas of
5 communities in the amounts and in accordance with the
6 provisions and limitations specified in this act.

7 (2) If an area is zoned for mixed-use housing and
8 development, improvements shall incorporate mixed-use housing
9 and development that benefit the efficiency and economy of
10 the community.

11 (3) The ordinance or resolution shall specify a
12 description of each area as determined by the municipal
13 governing body, as well as the cost of improvements per unit
14 to be exempted, and the schedule or taxes exempted as
15 provided in this act.

16 (b) Boundaries.--Prior to the adoption of the ordinance or
17 resolution authorizing the granting of tax exemptions, the
18 municipal corporation shall affix the boundaries of a
19 deteriorated area or areas, wholly or partially located within
20 its jurisdiction, if any. The property within the deteriorated
21 area or areas must be comprised of impoverished areas or
22 blighted property.

23 (c) Public hearing.--

24 (1) At least one public hearing shall be held by the
25 municipal corporation for the purpose of determining the
26 boundaries.

27 (2) At the public hearing the local taxing authorities,
28 planning commission or redevelopment authority and other
29 public and private agencies and individuals, knowledgeable
30 and interested in the improvement of deteriorated areas,

1 shall present their recommendations concerning the location
2 of boundaries of a deteriorated area or areas for the
3 guidance of the municipal corporation. The recommendations
4 shall take into account the criteria required to establish an
5 impoverished area or blighted property.

6 (d) Adjacent property inclusions.--Property adjacent to a
7 deteriorated area may be included within the deteriorated area
8 if the local taxing authority determines that new construction
9 on the property would encourage, enhance or accelerate
10 improvement of the deteriorated properties within communities.

11 (e) Municipal cooperation.--

12 (1) Two or more municipal corporations may join together
13 for the purpose of determining the boundaries of a
14 deteriorated area and establishing the uniform maximum cost
15 per unit, and the municipal corporations shall cooperate
16 fully with each other for the purpose of implementing this
17 act.

18 (2) The local taxing authorities may, by implementing
19 ordinances or resolutions, agree to adopt tax-exemption
20 schedules contingent upon the similar adoption by an adjacent
21 local taxing authority or by a local taxing authority with
22 mutual jurisdiction, within the limitations provided under
23 this act.

24 Section 5. Exemption schedule.

25 (a) General rule.--A local taxing authority granting a tax
26 exemption under this act may provide for tax exemption on the
27 assessment attributable to the actual cost of new construction
28 or improvements or up to any maximum cost uniformly established
29 by the municipal corporation. The maximum cost shall uniformly
30 apply to all eligible deteriorated property within the local

1 taxing authority's jurisdiction.

2 (b) Schedule.--Whether or not the assessment eligible for
3 exemption is based upon actual cost or a maximum cost, the
4 actual amount of taxes exempted shall be in accordance with the
5 following:

6 (1) For the first, second and third years for which new
7 construction or improvements would otherwise be taxable, 100%
8 of the eligible assessment shall be exempted.

9 (2) For the fourth year for which new construction or
10 improvements would otherwise be taxable, 90% of the eligible
11 assessment shall be exempted.

12 (3) For the fifth year for which new construction or
13 improvements would otherwise be taxable, 75% of the eligible
14 assessment shall be exempted.

15 (4) For the sixth year for which new construction or
16 improvements would otherwise be taxable, 60% of the eligible
17 assessment shall be exempted.

18 (5) For the seventh year for which new construction or
19 improvements would otherwise be taxable, 45% of the eligible
20 assessment shall be exempted.

21 (6) For the eighth year for which new construction or
22 improvements would otherwise be taxable, 30% of the eligible
23 assessment shall be exempted.

24 (7) For the ninth year for which new construction or
25 improvements would otherwise be taxable, 15% of the eligible
26 assessment shall be exempted.

27 (8) For the tenth year for which new construction or
28 improvements would otherwise be taxable, 10% of the eligible
29 assessment shall be exempted.

30 (9) After the tenth year, the exemption shall terminate.

1 (c) Limitation.--The exemption from taxes shall be limited
2 to the additional assessment valuation attributable to the
3 actual costs of new construction or improvements to deteriorated
4 property or not in excess of the maximum cost per unit
5 established by a municipal corporation.

6 (d) Sale or exchange.--The exemption from taxes shall be
7 upon the property exempted and shall not terminate upon the sale
8 or exchange of the property.

9 (e) Estimate.--A local taxing authority shall provide upon
10 request an estimate of the amount of assessment exempted for
11 each eligible property based on the exemption schedule under
12 subsection (b).

13 (f) Repayment.--

14 (1) A local taxing authority shall be entitled to a
15 return of its proportional share of taxes exempted under the
16 provisions of this act if, within five years following
17 completion of the new construction or improvements, there
18 exists on the property a serious violation of a State law or
19 a property maintenance code and the owner has taken no
20 substantial steps to correct the violation within six months
21 following notification of the violation and for which fines
22 or other penalties or a judgment to abate or correct were
23 imposed by a magisterial district judge or municipal court,
24 or a judgment at law or in equity was imposed by a court of
25 common pleas.

26 (2) At the time the agreement is entered into between a
27 local taxing authority and the person who desires tax
28 exemption, if the person has completed all requirements under
29 section 6, the local taxing authorities shall file a lien
30 against the tax-exempt properties at the rate of the

1 estimated amount of assessment under subsection (b). The lien
2 shall be forgiven by the local taxing authority at the end of
3 the fifth year following the completion of the new
4 construction or improvements, if there have been no serious
5 violations against the property that have not been corrected.
6 The lien on the property shall transfer under subsection (d)
7 in cases of sale or exchange of the property.

8 Section 6. Procedure for obtaining exemption incentives.

9 (a) Notification.--A person desiring tax exemption
10 authorized by an ordinance or resolution adopted under this act
11 shall notify the local taxing authority granting the exemption
12 in writing on an application form provided by the local taxing
13 authority, submitted at the time the person secures the building
14 permit or, if no building permit or other notification of new
15 construction or improvement is required, at the time the person
16 commences construction. The application shall include the
17 following information:

18 (1) Statement of tax obligations, signed by the
19 applicant and the local taxing authority and notarized.

20 (2) Outline specifications for the new construction or
21 improvement, indicating with as much specificity as
22 practicable, the materials to be used for exterior and
23 interior finishes.

24 (3) An itemized cost estimate for the new construction
25 or improvement. The itemization must:

26 (i) Be on contractor letterhead.

27 (ii) Indicate the property address of the project.

28 (iii) Be signed by the applicant.

29 (4) Preliminary architectural drawings or blueprints for
30 the new construction or improvement.

1 (5) A recent appraisal of the property, if available.

2 (6) An applicable building permit application or
3 building permit.

4 (7) An income and expense report for the property, which
5 income and expense report should be submitted directly to the
6 county assessment office in order to protect the
7 confidentiality of the information.

8 (8) The final decision of the zoning authority or other
9 regulatory agency granting relief, if applicable.

10 (9) The signature of the applicant and the date of
11 signing.

12 (b) Estimate.--The amount of assessment deemed eligible for
13 tax exemption under subsection (c) shall be available for public
14 inspection and copying so that any subsequent purchaser is
15 informed of the amount of taxes to be paid after the 10-year
16 exemption period.

17 (c) County assessment office.--

18 (1) A copy of the exemption request shall be forwarded
19 to the county assessment office. The county assessment office
20 shall, after completion of the new construction or
21 improvement, assess separately the new construction or
22 improvement and calculate the amounts of the assessment
23 eligible for tax exemption in accordance with the limits
24 established by the local taxing authorities and notify the
25 taxpayer and the local taxing authorities of the reassessment
26 and amounts of the assessment eligible for exemption.

27 (2) Appeals from the reassessment and the amounts
28 eligible for the exemption may be taken by the taxpayer or
29 the local taxing authorities as provided by law.

30 (d) Amendment of ordinance.--The cost of new construction or

1 improvements to be exempted and the schedule of taxes exempted
2 existing at the time of the initial request for tax exemption
3 shall be applicable to that exemption request, and subsequent
4 amendment to the ordinance, if any, shall not apply to requests
5 initiated prior to adoption of the amendment.

6 Section 7. Eligibility requirements.

7 (a) General rule.--The completed new construction or
8 improvement must:

9 (1) Conform to zoning ordinance requirements. However,
10 if mixed-use development is permitted in a designated
11 deteriorated area, any improvement must meet any applicable
12 mixed-use housing and development standards.

13 (2) Increase the value of the property by at least 25%.

14 (3) Correct all code violations, if applicable.

15 (b) Ineligibility.--A property is ineligible for tax
16 exemption under section 5(a) if:

17 (1) The property receives other property tax abatement
18 or exemption incentives for new construction or improvement.

19 (2) The property receives tax relief through a State
20 program, except as provided in subsection (d).

21 (3) The property owner or developer is delinquent on
22 property taxes related to the subject property, unless the
23 delinquent taxes are paid prior to construction or payment of
24 delinquent taxes has been arranged with the local taxing
25 authority in accordance with an installment plan.

26 (4) The property owner has a legal or equitable interest
27 in other property for which property taxes are delinquent,
28 unless the delinquent taxes are paid prior to construction or
29 payment of delinquent taxes has been arranged with the local
30 taxing authority in accordance with an installment plan.

1 (5) New construction or improvement has commenced prior
2 to filing an application under section 6.

3 (6) The property includes an improvement under
4 subsection (c) that poses a health or safety risk to an
5 individual residing above the first floor.

6 (c) Restriction.--For an improvement under this act that
7 involves mixed-use housing and development, certain
8 establishments may not be sited on the first floor for health
9 and safety reasons. The establishments include, but are not
10 limited to, the following:

11 (1) Gas stations or automobile service stations.

12 (2) Drive-through establishments.

13 (3) Adult entertainment establishments.

14 (4) Storage trailers and outdoor storage of goods
15 associated with commercial use unless use of the structure is
16 necessary during construction.

17 (5) Junkyards.

18 (6) Recycling service centers.

19 (7) Animal hospitals and animal sales.

20 (8) Heavy manufacturing.

21 (9) Establishments that utilize biohazards.

22 (10) Establishments that sell firearms and other
23 weapons, unless the occupant is the owner of the
24 establishment.

25 (d) Exception.--The amount of assessment eligible for
26 exemption under this act shall be offset by the amount of
27 property tax rebate received under Chapter 13 of the act of June
28 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer
29 Relief Act.

30 (e) Limitations.--The property qualifying and receiving a

1 tax exemption under the program shall be ineligible for or
2 receive an additional tax exemption under this program for a
3 minimum of 15 years from the date the property received a tax
4 exemption under the program.

5 (f) Prohibitions.--For the period of time that a property
6 receives a tax exemption under the program, no purchase or sale
7 of the property or any portion thereof shall be structured in a
8 manner that excludes or exempts the transaction from a realty
9 transfer tax due to a taxing authority that would otherwise not
10 be excluded or exempt, except in the following cases:

- 11 (1) a sheriff sale or tax claim bureau sale;
- 12 (2) a corrective deed;
- 13 (3) a transfer by the mortgagor to the holder of a bona
14 fide mortgage in default in lieu of a foreclosure;
- 15 (4) a transfer to a judicial sale in which the
16 successful bidder is the bona fide holder of a mortgage; or
- 17 (5) any other transaction excluded from the realty
18 transfer tax under Article XI-C of the act of March 4, 1971
19 (P.L.6, No.2), known as the Tax Reform Code of 1971.

20 Section 8. Effective date.

21 This act shall take effect in 60 days.