



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 120054

Introduced February 2, 2012

**Councilmembers Green, Quiñones Sánchez, Goode, Henon, Oh, Jones,
Tasco, Squilla, O'Brien, O'Neill and Blackwell**

**Referred to the
Committee on Finance**

AN ORDINANCE

Amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," by providing for installment payment agreements and requiring commencement of enforcement action, all under certain terms and conditions.

WHEREAS, Tax collection and vacant land redevelopment are essential for the City's economic and community development; and

WHEREAS, Collection of municipal debt should be prompt, efficient, transparent, consistent, and effective; and

WHEREAS, The City's current delinquent property tax collection system falls short of these foundational goals and is characterized by delay, inefficiency, inconsistency, confusion, and ineffectiveness – a state of affairs that has persisted for years and across multiple administrations; and

WHEREAS, Accurate and timely reporting of data related to tax collection activities and assistance programs is necessary to evaluate their outcomes and efficacy, but generally is not now available; and

WHEREAS, As reported in a recent *Philadelphia Inquirer/PlanPhilly* special report, Philadelphia "runs the least-effective delinquent-property-tax-collection system of the nation's biggest cities," and has over 110,000 tax delinquent parcels – nearly 19% of all parcels in the City; and

WHEREAS, As also reported by the *Inquirer/PlanPhilly*, "[t]he city's typical tax delinquent is 6.5 years behind and owes \$4,249 in taxes, penalties, and interest"; the

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delinquency on 26,000 properties extends a decade or more; and the owners of nearly 8,500 properties have not paid real estate taxes for 20 years or more; and

WHEREAS, This high level of delinquency is due in part to barriers in accessing appropriate repayment agreements, including the “financial hardship agreements” that are supposed to be available for low-income taxpayers; again, as reported by the *Inquirer/PlanPhilly*, financial hardship agreements are in place for only about 1,000 delinquent properties; and

WHEREAS, The City’s existing approach to dealing with tax delinquency allows tax debt to accumulate on many properties for years with no enforcement action by the City, thereby making it cost-prohibitive for many citizens, especially low- and moderate-income residents, to utilize the current repayment structure due to the penalties and interest that accumulate in the interim; and

WHEREAS, Restructuring of municipal debt collection practices serves valuable public policy goals, including generating revenue to support municipal services, making properties more attractive for redevelopment by preventing them from becoming “underwater” with tax debt, and building wealth in low- and moderate-income families; and

WHEREAS, Preserving owner-occupied homes by offering citizens reasonable and feasible approaches for repaying their tax delinquency also serves the City’s economic interest by keeping neighborhoods and blocks stable, preventing homelessness, and ensuring that the equity of low- and moderate-income families is not lost in foreclosure; and

WHEREAS, In reforming Philadelphia’s debt collection and tax foreclosure processes, the City should incorporate tested, successful practices from the contexts of private mortgage diversion and bankruptcy, including a wide range of income-based repayment options; and

WHEREAS, Also in this reform process, the City should offer citizens the opportunity to enter into omnibus repayment agreements covering all municipal charges or debt, including not only real estate taxes but also water and sewer rent charges, fees and fines owed to the Department of Licenses and Inspections, and so on; and should protect vulnerable members of our communities, particularly senior citizens, military veterans, the unemployed, and people with disabilities; and

WHEREAS, In addition to offering property owners the opportunity to enter into reasonable, feasible repayment agreements with meaningful incentives for repaying their delinquent real estate taxes, the City must also move efficiently and effectively,

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using all available legal means, to collect delinquent taxes from those who refuse to enter into such agreements; now, therefore

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Chapter 19-1300 of The Philadelphia Code is amended to read as follows:

CHAPTER 19-1300. REAL ESTATE TAXES

* * *

§ 19-1305. Authorization for Installment Payment Agreements, Waiving Additions to Tax and Abating Interest and Penalties Otherwise Due Pursuant to Section 19-1303, *and Requiring Commencement of Enforcement Action.*

* * *

(2) Authorization for Installment Payments; Waiver of Additions to Tax; Abatement of Interest and Penalties.

[(a) Installment payment agreements with low income taxpayers are authorized for amounts due on current real estate tax liabilities on the homesteads of low income taxpayers for a term not to extend beyond December 31 of the tax year. Notwithstanding any provision of this Title to the contrary, the Department of Revenue shall waive, in accordance with rules and regulations adopted pursuant hereto, any additions to a current tax liability due on the homestead of a low income taxpayer who enters an installment payment agreement with the Department, provided that the terms of the agreement are fully complied with by the taxpayer. In order to qualify for relief pursuant to this subsection, the taxpayer shall make application to the Department no later than the 31st day of March of the year in which the tax is due and payable. Provided however that any taxpayer qualified under subsection (2) shall have until June 30, 1982 to choose to be covered hereunder without additional penalty.

(b) Installment payment agreements with senior citizen low income taxpayers are authorized for amounts due on current real estate tax liabilities on the homestead of senior citizen low income taxpayers for terms extending beyond December 31 of the tax year; provided, however, that a senior citizen low income taxpayer must acknowledge in writing that he or she understands that entering into an installment payment agreement for a term extending beyond December 31 of the tax year will (1) jeopardize entitlement to the Pennsylvania Senior Citizen Real Property Tax Rebate, and (2) result in a lien against the homestead. Notwithstanding any provision of this Title to the contrary, the Department of Revenue shall waive, in accordance with rules and

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regulations adopted pursuant hereto, any additions to a current tax liability due on the homestead of a senior citizen low income taxpayer who enters an installment payment agreement with the Department, provided that the terms of the agreement are fully complied with by the taxpayer. Notwithstanding any provision of this Title to the contrary, any interests and penalties which shall accrue or become due and payable by any senior citizen low income taxpayer shall be abated upon successful completion of an installment payment agreement. The Department of Revenue shall suspend further collection proceedings against a senior citizen low income taxpayer during the term of an installment payment agreement, provided that the terms of the agreement are fully complied with by the taxpayer. In order to qualify for relief pursuant to this subsection, the taxpayer shall make application to the Department no later than the 31st day of March of the year in which the tax is due and payable, provided however, that said senior citizen taxpayer shall have until June 30, 1982 in calendar year 1982 to make application hereunder without addition or penalty.]

(a) Installment payment agreements (hereinafter, "repayment agreements") with taxpayers are authorized for all amounts due on real estate tax liabilities on the homesteads of taxpayers, subject to the following terms and conditions:

(.1) Should a taxpayer not remit payment for current year real estate tax liabilities by March 31st of such tax year, the Department shall send the taxpayer a notice within thirty (30) days containing the following information:

(.a) a clear statement of the right of the taxpayer to enter into an income-based repayment agreement for all real estate tax liabilities on the taxpayer's homestead, the steps the taxpayer must take to enter into such an agreement, and the deadline for doing so;

(.b) the amount of current year real estate tax delinquency;

(.c) the amount of any prior year real estate tax delinquency, specifically indicating the amounts of such prior year delinquency that are principal, penalty, and interest;

(.d) the taxpayer's real estate tax payment history, including how each such payment by the taxpayer was applied (i.e., to principal, penalty, or interest);

(.e) the amount of all other City-related debt owed by the taxpayer and capable of being liened against the taxpayer's homestead including,

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without limitation, water and sewer rent, nuisance and demolition fees and fines, and other amounts owed to the City;

(.f) accurate information about available assistance programs including, for example, Pennsylvania's Property Tax/Rent Rebate Program; and

(.g) a list of the free housing counseling agencies that have been trained in assisting with delinquent real estate tax matters and may be available to assist the taxpayer.

(.2) Should a taxpayer not respond to such notice within ninety (90) days, the Department shall send a second notice containing the same information required under subsection (.1) and any updates thereto, and a warning that the City will commence foreclosure proceedings against the taxpayer should he or she not enter into a repayment agreement by December 31 of such year.

(.3) When a taxpayer contacts the Department to enter into a repayment agreement, the taxpayer shall be informed that there are two types of repayment agreements available, the eligibility for which is based on household income and descriptions of which shall be prominently displayed on the Department's website and otherwise made available to citizens:

(.a) Low-income repayment agreements: These repayment agreements are available for low-income taxpayers for real estate taxes due on such taxpayers' homesteads and shall be in the form of the two existing financial hardship agreement types set forth in the "City of Philadelphia Financial Hardship Agreement Guidelines for Delinquent Real Estate Taxes," as approved by the City Solicitor on October 8, 2009, provided, however, that (i) it will not be a disqualification to have breached a prior financial hardship agreement; (ii) real estate taxes due and owing in the year in which the taxpayer is entering into the agreement may be included in the repayment agreement; and (iii) the provisions in subsections (.4) through (.8) below, including those regarding payment application and waiver of penalties, interest, and fees, shall apply.

(.b) Standard repayment agreements: These repayment agreements are available for non-low-income taxpayers for real estate taxes due on such taxpayers' homesteads and:

(.1) shall be based upon the taxpayer's monthly household income;

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(.2) *must require at least five percent (5%) of such monthly household income to be paid toward the real estate tax liabilities covered by the agreement;*

(.3) *may not require more than fifteen percent (15%) of such monthly household income to be paid toward the real estate tax liabilities covered by the agreement; and*

(.4) *subject to the foregoing limits, the taxpayer may elect the monthly repayment amount.*

(.4) *Any taxpayer seeking to enter into a repayment agreement related to real estate tax liabilities on his or her homestead shall have a right to an in-person meeting with the Department for the purpose of evaluating the taxpayer's repayment agreement options and may have a housing counselor or attorney present to assist the taxpayer in such a meeting.*

(.5) *While a taxpayer is making payments toward real estate tax liabilities under a repayment agreement, all amounts for additions, interest, penalties, fees, and other charges provided for under § 19-1303 will be tolled and shall not continue to accrue, provided, however, that such amounts will be added to the taxpayer's total liability should he or she fail to successfully complete the repayment agreement.*

(.6) *While enrolled in a repayment agreement pursuant to this Section, a taxpayer is obligated to pay the current year real estate taxes that come due and owing during each subsequent year, which payment may be made either by a lump sum payment or a separate installment agreement.*

(.7) *Notwithstanding any provision of this Title to the contrary, payments made pursuant to a repayment agreement shall be credited to the taxpayer's delinquent account as follows:*

(.a) *Until such time as the total principal included in the taxpayer's repayment agreement is repaid, one hundred percent (100%) of all payments made under the terms of such agreement shall be credited and accounted toward such total principal amount. No part of any payment made under the agreement may be used to pay or reduce other amounts demanded as due under § 19-1303, including, but not limited to, charges for additions, interest and penalties, or other fees, until such time as the taxpayer shall have made payments equal to the amount of the total principal due.*

(.8) *Notwithstanding any provision of this Title to the contrary, within thirty (30) days of a taxpayer who is enrolled in a low-income repayment*

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agreement repaying an amount equal to the total principal included in such agreement, the Department shall:

(.a) immediately waive, forgive, and abate one hundred percent (100%) of all remaining non-principal amounts demanded as due under § 19-1303, including, but not limited to, charges for additions, interest, and penalties, or other fees;

(.b) certify that the entire real estate tax delinquency is paid in full;

(.c) correct any records (written, computerized, or otherwise) the City maintains regarding the taxpayer's account to reflect that the account is current; and

(.d) inform the taxpayer in writing by first-class mail that his or her real estate tax account is current.

(.9) Notwithstanding any provision of this Title to the contrary, for a taxpayer who is enrolled in a standard repayment agreement:

(.a) within thirty (30) days of the taxpayer repaying an amount equal to the total principal included in such agreement, the Department shall:

(.1) certify that the principal amount is paid in full;

(.2) upon such certification, immediately waive, forgive, and abate seventy-five percent (75%) of all remaining non-principal amounts demanded as due under § 19-1303, including, but not limited to, charges for additions, interest, and penalties, or other fees;

(.3) correct any records (written, computerized, or otherwise) the City maintains regarding the taxpayer's account to reflect (i) the payment in full of the total principal due, and (ii) the appropriate reduction, as set forth above, in all remaining amounts demanded as due;

(.4) update the taxpayer's repayment agreement to reflect the reduction in non-principal amounts, while preserving the same monthly payment amount; and

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(.5) *inform the taxpayer in writing by first-class mail of the corrections made to the records regarding his or her account and of the changes in the repayment agreement.*

(.b) *within thirty (30) days of the taxpayer paying all remaining amounts due under his or her repayment agreement, the Department shall:*

(.1) *certify that the entire real estate tax delinquency is paid in full;*

(.2) *correct any records (written, computerized, or otherwise) the City maintains regarding the taxpayer's account to reflect that the account is current; and*

(.3) *inform the taxpayer in writing by first-class mail that his or her real estate tax account is current.*

(b) *Installment payment agreements (hereinafter, "repayment agreements") with taxpayers are authorized for all amounts due on real estate tax liabilities on properties other than homesteads, subject to the following terms and conditions:*

(.1) *Should a taxpayer not remit payment for current year real estate tax liabilities on properties other than homesteads by March 31 of such tax year, the Department shall send the taxpayer a notice containing the following information:*

(.a) *a clear statement of the right of the taxpayer to enter into a repayment agreement for all real estate tax liabilities on the taxpayer's real property, the steps the taxpayer must take to enter into such an agreement, and the deadline for doing so;*

(.b) *the amount of current year real estate tax delinquency;*

(.c) *the amount of any prior year real estate tax delinquency, specifically indicating what amount of such prior year delinquency is principal, penalty, and interest;*

(.d) *the taxpayer's real estate tax payment history, including how each such payment by the taxpayer was applied (i.e., to principal, penalty, or interest);*

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(.e) *the amount of all other City-related debt owed by the taxpayer and capable of being liened against the taxpayer's real property including, without limitation, water and sewer rent, nuisance and demolition fees and fines, and other amounts owed to the City; and*

(.f) *accurate information about available assistance programs.*

(.2) *Should a taxpayer not respond to such notice within ninety (90) days, the Department shall send a second notice containing the same information required under subsection (.1) and any updates thereto, and a warning that the City will commence foreclosure proceedings against the taxpayer should he or she not enter into a repayment agreement by December 31 of such year.*

(.3) *When a taxpayer contacts the Department to enter into a repayment agreement related to real estate tax liabilities on properties other than homesteads, the taxpayer shall be informed that income-based repayment agreements are available, descriptions of which shall be prominently displayed on the Department's website and otherwise made available to citizens. Such income-based repayment agreements must:*

(.a) *be based upon the monthly income of the taxpayer, his or her household, and/or any businesses the taxpayer controls, whichever is highest;*

(.b) *must require at least ten percent (10%) of such monthly income to be paid toward the real estate tax liabilities covered by the agreement;*

(.c) *may not require more than twenty-five percent (25%) of such monthly income to be paid toward the real estate tax liabilities covered by the agreement; and*

(.d) *subject to the foregoing limits, the taxpayer may elect the monthly repayment amount.*

(.4) *Any taxpayer seeking to enter into a repayment agreement related to real estate tax liabilities on properties other than homesteads shall have a right to an in-person meeting with the Department for the purpose of evaluating the taxpayer's repayment agreement options and may have an attorney present to assist the taxpayer in such a meeting.*

(.5) *While a taxpayer is making payments under a repayment agreement toward real estate tax liabilities, all amounts for additions, interest, penalties,*

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fees, and other charges provided for under § 19-1303 will be tolled and shall not continue to accrue, provided, however, that such amounts will be added to the taxpayer's total liability should he or she fail to successfully complete the repayment agreement.

(.6) While enrolled in a repayment agreement pursuant to this Section, a taxpayer is obligated to pay the current year real estate taxes that come due and owing during each subsequent year, which payment may be made either by a lump sum payment or a separate installment agreement.

(.7) Notwithstanding any provision of this Title to the contrary, payments made pursuant to a repayment agreement shall be credited to the taxpayer's delinquent account as follows:

(.a) Until such time as the total principal included in the taxpayer's repayment agreement is repaid, one hundred percent (100%) of all payments made under the terms of such agreement shall be credited and accounted toward such total principal amount. No part of any payment made under the agreement may be used to pay or reduce other amounts demanded as due under § 19-1303, including, but not limited to, charges for additions, interest and penalties, or other fees, until such time as the taxpayer shall have made payments equal to the amount of the total principal due.

(.8) Notwithstanding any provision of this Title to the contrary, for a taxpayer who is enrolled in a repayment agreement related to real estate tax liabilities on properties other than homesteads:

(.a) within thirty (30) days of the taxpayer repaying an amount equal to the total principal included in such agreement, the Department shall:

(.1) certify that the principal amount is paid in full;

(.2) upon such certification, immediately waive, forgive, and abate fifty percent (50%) of all remaining non-principal amounts demanded as due under § 19-1303, including, but not limited to, charges for additions, interest, and penalties, or other fees;

(.3) correct any records (written, computerized, or otherwise) the City maintains regarding the taxpayer's account to reflect (i) the payment in full of the total principal due, and (ii) the appropriate reduction, as set forth above, in all remaining amounts demanded as due;

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(.4) *update the taxpayer's repayment agreement to reflect the reduction in non-principal amounts, while preserving the same monthly payment amount; and*

(.5) *inform the taxpayer in writing by first-class mail of the corrections made to the records regarding his or her account and of the changes in the repayment agreement.*

(.b) *within thirty (30) days of the taxpayer paying all remaining amounts due under his or her repayment agreement, the Department shall:*

(.1) *certify that the entire real estate tax delinquency is paid in full;*

(.2) *correct any records (written, computerized, or otherwise) the City maintains regarding the taxpayer's account to reflect that the account is current; and*

(.3) *inform the taxpayer in writing by first-class mail that his or her real estate tax account is current.*

* * *

(5) Prohibited Conduct; Penalties and Additions.

* * *

(b) If a taxpayer who has entered into an installment payment agreement breaches that agreement and fails to cure the breach within a reasonable period of time established by the Department, the agreement shall be null and void, *provided however that such period of time shall not be less than sixty (60) days.*

(c) *Should a taxpayer either fail to enter into a repayment agreement or breach and then fail to timely cure a repayment agreement, the City shall commence foreclosure proceedings to collect the delinquent real estate taxes. In the case of taxpayers who do not enter into a repayment agreement by December 31 of the tax year in which the taxpayer receives notice of the delinquency and repayment agreement option, the City shall commence foreclosure proceedings by March 31 of the following year. In the case of taxpayers who breach and fail to timely cure repayment agreements, the City shall commence foreclosure proceedings within ninety (90) days of such breach.*

(6) Review by Tax Review Board.

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* * *

(c) *The Tax Review Board is authorized to review any adverse final decision or determination of the Department relating to a taxpayer's initial or continued eligibility for an installment payment agreement/repayment agreement or to the taxpayer's performance of his or her obligations under such an agreement with the same effect as a petition for review pursuant to Chapter 19-1700 of this Title.*

* * *

(7) *Access to payment history.*

(a) *Upon request, any taxpayer shall be provided a payment history or account history regarding his or her real estate tax payments.*

(b) *The Department shall make available in its offices and on its website a form for making such a payment history request; must accept such requests by mail, hand-delivery, or email; and must clearly indicate on the request form how to submit a request through each such means.*

(c) *Within fifteen (15) days of receiving a payment history request from a taxpayer, the Department must send the taxpayer a payment history for the subject property setting forth:*

(.1) *the amount of current year real estate tax delinquency;*

(.2) *the amount of any prior year real estate tax delinquency, specifically indicating what amount of such prior year delinquency is principal, penalty, and interest; and*

(.3) *the taxpayer's real estate tax payment history, including how each such payment by the taxpayer was applied (i.e., to principal, penalty, or interest).*

(d) *Such payment history shall be sent to the taxpayer through the means selected by the taxpayer on the request form, which must include first class mail and email.*

(8) *Reporting.*

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(a) *On January 31, April 30, July 31, and October 31 of each year, the Department shall submit a written report to the Mayor, with a copy to the President and Chief Clerk of Council, regarding activities undertaken pursuant to this Section during the three-month period ending one month prior to the date the report must be filed.*

(b) *Each such report shall include the following information for the three-month period covered:*

(.1) *the total number of delinquent accounts broken down by homestead and non-homestead and an aged accounts receivable for such accounts in the aggregate, breaking out amounts due for principal, penalty, and interest;*

(.2) *the number of notices sent pursuant to sections (a)(.1) and (b)(.1) and how many taxpayers contacted the Department in response to such notices, broken down by homestead and non-homestead;*

(.3) *how many taxpayer contacts resulted in new repayment agreements being made and a breakdown of such repayment agreements by type, term, and amount of delinquency covered;*

(.4) *how many taxpayer contacts did not result in repayment agreements being made and a breakdown of the reasons for the same (e.g., lack of title, failure of taxpayer to follow up, and so on); and*

(.5) *the total number of existing repayment agreements and a breakdown of such repayment agreements by type, term, and amount of delinquency covered, which delinquency shall be further broken down into principal, interest, penalties, and other fees or costs.*

SECTION 2. This Ordinance shall be effective on January 1 of the year following final passage.

Explanation:

[Brackets] indicates matter deleted.
Italics indicate new matter added.

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