

MUNICIPAL CLAIM AND TAX LIEN LAW - OMNIBUS AMENDMENTS

Act of Jul. 5, 2023, P.L. 22, No. 4

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Session of 2023

No. 2023-4

SB 202

AN ACT

Amending the act of May 16, 1923 (P.L.207, No.153), entitled "An act providing when, how, upon what property, and to what extent, liens shall be allowed for taxes and for municipal improvements, for the removal of nuisances, and for water rents or rates, sewer rates, and lighting rates; for the procedure upon claims filed therefor; the methods for preserving such liens and enforcing payment of such claims; the effect of judicial sales of the properties lienied; the distribution of the proceeds of such sales, and the redemption of the property therefrom; for the lien and collection of certain taxes heretofore assessed, and of claims for municipal improvements made and nuisances removed, within six months before the passage of this act; and for the procedure on tax and municipal claims filed under other and prior acts of Assembly," further providing for municipal claims first lien, cities of first class, docketing, judgment and execution, for cities of the first class, recovery of judgment and sale free from claims, for redemption and for rule to show cause, decree, service and notice and providing for disposition of property in cities of the second class.

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

Section 1. Sections 3(b), 31.2(a), (b.1) and (b.2) (1), 32(a) and 39.2(a), (a.1), (b), (b.1) and (c) of the act of May 16, 1923 (P.L.207, No.153), referred to as the Municipal Claim and Tax Lien Law, are amended to read:

Section 3. \* \* \*

(b) With the exception of those claims which have been assigned, any municipal claim, municipal lien, tax, tax claim or tax lien, including interest, penalty and costs, imposed by a city of the first [class,] **or second class or by a county of the second class or by a municipality therein**, shall be a judgment only against the said property when the lien has been docketed by the prothonotary. The docketing of the lien shall be given the effect of a judgment against the said property only with respect to which the claim is filed as a lien. The prothonotary shall maintain an in rem index, the form and location of which shall be within the prothonotary's discretion. All tax claims, water rents or rates, lighting rates, power rates and sewer rates heretofore filed are hereby ratified, confirmed and made valid subsisting liens as of the date of their original filing.

\* \* \*

Section 31.2. (a) In addition to the remedies prescribed in sections [28,] 31 and 31.1 of this act, in cities of the first [class,] **or second class and counties of the second class and any municipalities therein**, whenever a claimant has filed its tax or municipal claim in accordance with the requirements of this act, it may file its petition in the court in which the proceeding is pending, setting forth the facts necessary to show the right to sell, together with searches or a title

insurance policy, showing the state of record and the ownership of the property, and of all tax and municipal claims, **liens**, mortgages, ground rents or other charges on, or estates in, the land, as shown by the official records of the city or county, or the political subdivision in which the real estate is situate, and thereupon the court shall grant a rule upon all parties thus shown to be interested, to appear and show cause why a decree should not be made that the property be sold, freed and cleared of their respective claims, **liens**, mortgages, ground rents, charges and estates. If upon a hearing, the court is satisfied that service had been made of the rule upon the parties respondent in the manner provided in [this act for the service of writs of scire facias to obtain judgments upon tax and municipal claims, and that contemporaneously with the service of the rule on the parties respondent notice of the rule has been published by the claimant in at least one newspaper of general circulation in the county, and in a legal periodical published therein, if any,] **section 39.2** and that the facts stated in the petition be true, it shall order and decree that the property be sold at a subsequent sheriff's sale at a time to be fixed thereafter by the claimant, clear of all claims, liens, mortgages, ground rents, charges and estates, to the highest bidder at such sale and after payment of the tax or municipal lien the balance of the proceeds realized therefrom, shall be distributed in accordance with the priority of the remaining claims, liens, mortgages, ground rents, charges and estates, and the purchaser at such sale shall take and forever thereafter have, an absolute title to the property sold, free and discharged of all tax and municipal claims, liens, mortgages, ground rents, charges and estates of whatsoever kind, subject only to the right of redemption as provided by law. The date of the sale shall be advertised in at least one newspaper of general circulation in the county **in which the property is located** and in the legal periodical published therein.

\* \* \*

(b.1) A city of the first **or second** class may, within thirty days of any sale held under this section, petition the court of common pleas to prohibit the transfer of any deed for any property exposed for any sale under this act which is located in that city to any purchaser who is proven to meet any of the criteria set forth in subsection (b.2).

(b.2) (1) The petition of a city of the first **or second** class shall allege that the purchaser has over the three years preceding the filing of the petition exhibited a course of conduct which demonstrates that a purchaser permitted an uncorrected housing code violation to continue unabated after being convicted of such violation and:

(i) failed to maintain property owned by the purchaser in a reasonable manner such that it posed a threat to health, safety or property; or

(ii) permitted the use of property in an unsafe, illegal or unsanitary manner such that it posed a threat to health, safety or property.

\* \* \*

Section 32. (a) The owner of any property sold under a tax or municipal claim, or his assignees, or any party whose lien or estate has been discharged thereby, may, except as provided in subsection (c) of this section, redeem the same **if the property is not located in a city of the second class or a county of the second class or a municipality therein** at any time within nine months from the date of the acknowledgment of the sheriff's deed [therefor,] **and if the property is located**

in a city of the second class or a county of the second class or a municipality therein at any time within three months from the date of the acknowledgment of the sheriff's deed therefor, upon payment of the amount bid at such sale; the cost of drawing, acknowledging, and recording the sheriff's deed; the amount of all taxes and municipal claims, whether not entered as liens, if actually paid; the principal and interest of estates and encumbrances, not discharged by the sale and actually paid; the insurance upon the property, and other charges and necessary expenses of the property, actually paid, less rents or other income therefrom, and a sum equal to interest at the rate of ten per centum per annum thereon, from the time of each of such payments. If both owner and creditor desire to redeem, the owner shall have the right so to do only in case he pays the creditor's claim in full. If more than one creditor desires to redeem, the one who was lowest in lien at the time of sale shall have the prior right, upon payment in full of the claim of the one higher in lien. Within nine months **if the property is not located in a city of the second class or a county of the second class or a municipality therein or within three months if the property is located in a city of the second class or a county of the second class or a municipality therein**, one who was lower in lien may redeem from one higher in lien who has already redeemed, and the owner may redeem from him; and so on throughout, in each case by paying the claim of the one whose right was higher; and one higher in lien may redeem from one lower in lien, unless his claim is paid; but in each case the right must be exercised within [nine months] **the time specified in this section.**

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Section 39.2. (a) In cities of the first [class,] **or second class and counties of the second class and municipalities therein**, notice of a rule to show cause why a property should not be sold free and clear of all encumbrances issued by a court pursuant to a petition filed by a claimant under section 31.2 of this act shall be served by the claimant upon owners, mortgagees, holders of ground rents, liens and charges or estates of whatsoever kind as follows:

(1) By posting a true and correct copy of the petition and rule on the most public part of the property;

(2) By mailing by first class mail to the address registered by any interested party pursuant to section 39.1 of this act a true and correct copy of the petition and rule; and

(3) By reviewing a title search, title insurance policy or tax information certificate that identifies interested parties of record who have not registered their addresses pursuant to section 39.1 of this act, the [city] **claimant** shall mail by first class mail and either by certified mail, return receipt requested, or by registered mail to such addresses as appear on the respective records relating to the premises a true and correct copy of the petition and rule.

Service of notice pursuant to this section shall be deemed accomplished on the date of mailing. The [city] **claimant** shall file an affidavit of service with the court prior to seeking a decree ordering the sale of the premises.

(a.1) In counties of the second class and municipalities therein, notice of a rule to show cause why a property should not be sold free and clear of all liens and encumbrances issued by a court pursuant to a petition filed by a claimant under sections [28] **31** and 31.1 of this act shall be served by the claimant upon owners, mortgagees, holders of ground rents, liens and charges or estates of whatsoever kind as follows:

(1) By posting a true and correct copy of the petition and rule on the most public part of the property.

(2) By reviewing a title search, title insurance policy or tax information certificate that identifies interested parties of record, the county or municipality shall mail by first class mail and either by certified mail, return receipt requested, or by certificate of mailing to such addresses as appear on the respective records relating to the premises a true and correct copy of the petition and rule. Notice pursuant to this section shall be deemed accomplished on the date of mailing. The [county or municipality] **claimant** shall file an affidavit of service with the court prior to seeking a decree ordering the sale of the premises.

(b) No party whose interest did not appear on a title search, title insurance policy or tax information certificate or who failed to accurately register his interest and address pursuant to section 39.1 of this act shall have standing to complain of improper notice if the [city] **claimant** shall have complied with subsection (a) of this section. This provision shall not apply if the mortgage or interest was otherwise properly recorded in the Office of the Recorder of Deeds **or the Department of Real Estate, as applicable**, and the document contains a current address sufficient to satisfy the notice requirements of this section. Notwithstanding any other requirement set forth in this act or any other law to the contrary, the notice required by subsection (a) of this section shall constitute the only notice required before a court may enter a decree ordering a tax sale.

(b.1) No party whose interest did not appear on a title search or title insurance policy, because of the party's failure to record or properly record its interest, shall have standing to complain of improper notice if the county or municipality shall have complied with subsection (a.1). This provision shall not apply if the mortgage or interest was otherwise properly recorded in the Office of the Recorder of Deeds **or the Department of Real Estate, as applicable**, and the document contains a current address sufficient to satisfy the notice requirements of this section. Notwithstanding any other requirement set forth by subsection (a.1), notice thereunder shall constitute the only notice required before a court may enter a decree ordering a tax sale free and clear of liens.

(c) Notice of the court's decree ordering a tax sale, together with the time, place and date of the sale, shall be served by first class mail on all parties served with the petition and rule, on any parties whose interest appeared of record after the filing of the petition but before the court's decree and on any creditor who has obtained judgment against the owner of the premises prior to the date of the decree. The [city] **claimant** shall file an affidavit of service of these notices prior to the date of the sale.

\* \* \*

Section 2. The act is amended by adding a section to read:

**Section 39.6. The mayor of a city of the second class may designate an agency for the acquisition, administration, maintenance and disposition of property acquired by the city of the second class at a sheriff's sale. The city of the second class, or its agent, may act as an agent for a taxing authority having a claim against property under this section, pursuant to a locally negotiated agreement that positively affirms the consent by each taxing authority to allow the city of a second class to act as an agent on each taxing authority's behalf. A**

**city of the second class acting as an agent for a taxing authority under this section may take any actions necessary to protect and defend a taxing authority's rights and obligations under this act.**

Section 3. The amendment of section 32(a) of the act shall apply to a sheriff's sale conducted on or after the effective date of this section.

Section 4. This act shall take effect in 60 days.

APPROVED--The 5th day of July, A.D. 2023.

JOSH SHAPIRO