



**Testimony of Kim Graziani  
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**House Bill 1409 Property Tax Collection and Enforcement Systems Reform**

**House Urban Affairs Committee  
Irvia Office  
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On behalf of the Center for Community Progress, I would like to thank Chairman Gillespie, Representative Ross and the other members of this committee, and your staff, for the opportunity to present testimony on House Bill 1409.

It is my distinct pleasure to be here with you today, along with my colleague Leslie Powell, to discuss the importance of an effective, efficient and equitable property tax collection and enforcement system. I commend each and every one of you on your interest in and commitment to addressing an issue that is one of the leading causes of blight, vacancy and abandonment in communities across the Commonwealth and throughout the country. Creating a system that is fair and consistent to property owners, maximizes revenue for governments to protect the health and safety of its residents and protects neighborhoods from decline is the goal we share with each of you. This type of system reform may not be the easiest task but can easily be the greatest gift you can give to your children and generations to come throughout Pennsylvania.

The Center for Community Progress is a national nonprofit that supports communities as they build systems and local capacity to prevent and reuse blighted, vacant and abandoned properties (herein referred to as "problem properties"). Working with governments and their community and private sector partners, we assist with the development of policies and systems to address the full scale of problem properties – from prevention, acquisition, maintenance and through disposition – with the ultimate goal of returning these properties to productive use. In nearly every distressed community we have worked in to date, there is one common denominator: a tax collection and enforcement system that is broken.

There are many things in life that are not guaranteed. What we have found though, is that when a property becomes tax-delinquent, this is a clear warning sign of a property entering a cycle of abandonment if swift intervention is not taken by the respective taxing body. If the Commonwealth can indeed create a unified system in which all taxing bodies can quickly and effectively attempt to work with the property owner to collect

taxes when they become delinquent in a consistent and fair manner, the impact would be tremendous. As the situation stands now, the Commonwealth currently has 3-5 different and overlapping statutes to collect and enforce property taxes, which is not effective, efficient or equitable for property owners or local units of governments and their respective communities.

Through our work across the country, the Center for Community Progress has identified several elements common to the effective, efficient and equitable collection and enforcement of delinquent taxes:

1. Judicial process ordering of a tax sale (versus a non-judicial process, e.g. "upset sales").
2. In-rem proceedings, which are proceedings against the property (versus in personam proceedings, which are proceedings against a person, or the property owner).
3. Removal of post-judicial order and post-sale redemption periods.
4. Single stage and single system of foreclosure (not multiple sales of different types and different systems between local governments).
5. Delivery of *Merronite* notice (once).
6. Statutory hardship provisions.

A system with the above elements yields maximum payment of taxes owed, and when necessary, has a tax sale that yields marketable and insurable title. This creates a predictable process where property owners are more likely to pay their delinquent taxes when a tax sale becomes a reality and not an empty threat.

House Bill 1409 creates a property tax collection and enforcement system which has some of the elements previously mentioned and is a vast improvement over the current overlapping systems currently being used by Pennsylvania's local governments. Some key and noteworthy highlights of this bill include:

- A reduction in the timeline from delinquency to tax sale
- The elimination of any post-sale redemption rights
- Enhancement of hardship plans

Representative Ross, Chairman Gillespie and the other members of this committee should be applauded for all of the time and effort spent to date tackling this issue head-on. I would be remiss however, if I did not also highlight three flaws of HB1409 that prevent it from creating a system that is truly effective, efficient and equitable:

1. **The provision allowing local governments to "opt-out" of this new system and continue using the Municipal Claims Tax Lien Law ("MCTLL").** As previously mentioned, Pennsylvania already has multiple statutory tax collection and enforcement systems, each of which is extremely complex. Allowing local governments to opt-out of this new system further perpetuates the current problem. This new system ensures fairness and uniformity to property owners by

creating the same collection and enforcement procedures no matter where you live in the Commonwealth.

2. **The ability to assign claims to third parties.** The assignment of delinquent tax claims (not the assignment of collection of taxes owed) allows third parties whose interests are different than government to control an essential government function. When the power of taxation is transferred to the private sector, accountability and local control is lost. In a recent analysis of third party bulk tax lien sales for the City of Rochester, NY, we found there were negative impacts on the community through the creation of "limbo" properties, where a third party has purchased a lien but has neither settled the outstanding taxes with the property owners nor foreclosed on the subject property. These "limbo" properties remain tax delinquent, have a higher rate of vacancy, are more likely to have outstanding code violations, and are more likely to generate police calls than other properties within the City of Rochester.
3. **The abundance of notice provisions.** HB 1409 would be drastically improved if the notice provisions were scaled back so that *Mennonite* notice is provided once. This would comply with the constitutional requirements, as stated in the United States Supreme Court Case in *Mennonite* that a local government foreclosing on a property due to delinquent taxes must, prior to selling the property, provide notice that is "reasonably calculated, under all circumstances, to apprise the interested parties of the pendency of the action and afford them an opportunity to present their objections." As it stands now, there are notice requirements that perform the same function multiple times and thus create a system that is neither efficient nor cost-effective.

Again, on behalf of everyone at the Center for Community Progress, thank you for your leadership on HB1409. Our purpose here today was to provide additional context into the importance of an effective, efficient and equitable tax collection and enforcement system in order to preserve the quality of life for our residents and communities across the Commonwealth and throughout the country.