

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 581 Session of 2021

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SENATOR PITTMAN, URBAN AFFAIRS AND HOUSING, IN SENATE, AS AMENDED, MARCH 30, 2022

AN ACT

1 Authorizing local taxing authorities to provide for tax
2 exemptions for improvements to deteriorated areas and
3 dwellings to incentivize the creation and improvement of
4 affordable housing units.

TABLE OF CONTENTS

6 Chapter 1. General Provisions

7 Section 101. Short title.

8 Section 102. Definitions.

9 SECTION 103. REQUIREMENT.

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10 Chapter 2. Special Tax Provisions for Impoverished
11 Pennsylvanians

12 Section 201. Construction.

13 Section 202. Declaration of policy (Reserved).

14 Section 203. Special tax provisions and refund or forgiveness
15 of real estate taxes.

1 Section 204. Application and proof of claim.
2 Section 205. Administration and enforcement.
3 Chapter 3. Creating and Improving Affordable Housing Units in
4 Deteriorated Areas
5 Section 301. Construction.
6 Section 302. Exemption.
7 Section 303. Exemption schedule.
8 Section 304. Procedure for obtaining exemption incentives.
9 Section 305. Eligibility requirements.
10 Chapter 4. Creating and Improving Affordable Housing Units
11 Section 401. Construction.
12 Section 402. Exemption schedule.
13 Section 403. Exemption incentives procedure.
14 Section 404. Eligibility requirements.
15 Chapter 5. Miscellaneous Provisions
16 Section 501. Effective date.

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

19 CHAPTER 1

20 GENERAL PROVISIONS

21 Section 101. Short title.

22 This act shall be known and may be cited as the Affordable
23 Housing Unit Tax Exemption Act.

24 Section 102. Definitions.

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

28 "Affordable housing unit."

29 (1) A multiunit residential dwelling where at least 30%
30 of the residential units meet all of the following:

1 (i) Are rent-restricted.

2 (ii) Are occupied by an individual or family whose
3 income is not more than 60% of area median income.

4 (2) The term includes single family residences that are
5 subject to deed restrictions and occupied by an individual or
6 family whose income is not more than 60% of the area median
7 gross income.

8 "Area median income." The median household income within the
9 boundaries of a local taxing authority.

10 "Blighted property." The term shall have the same meaning as
11 defined in 1 Pa.C.S. § 1991 (relating to definitions).

12 "Deteriorated area." An area designated by a municipal
13 corporation which consists of blighted property.

14 "Dwelling unit." A house, apartment, or group of rooms
15 intended for occupancy as separate living quarters by family or
16 other groups or a person living alone, containing a kitchen or
17 cooking equipment for the exclusive use of the occupants.

18 "Homestead." As follows:

19 (1) A dwelling used as a home which is occupied by a
20 taxpayer as a primary residence.

21 (2) The term includes:

22 (i) A mobile home which is assessed as realty for
23 local property tax purposes and the land on which the
24 mobile home is situated and other similar living
25 accommodations, including a part of a multidwelling or
26 multipurpose building and a part of the land upon which
27 the multidwelling or multipurpose building is built to
28 the extent that the eligible taxpayer is chargeable by a
29 local taxing authority for property taxes.

30 (ii) A premises occupied by an eligible taxpayer if

1 the eligible taxpayer is required by law to pay a
2 property tax by reason of the taxpayer's ownership or
3 rental of, include a possessory interest in, the
4 dwelling, land or both. As used in this subparagraph:

5 (A) The term "by law" shall not include a
6 contractual obligation between the eligible taxpayer
7 and a person who would otherwise be responsible to a
8 local taxing authority for the payment of the tax.

9 (B) An owner shall include a person in
10 possession under a contract of sale, deed of trust,
11 life estate, joint tenancy or tenancy in common.

12 "Improvement." Repair, construction or reconstruction,
13 including alterations and additions, having the effect of
14 rehabilitating a blighted property so that the blighted property
15 becomes habitable or attains higher standards of safety, health,
16 economic use or amenity, or is brought into compliance with
17 laws, ordinances or regulations governing safety, health,
18 economic use or amenity standards. The term shall not include
19 ordinary upkeep and maintenance.

20 "Local taxing authority." A county, city, borough,
21 incorporated town, township, institution district or school
22 district having authority to levy real property taxes.

23 "Low-income taxpayer." A taxpayer whose income does not
24 exceed the maximum annual income allowable for an eligible
25 claimant to participate in the Pharmaceutical Assistance
26 Contract for the Elderly Needs Enhancement Tier (PACENET).

27 "Municipal code." A building, housing, property maintenance,
28 fire, health or other public safety ordinance, related to the
29 use or maintenance of real property, enacted by a municipality.
30 The term does not include a subdivision and land development

1 ordinance or a zoning ordinance enacted by a municipality.

2 "Municipal corporation." A city, borough, incorporated town
3 or township.

4 "Property maintenance code." A municipal ordinance which
5 regulates the maintenance or development of real property. The
6 term includes a building code, housing code and public safety
7 code.

8 "Real estate taxes." A tax on a homestead imposed or
9 authorized to be imposed by a local taxing authority.

10 "Rent-restricted." The maximum rent an owner may charge for
11 a unit does not exceed 30% of the adjusted income of a family or
12 taxpayer whose annual income is less than or equal to 60% of the
13 area median gross income.

14 "Serious violation." A violation of a State law or a
15 municipal code that poses an immediate imminent threat to the
16 health and safety of a dwelling occupant, an occupant in a
17 surrounding structure or a passerby.

18 "Special tax provision." The standards and qualifications
19 provided under this act to establish the eligibility for and the
20 refund or forgiveness of a portion of the taxpayer's real estate
21 tax liability.

22 "SUBJECT PROPERTY." REAL PROPERTY SUBJECT TO REAL ESTATE <--
23 TAXES WITHIN THE BOUNDARIES OF A LOCAL TAXING AUTHORITY.

24 "Substantial step." An affirmative action as determined by a
25 property code official or officer of the court on the part of a
26 property owner or managing agent to remedy a serious violation
27 of a State law or code, including, but not limited to, physical
28 improvements or repairs to the property, which affirmative
29 action is subject to appeal in accordance with applicable law.

30 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,

1 No.2), known as the Tax Reform Code of 1971.

2 "Taxpayer Relief Act." The act of June 27, 2006 (1st
3 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.

4 SECTION 103. REQUIREMENT. <--

5 A TAX EXEMPTION OR SPECIAL TAX PROVISION PERMITTED UNDER THIS
6 ACT SHALL NOT BE ENFORCEABLE UNTIL THE GOVERNING BODY OF EACH
7 LOCAL TAXING AUTHORITY WITH MUTUAL JURISDICTION TO LEVY REAL
8 ESTATE TAXES ON A SUBJECT PROPERTY HAS APPROVED AN ORDINANCE OR
9 RESOLUTION ADOPTING THE TAX EXEMPTION OR SPECIAL TAX PROVISION.
10 UPON ADOPTION OF AN ORDINANCE OR RESOLUTION, EACH LOCAL TAXING
11 AUTHORITY MUST POST A NOTICE OF THE APPROVAL OF THE TAX
12 EXEMPTION OR SPECIAL TAX PROVISION ON ITS PUBLICLY ACCESSIBLE
13 INTERNET WEBSITE. IF A LOCAL TAXING AUTHORITY DOES NOT POSSESS A
14 PUBLICLY ACCESSIBLE INTERNET WEBSITE, NOTICE OF THE APPROVAL OF
15 THE TAX EXEMPTION OR SPECIAL TAX PROVISION MUST BE PUBLISHED IN
16 A NEWSPAPER OF GENERAL CIRCULATION IN THE AREA. UPON ADOPTION OF
17 AN ORDINANCE OR RESOLUTION BY EACH LOCAL TAXING AUTHORITY WITH
18 MUTUAL JURISDICTION TO LEVY REAL ESTATE TAXES ON A SUBJECT
19 PROPERTY, A JOINT NOTICE OF IMPLEMENTATION OF THE TAX EXEMPTION
20 OR SPECIAL TAX PROVISION MUST BE PUBLISHED IN A NEWSPAPER OF
21 GENERAL CIRCULATION IN THE AREA.

22 CHAPTER 2

23 SPECIAL TAX PROVISIONS FOR IMPOVERISHED PENNSYLVANIANS

24 Section 201. Construction.

25 This chapter shall be construed to authorize a local taxing
26 authority to provide by ordinance or resolution for the
27 implementation of the special tax provisions contained in this
28 act which allow for the refund or forgiveness of real property
29 tax liability of low-income families attributable to real
30 property tax rate increases and increases in the assessed value

1 of the low-income family's homestead, implementing section 2(b)
2 (ii) of Article VIII of the Constitution of Pennsylvania.

3 Section 202. Declaration of policy (Reserved).

4 Section 203. Special tax provisions and refund or forgiveness
5 of real estate taxes.

6 (a) General rule.--A taxpayer residing within the boundaries
7 of a local taxing authority who meets the standards and
8 qualifications established by this act shall be deemed a
9 separate class of subjects of taxation, and, as such, each
10 governing body of a local taxing authority may by ordinance
11 provide that the taxpayer shall be entitled to the benefit of
12 the special tax provisions of this act.

13 (b) Refund or forgiveness of real estate taxes.--Under an
14 ordinance or resolution referenced under subsection (a), an
15 eligible taxpayer shall receive a refund or forgiveness which
16 has been paid over to or would, except for this act, be payable
17 to the local taxing authority for real estate taxes authorized
18 or imposed by a local taxing authority in accordance with the
19 following:

20 (1) A low-income taxpayer shall receive a refund or
21 forgiveness of the part of the low-income taxpayer's real
22 estate tax liability attributable to a real estate tax rate
23 increase or an increase in the assessed value of the
24 taxpayer's homestead occurring after the effective date of an
25 ordinance implementing this act.

26 (2) If a taxpayer who had previously been eligible to
27 receive a refund or forgiveness of real estate taxes under
28 this act is no longer eligible by reason of failing to meet
29 the low-income requirement provided under this act, the
30 taxpayer shall be billed and shall pay real estate taxes at

1 the then current real estate tax rate and assessed value. If
2 for subsequent tax years a taxpayer reestablishes eligibility
3 for refunds or forgiveness of real estate taxes by again
4 meeting the low-income requirements provided under this act,
5 the amount of real estate taxes that the taxpayer is eligible
6 to have refunded or forgiven shall be the part of the
7 taxpayer's real estate tax liability attributable to a real
8 estate tax rate increase or an increase in the assessed value
9 of the taxpayer's homestead occurring no earlier than the
10 calendar year prior to the tax year for which the taxpayer
11 reestablishes eligibility.

12 (3) The maximum amount of real estate taxes which may be
13 refunded or forgiven may be limited by ordinance.

14 (4) If a homestead is owned for only a portion of a year
15 or is owned in part by a person who is not a low-income
16 taxpayer, the tax collector shall apportion the real estate
17 taxes in accordance with the period or portion of ownership
18 of the eligible taxpayer in determining the amount of refund
19 or forgiveness for which a taxpayer is eligible.

20 Section 204. Application and proof of claim.

21 (a) Application.--A taxpayer desiring to take advantage of
22 the special tax provisions under an ordinance or resolution
23 adopted under this act shall notify the local taxing authority
24 granting the special tax provisions in writing on a form
25 provided by the local taxing authority submitted at the time
26 provided in the ordinance or resolution. Only one taxpayer for
27 each homestead shall receive real estate tax refund or
28 forgiveness of taxes. If at least two taxpayers are residing at
29 a homestead meet the qualification for a real estate tax refund
30 or forgiveness of taxes, the taxpayers may determine who shall

1 receive the refund or forgiveness of taxes. If the taxpayers are
2 unable to agree, each local taxing authority shall determine to
3 whom the refund or forgiveness of taxes shall apply.

4 (b) Proof of claim.--Each application shall include
5 reasonable proof of household income, the location and nature of
6 the property claimed as a homestead and the tax bill or receipt
7 for the real estate taxes owed or paid in connection with the
8 occupancy of the homestead. For the purposes of this subsection,
9 a taxpayer shall not be required to directly pay the real estate
10 taxes.

11 Section 205. Administration and enforcement.

12 Each local taxing authority shall provide by ordinance or
13 resolution, rule or regulation for the administration and
14 enforcement of an ordinance or resolution adopted under this
15 act.

16 CHAPTER 3

17 CREATING AND IMPROVING AFFORDABLE HOUSING

18 UNITS IN DETERIORATED AREAS

19 Section 301. Construction.

20 This chapter shall be construed to authorize a local taxing
21 authority to provide for tax exemption incentives for new
22 construction for, and improvements to, deteriorated areas of
23 this Commonwealth to create and improve affordable housing
24 units. This chapter shall implement section 2(b)(iii) of Article
25 VIII of the Constitution of Pennsylvania.

26 Section 302. Exemption.

27 (a) Real property tax exemption.--

28 (1) A local taxing authority may, by ordinance or
29 resolution, exempt from real property taxation the assessed
30 valuation of improvements to blighted properties for the

1 creation of, or improvements to, affordable housing units,
2 and the assessed valuation of new construction within a
3 deteriorated area in the amounts and in accordance with the
4 provisions and limitations specified in this act.

5 (2) An ordinance or resolution under paragraph (1) shall
6 specify a description of each deteriorated area, the cost of
7 improvements per unit to be exempted and the schedule or
8 taxes exempted as provided under this act.

9 (b) Boundaries.--Prior to the adoption of the ordinance or
10 resolution authorizing the granting of a tax exemption under
11 this section, a municipal corporation must designate the
12 boundaries of the deteriorated area, wholly or partially located
13 within its jurisdiction, if any.

14 (c) Public hearing.--

15 (1) At least one public hearing must be held by the
16 municipal corporation for the purpose of determining the
17 boundaries of a deteriorated area.

18 (2) At a public hearing under paragraph (1), the local
19 taxing authorities, planning commission or redevelopment
20 authority and other interested public and private agencies
21 and individuals, shall present their recommendations
22 concerning the location of boundaries of a deteriorated area
23 for the guidance of the municipal corporation.

24 (3) The public hearing shall be held in accordance with
25 65 Pa.C.S. Ch. 7 (relating to open meetings).

26 (d) Adjacent property inclusions.--Property adjacent to a
27 deteriorated area may be included within the deteriorated area
28 if the local taxing authority determines that new construction
29 on the property would encourage, enhance or accelerate the
30 development of affordable housing units.

1 (e) Municipal cooperation.--

2 (1) Two or more municipal corporations may join together
3 for the purpose of determining the boundaries of a
4 deteriorated area and establishing the uniform maximum cost
5 per unit. Each municipal corporation joining together under
6 this paragraph shall cooperate fully with each other for the
7 purpose of implementing this act.

8 (2) A local taxing authority may, by implementing an
9 ordinance or resolution, agree to adopt a tax-exemption
10 schedule contingent upon the similar adoption by an adjacent
11 local taxing authority or by a local taxing authority with
12 mutual jurisdiction, within the limitations provided under
13 this act.

14 (f) Rescinding deteriorated area designation.--A local
15 taxing authority may rescind an ordinance or resolution adopted
16 under subsection (a) if the local taxing authority determines
17 that the tax exemption in the deteriorated area within the
18 boundaries established under subsection (b) has accomplished the
19 goal of creating and improving affordable housing units in the
20 deteriorated area. Property granted tax exemption within the
21 boundaries of the deteriorated area prior to the ordinance or
22 resolution being rescinded shall continue to receive the tax
23 exemption granted until the tax exemption is terminated in
24 accordance with the exemption schedule.

25 Section 303. Exemption schedule.

26 (a) Provision.--A local taxing authority granting a tax
27 exemption under this chapter may provide for a tax exemption on
28 the assessment attributable to the actual cost of new
29 construction or improvements for affordable housing units or up
30 to any maximum cost uniformly established by the local taxing

1 authority. The maximum cost shall uniformly apply to each
2 eligible blighted property within the deteriorated area within
3 the local taxing authority's jurisdiction.

4 (b) Schedule.--Notwithstanding if the assessment eligible
5 for exemption is based on actual cost or a maximum cost, the
6 actual amount of real estate taxes exempted shall be in
7 accordance with one of the following schedules, as determined by
8 the local taxing authority:

9 (1) For the following years for which improvements would
10 otherwise be taxable:

11 (i) for the first year, 100% of the eligible
12 assessment shall be exempted;

13 (ii) for the second year, 90% of the eligible
14 assessment shall be exempted;

15 (iii) for the third through tenth years, 80%, 70%,
16 60%, 50%, 40%, 30%, 20% and 10%, respectively; and

17 (iv) after the tenth year, the exemption shall
18 terminate.

19 (2) For the following years for which improvements would
20 otherwise be taxable:

21 (i) for the first year, 100% of the eligible
22 assessment shall be exempted;

23 (ii) for the second year, 80% of the eligible
24 assessment shall be exempted;

25 (iii) for the third through fifth years, 60%, 40%
26 and 20%, respectively, of the eligible assessment shall
27 be exempted; and

28 (iv) after the fifth year, the exemption shall
29 terminate.

30 (3) For the following years for which improvements would

1 otherwise be taxable:

2 (i) for the first through third years, 100% of the
3 eligible assessment shall be exempted; and

4 (ii) after the third year, the exemption shall
5 terminate.

6 (4) For the first through tenth years for which
7 improvements would otherwise be taxable, 100% of the eligible
8 assessment shall be exempted and after the tenth year the
9 exemption shall terminate.

10 (5) A local taxing authority may provide for tax
11 exemption on the assessment attributable to the actual cost
12 of construction of the dwelling unit in accordance with a
13 schedule established by the taxing authority, if the
14 exemption schedule does not exceed a period of 10 years.

15 (c) Limitation.--The exemption from taxes shall be limited
16 to the additional assessment valuation attributable to the
17 actual costs of new construction or improvements to blighted
18 property or not in excess of the maximum cost per unit
19 established by a local taxing authority.

20 (d) Sale or exchange.--The exemption from taxes shall be
21 upon the property exempted and shall not terminate upon the sale
22 or exchange of the property.

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

27 (f) Repayment.--

28 (1) A local taxing authority shall be entitled to a
29 return of its proportional share of real estate taxes
30 exempted under the provisions of this act if, within five

1 years following completion of the new construction or
2 improvements:

3 (i) there exists on the property a serious violation
4 of State law or a municipal code and the owner has taken
5 no substantial steps to correct the serious violation
6 within six months following notification of the serious
7 violation and for which fines or other penalties or a
8 judgment to abate or correct were imposed by a
9 magisterial district judge or municipal court, and a
10 final judgment at law or in equity, not subject to
11 appellate review, was imposed by a court of common pleas;
12 or

13 (ii) the taxpayer is subject to a municipal permit
14 denial under 53 Pa.C.S. Ch. 61 (relating to neighborhood
15 blight reclamation and revitalization).

16 (2) At the time the agreement is entered into between a
17 local taxing authority and the taxpayer who desires tax
18 exemption, if the taxpayer has completed all requirements
19 under section 305, the local taxing authorities shall file a
20 lien against the tax-exempt properties at the rate of the
21 estimated amount of assessment under subsection (b). The lien
22 shall be forgiven by the local taxing authority at the end of
23 the fifth year following the completion of the new
24 construction or improvements, if there have been no serious
25 violations against the property that have not been corrected.
26 The lien on the property shall transfer under subsection (d)
27 in cases of sale or exchange of the property.

28 Section 304. Procedure for obtaining exemption incentives.

29 (a) Notification.--A taxpayer desiring tax exemption
30 authorized by an ordinance or resolution adopted under this

1 chapter shall notify the local taxing authority granting the
2 exemption in writing on an application form provided by the
3 local taxing authority, submitted at the time the taxpayer
4 secures the building permit or, if no building permit or other
5 notification of new construction or improvement is required, at
6 the time the taxpayer commences construction. The application
7 shall include the following information:

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

10 (2) Outline of specifications for the new construction
11 or improvement, indicating with as much specificity as
12 practicable, the materials to be used for exterior and
13 interior finishes.

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

16 (i) Be on contractor letterhead.

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

18 (iii) Be signed by the applicant.

19 (4) Preliminary architectural drawings or blueprints for
20 the new construction or improvement.

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

22 (6) An applicable building permit application or
23 building permit.

24 (7) An income and expense report for the property, which
25 may be submitted directly to the county assessment office in
26 order to protect the confidentiality of the information.

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

29 (9) The signature of the applicant and the date of
30 signing.

1 (b) Estimate.--The amount of assessment deemed eligible for
2 tax exemption under subsection (c) shall be available for public
3 inspection and copying so that a subsequent purchaser is
4 informed of the amount of taxes to be paid after the 10-year
5 exemption period.

6 (c) County assessment office.--

7 (1) A copy of the exemption request shall be forwarded
8 to the county assessment office. The county assessment office
9 shall, after completion of the new construction or
10 improvement, assess separately the new construction or
11 improvement and calculate the amounts of the assessment
12 eligible for tax exemption in accordance with the limits
13 established by the local taxing authorities and notify the
14 taxpayer and the local taxing authorities of the reassessment
15 and amounts of the assessment eligible for exemption.

16 (2) Appeals from the reassessment and the amounts
17 eligible for the exemption may be taken by the taxpayer or
18 the local taxing authorities.

19 (d) Amendment of ordinance or resolution.--The cost of new
20 construction or improvements to be exempted and the schedule of
21 taxes exempted which exist at the time of the initial request
22 for tax exemption shall apply to the exemption request. A
23 subsequent amendment to the ordinance or resolution shall not
24 apply to a request initiated prior to adoption of the amendment.
25 Section 305. Eligibility requirements.

26 (a) General rule.--The completed new construction or
27 improvement must:

- 28 (1) Conform to zoning ordinance requirements.
29 (2) Increase the value of the property by at least 25%.
30 (3) Correct each municipal code violation.

1 (b) Ineligibility.--A property shall be ineligible for tax
2 exemption under section 304(a) if:

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

5 (2) The property receives tax relief through a State
6 program, except as provided under subsection (d).

7 (3) The property owner or developer is delinquent on
8 property taxes related to the subject property, except if the
9 delinquent taxes are paid prior to construction or payment of
10 delinquent taxes has been arranged with the local taxing
11 authority in accordance with an installment plan.

12 (4) The property owner has a legal or equitable interest
13 in other property for which property taxes are delinquent,
14 except if the delinquent taxes are paid prior to construction
15 or payment of delinquent taxes has been arranged with the
16 local taxing authority in accordance with an installment
17 plan.

18 (5) New construction or improvement has commenced prior
19 to filing an application under section ~~305~~. <--

20 ~~(6) The property includes an improvement under~~
21 ~~subsection (c) that poses a health or safety risk to an~~
22 ~~individual residing above the first floor.~~ 304. <--

23 (c) Exception.--The amount of assessment eligible for
24 exemption under this act shall be offset by the amount of
25 property tax rebate received under Chapter 13 of the Taxpayer
26 Relief Act.

27 (d) Limitations.--The property qualifying and receiving a
28 tax exemption under this chapter shall be ineligible for or
29 receive additional tax exemptions under the act of July 9, 1971
30 (P.L.206, No.34), known as the Improvement of Deteriorating Real

1 Property or Areas Tax Exemption Act, and the act of December 1,
2 1977 (P.L.237, No.76), known as the Local Economic
3 Revitalization Tax Assistance Act, for a minimum of 15 years
4 from the date the property received a tax exemption under this
5 chapter.

6 (e) Prohibitions.--For the period of time that a property
7 receives a tax exemption under this chapter, a purchase or sale
8 of the property or any portion of the property may not be
9 structured to exclude or exempt the transaction from a realty
10 transfer tax due to a taxing authority that would not be
11 excluded or exempt, except for the following:

12 (1) A sheriff sale or tax claim bureau sale.

13 (2) A corrective deed.

14 (3) A transfer by a mortgagor to the holder of a bona
15 fide mortgage in default in lieu of a foreclosure.

16 (4) A transfer to a judicial sale in which the
17 successful bidder is the bona fide holder of a mortgage.

18 (5) A transaction excluded from the realty transfer tax
19 under Article XI-C of the Tax Reform Code of 1971.

20 CHAPTER 4

21 CREATING AND IMPROVING AFFORDABLE HOUSING UNITS

22 Section 401. Construction.

23 This chapter shall be construed to authorize local taxing
24 authorities to provide for special tax provisions on an increase
25 in value of real estate resulting from construction of
26 affordable housing units or improvements to an existing
27 affordable housing unit within the boundaries of the local
28 taxing authority, implementing section 2(b)(iv) of Article VIII
29 of the Constitution of Pennsylvania.

30 Section 402. Exemption schedule.

1 (a) General rule.--A local taxing authority granting a tax
2 exemption under this chapter may provide for a tax exemption on
3 the assessment attributable to the actual cost of new
4 construction or improvements for affordable housing units or up
5 to a maximum cost uniformly established by the municipal
6 corporation. The maximum cost shall uniformly apply to each
7 eligible affordable housing unit constructed or improved within
8 the local taxing authority's jurisdiction.

9 (b) Schedule.--Notwithstanding if an assessment eligible for
10 exemption is based upon actual cost or a maximum cost, the
11 actual amount of taxes exempted shall be in accordance with one
12 of the following schedules, as determined by the local taxing
13 authority:

14 (1) For the following years for which new construction
15 or improvements would otherwise be taxable:

16 (i) for the first year, 100% of the eligible
17 assessment shall be exempted;

18 (ii) for the second year, 100% of the eligible
19 assessment shall be exempted; and

20 (iii) after the second year, the exemption shall
21 terminate.

22 (2) For the following years for which new construction
23 or improvements would otherwise be taxable:

24 (i) for the first year, 100% of the eligible
25 assessment shall be exempted;

26 (ii) for the second year, 50% of the eligible
27 assessment shall be exempted; and

28 (iii) after the second year, the exemption shall
29 terminate.

30 (c) Limitation.--An exemption from a tax under this chapter

1 shall be limited to the additional assessment valuation:

2 (1) attributable to the actual costs of new construction
3 or improvements to affordable housing units; or

4 (2) not in excess of the maximum cost per unit
5 established by a local taxing authority.

6 (d) Sale or exchange.--An exemption from a tax under this
7 chapter shall be on the property exempted and shall not
8 terminate upon the sale 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 receive a return of
15 the local taxing authority's proportional share of taxes
16 exempted under this act if, within five years following
17 completion of the new construction or improvements:

18 (i) a serious violation of State law or a municipal
19 code exists on the property and the owner has taken no
20 substantial steps to correct the violation within six
21 months following notification of the violation and for
22 which fines or other penalties or a judgment to abate or
23 correct were imposed by a magisterial district judge or
24 municipal court and a final judgment at law or in equity,
25 not subject to appellate review, was imposed by a court
26 of common pleas; or

27 (ii) the taxpayer is subject to a municipal permit
28 denial under 53 Pa.C.S. Ch. 61 (relating to neighborhood
29 blight reclamation and revitalization).

30 (2) At the time the agreement is entered into between a

1 local taxing authority and the taxpayer who desires tax
2 exemption, if the taxpayer has completed each requirement
3 under section 404, the local taxing authority shall file a
4 lien against the tax-exempt properties at the rate of the
5 estimated amount of assessment under subsection (b). The lien
6 shall be forgiven by the local taxing authority at the end of
7 the fifth year following the completion of the new
8 construction or improvements, if there have been no serious
9 violations against the property that have not been corrected.
10 The lien on the property shall transfer under subsection (d)
11 for a sale or exchange of the property.

12 Section 403. Exemption incentives procedure.

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

22 (1) A statement of tax obligations, signed by the
23 applicant and the local taxing authority and notarized.

24 (2) An outline of specifications for the new
25 construction or improvement, indicating with as much
26 specificity as practicable, the materials to be used for
27 exterior and interior finishes.

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

30 (i) Be on contractor letterhead.

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

2 (iii) Be signed by the applicant.

3 (4) A preliminary architectural drawing or blueprint for
4 the new construction or improvement.

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

6 (6) An applicable building permit application or
7 building permit.

8 (7) An income and expense report for the property, which
9 may be submitted directly to the county assessment office in
10 order to protect the confidentiality of the information.

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

13 (9) The signature of the applicant and the date of
14 signing.

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

20 (c) County assessment office.--

21 (1) A copy of the exemption request shall be forwarded
22 to the county assessment office. After completion of the new
23 construction or improvement, the county assessment office
24 shall:

25 (i) Separately assess the new construction or
26 improvement and calculate the amounts of the assessment
27 eligible for tax exemption in accordance with the limits
28 established by the local taxing authorities.

29 (ii) Notify the taxpayer and the local taxing
30 authorities of the reassessment and amounts of the

1 assessment eligible for exemption.

2 (2) Appeals from a reassessment and the amounts eligible
3 for the exemption may be taken by the taxpayer or the local
4 taxing authorities.

5 (d) Amendment of ordinance or resolution.--The cost of new
6 construction or improvements to be exempted and the schedule of
7 taxes exempted which exist at the time of the initial request
8 for tax exemption shall apply to the exemption request. A
9 subsequent amendment to the ordinance or resolution shall not
10 apply to a request initiated prior to adoption of the amendment.
11 Section 404. Eligibility requirements.

12 (a) General rule.--The completed new construction or
13 improvement must:

- 14 (1) Conform to zoning ordinance requirements.
- 15 (2) Increase the value of the property by at least 25%.
- 16 (3) Correct each municipal code violation.

17 (b) Ineligibility.--A property shall be ineligible for tax
18 exemption under section ~~304(a)~~ 403(A) if: <--

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

21 (2) The property receives tax relief through a State
22 program, except as provided under subsection (d).

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

28 (4) The property owner has a legal or equitable interest
29 in other property for which property taxes are delinquent,
30 except if the delinquent taxes are paid prior to construction

1 or payment of delinquent taxes has been arranged with the
2 local taxing authority in accordance with an installment
3 plan.

4 (5) New construction or improvement has commenced prior
5 to filing an application under section 305. <--

6 ~~(6) The property includes an improvement under~~
7 ~~subsection (c) that poses a health or safety risk to an~~
8 ~~individual residing above the first floor.~~ 403. <--

9 (c) Exception.--The amount of assessment eligible for
10 exemption under this act shall be offset by the amount of
11 property tax rebate received under Chapter 13 of the Taxpayer
12 Relief Act.

13 (d) Limitations.--The property qualifying and receiving a
14 tax exemption under this chapter shall be ineligible for or
15 receive additional tax exemption under the act of July 9, 1971
16 (P.L.206, No.34), known as the Improvement of Deteriorating Real
17 Property or Areas Tax Exemption Act, and the act of December 1,
18 1977 (P.L.237, No.76), known as the Local Economic
19 Revitalization Tax Assistance Act, for a minimum of 15 years
20 from the date the property received a tax exemption under this
21 chapter.

22 (e) Prohibitions.--For the period of time that a property
23 receives a tax exemption under this chapter, a purchase or sale
24 of the property or a portion of the property may not be
25 structured to exclude or exempt the transaction from a realty
26 transfer tax due to a taxing authority that would not be
27 excluded or exempt, except for the following:

- 28 (1) A sheriff sale or tax claim bureau sale.
29 (2) A corrective deed.
30 (3) A transfer by a mortgagor to the holder of a bona

1 fide mortgage in default in lieu of a foreclosure.

2 (4) A transfer to a judicial sale in which the
3 successful bidder is the bona fide holder of a mortgage.

4 (5) A transaction excluded from the realty transfer tax
5 under Article XI-C of the Tax Reform Code of 1971.

6 CHAPTER 5

7 MISCELLANEOUS PROVISIONS

8 Section 501. Effective date.

9 This act shall take effect in 60 days.