

Veto No. 1980-7

HB 763

December 19, 1980

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I hereby publicly proclaim, and file with the Secretary of the Commonwealth, my disapproval of House Bill 763, Printer's No. 4015, entitled "An act amending the act of July 7, 1947 (P.L.1368, No.542), entitled 'An act amending, revising and consolidating the laws relating to delinquent county, city, except of the first and second class and second class A, borough, town, township, school district, except of the first class and school districts within cities of the second class A, and institution district taxes, providing when, how and upon what property, and to what extent liens shall be allowed for such taxes, the return and entering of claims therefor; the collection and adjudication of such claims, sales of real property, including seated and unseated lands, subject to the lien of such tax claims; the disposition of the proceeds thereof, including State taxes and municipal claims recovered and the redemption of property; providing for the discharge and divestiture by certain tax sales of all estates in property and of mortgages and liens on such property, and the proceedings therefor; creating a Tax Claim Bureau in each county, except a county of the first class, to act as agent for taxing districts; defining its powers and duties, including sales of property, the management of property taken in sequestration, and the management, sale and disposition of property heretofore sold to the county commissioners, taxing districts and trustees at tax sales; providing a method for the service of process and notices; imposing duties on taxing districts and their officers and on tax collectors, and certain expenses on counties and for their reimbursement by taxing districts; and repealing existing laws,' exempting second class counties from the requirement to establish tax claim bureaus and further providing for returns by tax collectors."

This bill originally amended the "Real Estate Tax Sale Law" to change from the first Monday of April to the first Monday of May for returns by tax collectors of a list of tax delinquencies to the County Tax Claim Bureau. On the Senate floor an amendment was inserted into the bill which would permanently exempt Allegheny County from establishing a County Tax Claim Bureau.

The original version of the bill was to correct Act 98 of 1980 which inadvertently changed the due date for the delinquent tax lists from May to April. I approve of this portion of the bill and recommend passage of such a measure by the incoming General Assembly.

However, I do take exception to the provision of the bill which would permanently exempt Allegheny County from establishing a County Tax Claim Bureau. Act 157 of 1974 changed the "Real Estate Tax Sale Law" to require all counties, to establish a Tax Claim Bureau by January 1, 1976. Previous to this act, the use of centralized delinquent tax collection procedures was optional. Allegheny County, through a series of amendments, has been able to postpone the establishment of the bureau until January 1, 1982. This bill would permanently exempt Allegheny County from the law while 65 counties have complied with the law. Philadelphia County, additionally, has always collected delinquent real estate taxes in a centralized and uniform manner.

The political subdivisions within Allegheny County, excluding the City of Pittsburgh, collect their delinquent property tax under a patchwork of legal authority, some dating back to 1857, that is primarily based on the Municipal Lien Act of 1923, as amended. The "Real Estate Tax Sale Law" was enacted to consolidate and modernize the collection process. However, a high rate of collection within the county, the large number of political subdivisions within the county, and a large number of elderly, handicapped, or impoverished property owners are cited to justify Allegheny County's exclusion from the "Real Estate Tax Sale Law." These objections do not withstand scrutiny.

In 1969, a study found that 3% of all property taxes in the State are delinquent. Allegheny County now cites a current delinquency rate of 4%, 33% higher than average. Based on 1976 experience (the latest year for which complete data is available) a 4% delinquency rate for all the jurisdictions in the county, excluding Pittsburgh, represents \$11.4 million in uncollected taxes. If prior years' uncollected taxes are added to this amount, total uncollected taxes may be several times this amount. Actual data on total delinquent taxes are unavailable, however, due to the lack of coordination, control and supervision of the tax collection process.

With 129 tax collectors and one county treasurer handling tax delinquencies (Pittsburgh would be excluded from the Tax Claim Bureau by law), consolidating claims and placing one lien is unquestionably more efficient than the hodgepodge which exists now. If we do not change existing law and the county establishes a bureau, substantial administrative cost reductions are possible and vast improvements in tax collection efficiency are attainable.

Allegheny County's final objection is that forced tax sales will create substantial hardships. Moreover, Act 98 of 1980 established uniform and extensive notification procedures which insure that tax sales will not occur without adequate notice to the taxpayer. Additionally, under current law, taxpayers may settle delinquent tax

accounts by making up to 5 years of installment payments. Once a payment schedule has been agreed upon, the property does not proceed to a tax sale. Finally, actual experience from counties with centralized collection systems, moreover, demonstrates that hardship sales are extremely unusual.

The 66 counties in Pennsylvania which have established Tax Claim Bureaus, or central collection procedures, have shown an increase in collection and a better administered delinquency system. Some other counties voiced the same objections as Allegheny County before establishing the Bureau, but the objections have been resolved. Tax delinquencies and poor tax collection procedures hurt all citizens. Inefficient tax collection forces higher tax rates, undermines incentives to make prompt tax payments, and ultimately destroys respect for and confidence in government. Allegheny County should not persist in uneconomical, fragmented and inefficient tax collection procedures.

For these reasons, I withhold my approval of House Bill 763, Printer's No. 4015.

DICK THORNBURGH