

1 | **Real Estate Tax Exemption for Blighted Properties**
Act 61 of 2020



Program Highlights

- **Similar to LERTA, but Targeted Specifically for Repair/ Redevelopment of Blighted Properties in Deteriorated Areas**
- **Provides for Declining Year Tax Exemption on Improvements**

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As a Condition of Receiving the Exemption, the Owner Must Agree to:

- **Correct all Code Violations *and***
- **Pay all Delinquent Taxes (for the subject property and other properties of the owner) *and***
- **Increase the Value of the Property by at Least 25%.**



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The Exemption is Subject to Recapture if the Owner is Convicted of a Serious Violation of State Law or Property Maintenance Code:

- **Within Five Years of the Completion of the Improvements**
- **After Owner has been Given Six Months to Correct the Violation**

**This Only applies to the subject property; not other properties of the owner.*



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Definition of Serious Violation

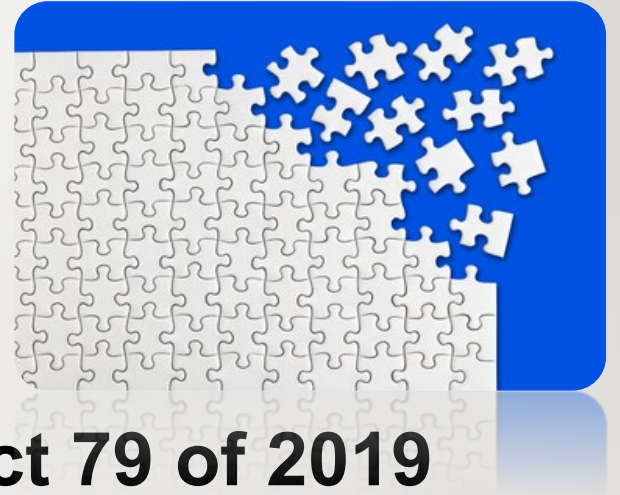
A Violation of State Law or Property Maintenance Code That Poses an Imminent Threat to the Health and Safety of:

- **The Dwelling Occupant, *or***
- **Occupants in Surrounding Structures, *or***
- **Passersby**



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Program Details



Blighted Property Definition

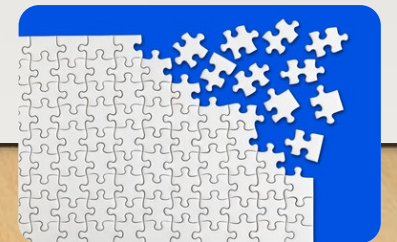
- **Follows Verbatim the Updated Definition in Act 79 of 2019**
- **Substantially Similar to Definition in PA Urban Redevelopment Law**
- **Will Revisit Later in Presentation**

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Tax Exemption Applies to Improvements of Various Property Types:

- Industrial
- Commercial
- Residential
- Mixed-Use

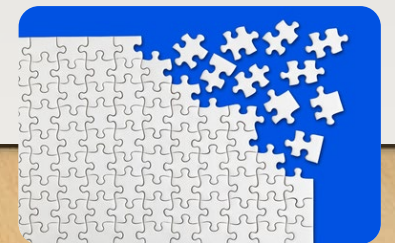
If the deteriorated area is zoned for mixed use housing and development, work shall incorporate improvements related to all uses in the structures (i.e., residential and commercial).



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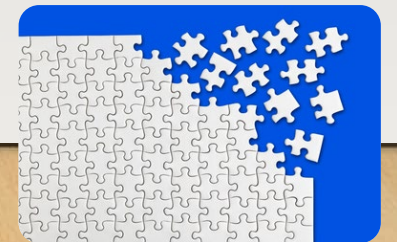
As with *LERTA*, Municipality Must:

- **Designate a Deteriorated Area (May Include an Impoverished Area)**
- **Hold One Public Hearing to Allow Public Input on the Boundaries of the Deteriorated Area**



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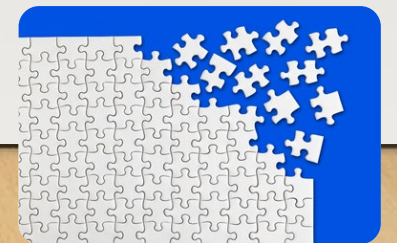
- **Taxing Authorities (County, Municipality, or School District) may Approve the Exemption Program and Deteriorated Area by Ordinance or Resolution.**
- **The Ordinance/Resolution Describes:**
 - ✓ **Deteriorated Area**
 - ✓ **Cost of Improvements Per Unit to be Exempted**
 - ✓ **Schedule of Exemption**



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Tax Exemption

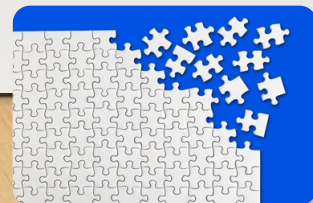
- **May be for Full Improvement Cost**
- **May be Capped at Maximum Dollar Figure**
- **Ten Year Declining Schedule**
 - ✓ **Phase-in of Taxes on Improvements**
 - ✓ **Taxes Paid Prior to Improvements Still Payable!**



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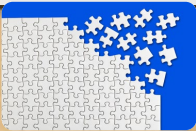
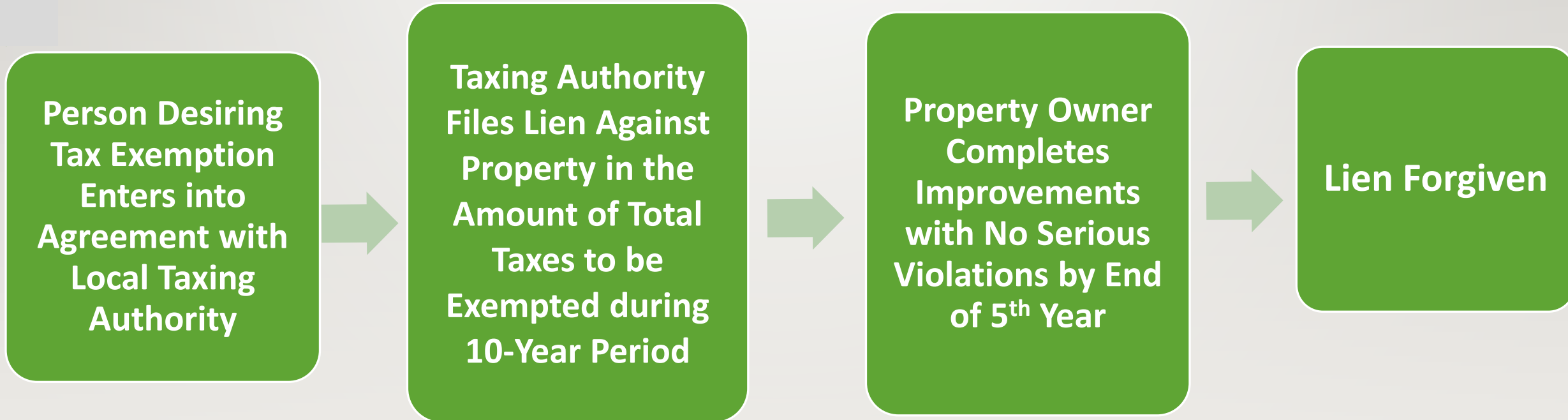
EXEMPTION SCHEDULE	
YEAR	AMOUNT OF IMPROVEMENT OR NEW CONSTRUCTION EXEMPTED
1-3	100%
4	90%
5	75%
6	60%
7	45%
8	30%
9	15%
10	10%



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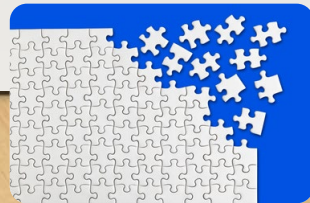
PROCESS



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Example: Assuming total Taxes on Improvements Over 10 Years is \$25,000

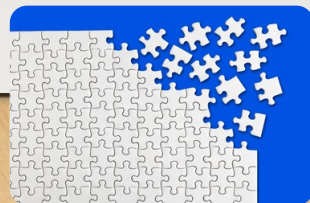
- **Portion of Taxes: Municipality=\$3,000; County=\$2,000; School District=\$20,000. Each taxing authority files a lien for the amount of their taxes exempted during the ten year period.**
- **If the owner is convicted of a serious code violation the third year after the agreement is signed and does not make improvements within six months, the taxing authority may file a judgment for the full amount of the lien and execute on the judgment to force a Sheriff's sale.**



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Query:

For serious code violations after 5 years, what is the remedy?



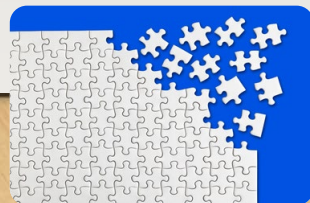
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The exemption does *not* terminate on the sale of the property during the ten year period.

Example:

The property is sold three years into the exemption period; the new owner takes title subject to the five year lien and receives an exemption for the balance of the ten year period. If in the fourth year the new owner is convicted of a serious code violation and does not make repairs within six months, the lien may be enforced by the taxing authority as indicated in the earlier slide.

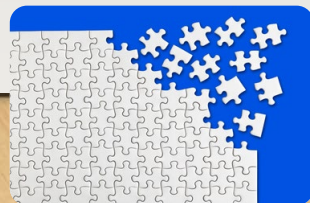


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Persons desiring the exemption must submit an application to the taxing authority that includes outline specifications for improvements including:

- **Materials to be Used for Exterior and Interior Finishes**
- **A Signed Contractor Estimate**
- **Preliminary Architectural Drawings or Blueprints**
- **Income and Expense Report for Income-Producing Properties**



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The owner cannot reapply for exemption within fifteen years.

Example:

An exemption is granted in 2021; the tax exemption expires in 2030 but the owner cannot reapply for exemption for new improvements until 2035.

