
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 613 Session of
2015

INTRODUCED BY WARD, MILLARD, KINSEY, PICKETT, FREEMAN, SAINATO,
SIMMONS, METZGAR, SCHLOSSBERG, MCGINNIS, HARHAI, SANKEY,
CAUSER, O'BRIEN, SCHEMEL, KIRKLAND, MOUL, D. COSTA, MURT,
MASSER, CALTAGIRONE, KLUNK, BARBIN AND HEFFLEY,
FEBRUARY 24, 2015

SENATOR WAGNER, URBAN AFFAIRS AND HOUSING, IN SENATE, AS
AMENDED, JUNE 24, 2015

AN ACT

1 Authorizing local taxing authorities to provide for tax
2 exemption incentives for certain deteriorated industrial,
3 commercial, business and residential property and for new
4 construction in deteriorated areas of communities; providing
5 for an exemption schedule; and establishing standards and
6 qualifications.

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

9 Section 1. Short title.

10 This act shall be known and may be cited as the Tax Exemption
11 and Mixed-Use Incentive Program Act.

12 Section 2. Construction.

13 This act shall be construed to authorize local taxing
14 authorities to provide for tax exemption incentives for new
15 construction in deteriorated areas of communities and
16 improvements to certain deteriorated industrial, commercial,
17 business and residential property. In addition, this act shall

1 be construed to allow for mixed-use housing and development in
2 accordance with zoning ordinances within designated areas. This
3 act supplements the act of July 9, 1971 (P.L.206, No.34), known
4 as the Improvement of Deteriorating Real Property or Areas Tax
5 Exemption Act, and the act of December 1, 1977 (P.L.237, No.76),
6 known as the Local Economic Revitalization Tax Assistance Act,
7 which implement section 2(b)(iii) of Article VIII of the
8 Constitution of Pennsylvania.

9 Section 3. Definitions.

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

13 "Adult entertainment." As defined in 68 Pa.C.S. § 5502
14 (relating to definitions).

15 "BLIGHTED PROPERTY." ANY SUCH PROPERTY DESCRIBED IN SECTION <--
16 12.1 OF THE ACT OF MAY 24, 1945 (P.L.991, NO.385), KNOWN AS THE
17 URBAN REDEVELOPMENT LAW.

18 "Deteriorated property." Any industrial, commercial,
19 business or residential property owned by an individual,
20 association or corporation and located in a deteriorated area,
21 or a single unit of property located within or outside a
22 deteriorated area, which has been the subject of an order by a
23 government agency requiring the unit to be vacated, condemned or
24 demolished by reason of noncompliance with laws, ordinances or
25 regulations.

26 "Exemption schedule." The tax exemption schedule under
27 section 5.

28 "IMPOVERISHED AREA." ANY AREA IN THIS COMMONWEALTH WHICH IS <--
29 CERTIFIED AS AN IMPOVERISHED AREA BY THE DEPARTMENT OF COMMUNITY
30 AND ECONOMIC DEVELOPMENT AND THE CERTIFICATION IS APPROVED BY

1 THE GOVERNOR. CERTIFICATION SHALL BE MADE ON THE BASIS OF
2 FEDERAL CENSUS STUDIES AND CURRENT INDICES OF SOCIAL AND
3 ECONOMIC CONDITIONS.

4 "Improvement." Repair, construction or reconstruction,
5 including alterations and additions, having the effect of
6 rehabilitating a deteriorated property so that it becomes
7 habitable or attains higher standards of safety, health,
8 economic use or amenity, or is brought into compliance with
9 laws, ordinances or regulations governing such standards.
10 Ordinary upkeep and maintenance shall not be deemed an
11 improvement.

12 "Local taxing authority." A county, city, borough,
13 incorporated town, township, institution district or school
14 district having authority to levy real property taxes.

15 "Mixed-use housing and development." Any urban, suburban,
16 village development or single building that combines
17 residential, commercial, cultural, institutional or industrial
18 uses to provide more efficiency for the community in terms of
19 space, transportation and economic development.

20 "Municipal corporation." A city, borough, incorporated town
21 or township.

22 "Property maintenance code." A municipal ordinance which
23 regulates the maintenance or development of real property. The
24 term includes a building code, housing code and public safety
25 code.

26 "Serious violation." A violation of a State law or a
27 property maintenance code that poses an immediate imminent
28 threat to the health and safety of a dwelling occupant,
29 occupants in surrounding structures or passersby.

30 Section 4. Deteriorated areas.

1 (a) ~~Boundaries~~ REAL PROPERTY TAX EXEMPTION.--Each local <--
2 taxing authority may by ordinance or resolution exempt from real
3 property taxation the assessed valuation of improvements to
4 deteriorated properties and the assessed valuation of new
5 construction within the respective municipal corporation's
6 designated deteriorated areas of communities in the amounts and
7 in accordance with the provisions and limitations set forth in
8 this act. If an area is zoned for mixed-use housing and
9 development, improvements shall incorporate mixed-use housing
10 and development that benefit the efficiency and economy of the
11 community. THE ORDINANCE OR RESOLUTION SHALL SPECIFY A <--
12 DESCRIPTION OF EACH SUCH AREA AS DETERMINED BY THE MUNICIPAL
13 GOVERNING BODY, AS WELL AS THE COST OF IMPROVEMENTS PER UNIT TO
14 BE EXEMPTED, AND THE SCHEDULE OR TAXES EXEMPTED AS HEREIN
15 PROVIDED.

16 (B) BOUNDARIES.-- Prior to the adoption of the ordinance or
17 resolution authorizing the granting of tax exemptions, the
18 municipal corporation shall affix the boundaries of a
19 deteriorated area or areas, wholly or partially located within
20 its jurisdiction, if any. THE PROPERTY WITHIN THE DETERIORATED <--
21 AREA OR AREAS SHALL BE COMPRISED OF IMPOVERISHED AREAS OR
22 BLIGHTED PROPERTY.

23 ~~(b)~~ (C) Public hearing.--At least one public hearing shall <--
24 be held by the municipal corporation for the purpose of
25 determining the boundaries. At the public hearing the local
26 taxing authorities, planning commission or redevelopment
27 authority and other public and private agencies and individuals,
28 knowledgeable and interested in the improvement of deteriorated
29 areas, shall present their recommendations concerning the
30 location of boundaries of a deteriorated area or areas for the

1 guidance of the municipal corporation. The recommendations shall
2 take into account the following: <--

3 ~~(1) Criteria set forth in the act of May 24, 1945~~
4 ~~(P.L.991, No.385), known as the Urban Redevelopment Law, for~~
5 ~~the determination of "blighted areas."~~

6 ~~(2) Criteria set forth in Article XIX A of the act of~~
7 ~~March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of~~
8 ~~1971.~~

9 ~~(3) The following criteria:~~

10 ~~(i) unsafe, unsanitary and overcrowded buildings;~~

11 ~~(ii) vacant, overgrown and unsightly lots of ground;~~

12 ~~(iii) a disproportionate number of tax delinquent~~
13 ~~properties, excessive land coverage, defective design or~~
14 ~~arrangement of buildings, street or lot layouts; and~~

15 ~~(iv) economically and socially undesirable land~~
16 ~~uses.~~

17 ~~(c) Property inclusions.~~

18 ~~(1) Property adjacent to areas meeting the criteria of~~
19 ~~this section, but which would not otherwise qualify, and~~
20 ~~deteriorated property which is comprised of a single unit of~~
21 ~~property outside the designated area may be included within~~
22 ~~the deteriorated area designated.~~

23 ~~(2) Adjacent property may only be included if the local~~
24 ~~CRITERIA REQUIRED TO ESTABLISH AN IMPOVERISHED AREA OR~~ <--
25 ~~BLIGHTED PROPERTY.~~

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
30 improvement of the deteriorated properties within communities.

1 ~~(3) The ordinance or resolution shall specify a~~ <--
2 ~~description of each such property as determined by the~~
3 ~~municipal corporation, as well as the cost of improvements~~
4 ~~per unit to be exempted and the schedule of taxes exempted as~~
5 ~~provided in this act.~~

6 ~~(d)~~ (E) Municipal cooperation.-- <--

7 (1) Two or more municipal corporations may join together
8 for the purpose of determining the boundaries of a
9 deteriorated area and establishing the uniform maximum cost
10 per unit, and the municipal corporations shall cooperate
11 fully with each other for the purpose of implementing this
12 act.

13 (2) The local taxing authorities may, by implementing
14 ordinances or resolutions, agree to adopt tax-exemption
15 schedules contingent upon the similar adoption by an adjacent
16 local taxing authority or by a local taxing authority with
17 mutual jurisdiction, within the limitations provided under
18 this act.

19 Section 5. Exemption schedule.

20 (a) General rule.--A local taxing authority granting a tax
21 exemption under this act may provide for tax exemption on the
22 assessment attributable to the actual cost of new construction
23 or improvements or up to any maximum cost uniformly established
24 by the municipal corporation. The maximum cost shall uniformly
25 apply to all eligible deteriorated property within the local
26 taxing authority's jurisdiction.

27 (b) Schedule.--Whether or not the assessment eligible for
28 exemption is based upon actual cost or a maximum cost, the
29 actual amount of taxes exempted shall be in accordance with the
30 following:

1 (1) For the first, second and third years for which new
2 construction or improvements would otherwise be taxable, 100%
3 of the eligible assessment shall be exempted.

4 (2) For the fourth year for which new construction or
5 improvements would otherwise be taxable, 90% of the eligible
6 assessment shall be exempted.

7 (3) For the fifth year for which new construction or
8 improvements would otherwise be taxable, 75% of the eligible
9 assessment shall be exempted.

10 (4) For the sixth year for which new construction or
11 improvements would otherwise be taxable, 60% of the eligible
12 assessment shall be exempted.

13 (5) For the seventh year for which new construction or
14 improvements would otherwise be taxable, 45% of the eligible
15 assessment shall be exempted.

16 (6) For the eighth year for which new construction or
17 improvements would otherwise be taxable, 30% of the eligible
18 assessment shall be exempted.

19 (7) For the ninth year for which new construction or
20 improvements would otherwise be taxable, 15% of the eligible
21 assessment shall be exempted.

22 (8) For the tenth year for which new construction or
23 improvements would otherwise be taxable, 10% of the eligible
24 assessment shall be exempted.

25 (9) After the tenth year, the exemption shall terminate.

26 (c) Limitation.--The exemption from taxes shall be limited
27 to the additional assessment valuation attributable to the
28 actual costs of new construction or improvements to deteriorated
29 property or not in excess of the maximum cost per unit
30 established by a municipal corporation.

1 (d) Sale or exchange.--The exemption from taxes shall be
2 upon the property exempted and shall not terminate upon the sale
3 or exchange of the property.

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

8 (f) Repayment.--

9 (1) A local taxing authority shall be entitled to a
10 return of its proportional share of taxes exempted under the
11 provisions of this act if, within five years following
12 completion of the new construction or improvements, there
13 exists on the property a serious violation of a State law or
14 a property maintenance code and the owner has taken no
15 substantial steps to correct the violation within six months
16 following notification of the violation and for which fines
17 or other penalties or a judgment to abate or correct were
18 imposed by a magisterial district judge or municipal court,
19 or a judgment at law or in equity was imposed by a court of
20 common pleas.

21 (2) At the time the agreement is entered into between a
22 local taxing authority and the person who desires tax
23 exemption, if the person has completed all requirements under
24 section 6, the local taxing authorities shall file a lien
25 against the tax-exempt properties at the rate of the
26 estimated amount of assessment under subsection (b). The lien
27 shall be forgiven by the local taxing authority at the end of
28 the fifth year following the completion of the new
29 construction or improvements, if there have been no serious
30 violations against the property that have not been corrected.

1 The lien on the property shall transfer under subsection (d)
2 in cases of sale or exchange of the property.

3 Section 6. Procedure for obtaining exemption incentives.

4 (a) Notification.--Any person desiring tax exemption
5 pursuant to ordinances or resolutions adopted under this act
6 shall notify each local taxing authority granting the exemption
7 in writing on an application form provided by it submitted at
8 the time the person secures the building permit or, if no
9 building permit or other notification of new construction or
10 improvement is required, at the time the person commences
11 construction. The application shall include the following
12 information:

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

15 (2) Outline specifications for the new construction or
16 improvement, indicating with as much specificity as
17 practicable, the materials to be used for exterior and
18 interior finishes.

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

21 (i) Be on contractor letterhead.

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

23 (iii) Be signed by the applicant.

24 (4) Preliminary architectural drawings or blueprints for
25 the new construction or improvement.

26 (5) Any recent appraisals of the property, if available.

27 (6) Any applicable building permit application or
28 building permit.

29 (7) An income and expense report for the property, which
30 income and expense report should be submitted directly to the

1 county assessment office in order to protect the
2 confidentiality of the information.

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

5 (9) Signature of the applicant and the date of signing.

6 (b) Estimate.--~~The estimate of the cost of the new~~ <--

7 ~~construction or improvements under subsection (a)(3)~~ AMOUNT OF <--

8 ASSESSMENT DEEMED ELIGIBLE FOR TAX EXEMPTION UNDER SUBSECTION

9 (C) shall be available for public inspection and copying so that
10 any subsequent purchaser is informed of the amount of taxes to
11 be paid after the 10-year exemption period.

12 (c) County assessment office.--

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

22 (2) Appeals from the reassessment and the amounts
23 eligible for the exemption may be taken by the taxpayer or
24 the local taxing authorities as provided by law.

25 (d) Amendment of ordinance.--The cost of new construction or
26 improvements to be exempted and the schedule of taxes exempted
27 existing at the time of the initial request for tax exemption
28 shall be applicable to that exemption request, and subsequent
29 amendment to the ordinance, if any, shall not apply to requests
30 initiated prior to adoption of the amendment.

1 Section 7. Eligibility requirements.

2 (a) Requirements.--The completed new construction or
3 improvement must:

4 (1) Conform to zoning ordinance requirements. However,
5 if mixed-use development is permitted in a designated
6 deteriorated area, any improvement must meet any applicable
7 mixed-use housing and development standards.

8 (2) Increase the value of the property by at least 25%.

9 (3) Correct all code violations, if applicable.

10 (b) Ineligibility.--A property is not eligible for tax
11 exemption under section 5(a) if:

12 (1) The property is receiving other property tax
13 abatement or exemption incentives for new construction or
14 improvement.

15 (2) The property is receiving tax relief through any
16 State program, except as provided in subsection (d).

17 (3) The property owner or developer is delinquent on any
18 property taxes related to the subject property, unless the
19 delinquent taxes are paid prior to construction or payment of
20 delinquent taxes has been arranged with the local taxing
21 authority in accordance with an installment plan.

22 (4) The property owner has a legal or equitable interest
23 in any other property for which property taxes are
24 delinquent, unless the delinquent taxes are paid prior to
25 construction or payment of delinquent taxes has been arranged
26 with the local taxing authority in accordance with an
27 installment plan.

28 (5) New construction or improvement has commenced prior
29 to filing an application under section 6.

30 (6) The property includes an improvement under

1 subsection (c) that poses a health or safety risk to
2 individuals residing above the first floor.

3 (c) Restriction.--For an improvement under this act that
4 involves mixed-use housing and development, certain
5 establishments may not be sited on the first floor for health
6 and safety reasons. The establishments include, but are not
7 limited to, the following:

8 (1) Gas stations or automobile service stations.

9 (2) Drive-through establishments.

10 (3) Adult entertainment establishments.

11 (4) Storage trailers and outdoor storage of goods
12 associated with commercial use unless use of the structure is
13 necessary during construction.

14 (5) Junkyards.

15 (6) Recycling service centers.

16 (7) Animal hospitals and animal sales.

17 (8) Heavy manufacturing.

18 (9) Establishments that utilize biohazards.

19 (10) Establishments that sell firearms and other
20 weapons, unless the occupant is the owner of the
21 establishment.

22 (d) Exception.--The amount of assessment eligible for
23 exemption under this act shall be offset by the amount of
24 property tax rebate received under Chapter 13 of the act of June
25 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer
26 Relief Act.

27 (e) Limitations.--The property qualifying and receiving a
28 tax exemption under the program shall not be eligible for or
29 receive an additional tax exemption under this program for a
30 minimum of 15 years from the date the property received a tax

1 exemption under the program.

2 (F) PROHIBITIONS.--FOR THE PERIOD OF TIME THAT A PROPERTY IS <--
3 RECEIVING A TAX EXEMPTION UNDER THIS PROGRAM, NO PURCHASE OR
4 SALE OF THE PROPERTY OR ANY PORTION THEREOF SHALL BE STRUCTURED
5 IN A MANNER THAT EXCLUDES OR EXEMPTS THE TRANSACTION FROM A
6 REALTY TRANSFER TAX DUE TO ANY TAXING AUTHORITY THAT WOULD
7 OTHERWISE NOT BE EXCLUDED OR EXEMPT, EXCEPT IN THE FOLLOWING
8 CASES:

9 (1) A SHERIFF SALE OR TAX CLAIM BUREAU SALE;

10 (2) A CORRECTIVE DEED;

11 (3) A TRANSFER BY THE MORTGAGOR TO THE HOLDER OF A BONA
12 FIDE MORTGAGE IN DEFAULT IN LIEU OF A FORECLOSURE;

13 (4) A TRANSFER TO A JUDICIAL SALE IN WHICH THE
14 SUCCESSFUL BIDDER IS THE BONA FIDE HOLDER OF A MORTGAGE; OR

15 (5) ANY OTHER TRANSACTION EXCLUDED FROM THE REALTY
16 TRANSFER TAX UNDER ARTICLE XI-C OF THE ACT OF MARCH 4, 1971
17 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971.

18 Section 8. Effective date.

19 This act shall take effect in 60 days.