



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 145

PRINTERS NO. 2208

PRIME SPONSOR: Ward

COST / (SAVINGS)

FUND	FY 2013/14	FY 2014/15
General Fund	\$0	\$0
County Funds	\$0	\$0

SUMMARY: Eliminates the ability of subcontractors to file mechanics liens against owner-occupied homes if a contractor is paid in full, and clarifies lien priority for open-ended mortgages. This legislation would take effect in 60 days.

ANALYSIS: This legislation eliminates the ability of subcontractors to file mechanics liens against owner-occupied homes if a contractor is paid in full and clarifies lien priority for open-ended mortgages.

Eliminating Ability of Subcontractors to File Mechanics Liens against Owner-Occupied Homes:

The legislation amends Section 301 ("Right to a Lien") of the PA Mechanics' Lien Law to prohibit a subcontractor from filing a lien with respect to an improvement to a residential property if:

- the owner or tenant has paid the contractor in full;
- the property is, or is intended to be, the residence of the owner or tenant; and
- the residential property is a single townhouse, or a building that consists of one or two dwelling units used, intended or designed to be built, used, rented, or leased for living purposes.

The legislation amends Section 510 ("Discharge of Lien") of the law to state that mechanics' liens on residential properties will be discharged, upon court order, when the owner or tenant has paid the full contract price to a contractor, or the lien will be reduced to the amount of the unpaid contract price owed by the owner/ tenant to the contractor.

Clarification of Lien Priority for Open-Ended Mortgages: The legislation amends Section 201 ("Definitions") of the law to provide a comprehensive definition for "costs of construction", and it amends Section 508 ("Priority of Lien") to clarify that an open-end mortgage maintains its lien priority in the law if at least 60% of the loan's proceeds are intended to pay, or are used to pay, the "costs of construction". The definition for "costs of construction" includes not just hard construction costs, but, "soft" costs such as permit fees, insurance, bonding, accounting fees, recording costs, etc.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth or county funds.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: June 29, 2014

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.