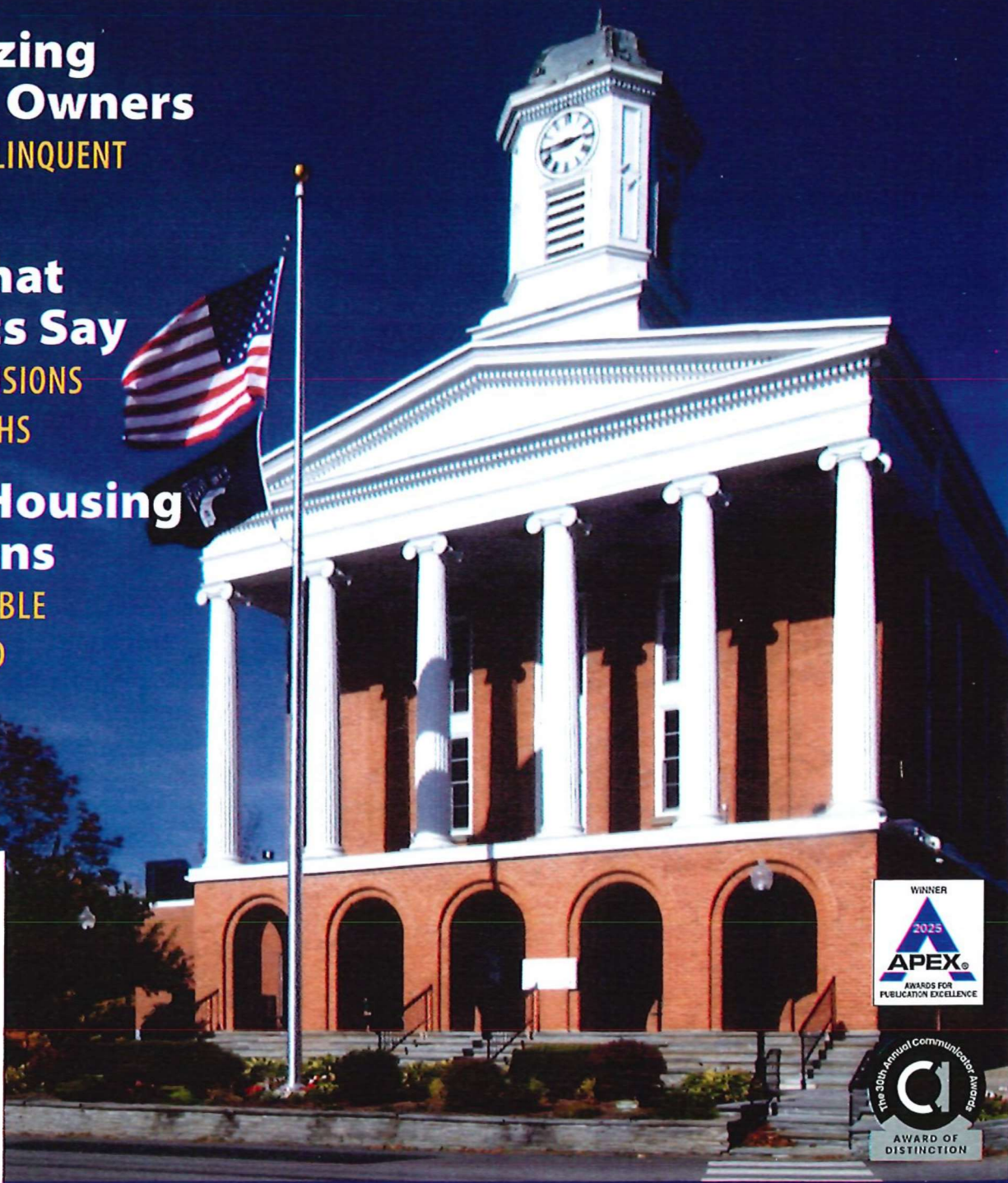


BOROUGH NEWS

**Incentivizing
Property Owners**
TO PAY THEIR DELINQUENT
ACCOUNTS

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PAST DUE



Incentivizing Property Owners

To Pay Their Delinquent Accounts

The key to successfully collecting delinquent accounts is the ability to create incentives to pay. Without creating meaningful incentives, delinquent accounts tend to remain uncollected. There is a Pennsylvania law that has been in existence for over 100 years that has repeatedly proven to help boroughs and their municipal authorities create strong incentives for property owners to pay their delinquent accounts.

The Municipal Claims and Tax Liens Act, 53 P.S. § 7101, *et seq.* (MCTLA), provides municipalities with the tools needed to successfully collect delinquent utility fees, such as water, sewer, trash, and stormwater fees, and delinquent real estate taxes without using the county tax claim bureau. Only obligations connected to real property are collectible under the MCTLA.

For example, delinquent real estate taxes are collectible under the

statute but earned income taxes are not. Under the MCTLA, boroughs are permitted to shift all reasonable costs of collection, including attorney's fees, to the delinquent property owner. This cost shifting is often the necessary step required to hold delinquent property owners accountable. Property owners who may have benefitted from deferring their payment to a time convenient for them will quickly realize that this approach is now outweighed by the additional collection fees and costs that will be incurred if the delinquency remains unpaid. The notion that the borough is "soft" on collection enforcement, and that one can pay at their convenience, will be eliminated.

By shifting the costs of collection under the MCTLA, boroughs and their municipal authorities are often able to outsource all responsibilities connected to the collection of their

delinquent accounts and still receive 100% of the balance owed, as the third-party collector's fees will be paid by the delinquent property owner and not the borough.

This means that the borough can avoid all the unpleasanties involved in collecting delinquent accounts, including meeting with property owners, responding to calls and complaints, and monitoring payments, without any financial loss. To shift collection costs under the MCTLA, the borough will need to enact an ordinance that publicly informs its property owners that the borough will be shifting collection fees to the delinquent property owners, and that lists the specific fees that can be added to the delinquent account.

Seeing this list of fees is often a game-changer for delinquent property owners who have the ability to pay.

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For those property owners who are struggling financially, boroughs can employ positive incentives to facilitate payment. These can include flexible payment plans and a hardship program. When the option presented is all-or-nothing and the property owner is struggling, the result is often nothing. Property owners are appreciative of these payment options and employing same reflects well on the borough and its elected officials by working with property owners in need.

Another way to facilitate payment is to provide multiple payment options. These options can include accepting cash payments and permitting online payments via credit card or bank transfer. Even with the added expense of credit card transactions fees, many property owners will choose to make payment in this manner.

Elected officials are sometimes concerned that adding additional costs to the underlying obligation will create political backlash, but by failing to collect money that is owed to the borough, the vast majority of property owners who timely pay their obligations will suffer as a result of those who do not pay. Constituents do not want to hear that their taxes and utility rates are rising due to those who are not paying their fair share.

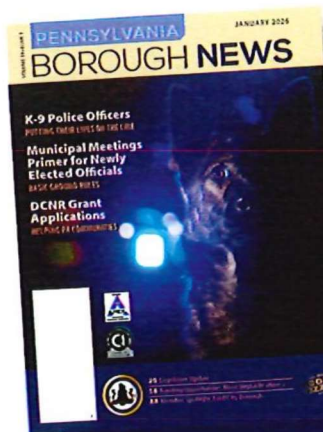
Actively pursuing the collection of delinquent accounts clearly benefits most property owners, as there is typically little sympathy for those who can pay but simply choose not to. By using the MCTLA to actively collect delinquent accounts, boroughs and their municipal authorities can create strong incentives for these property owners to pay not only their delinquent accounts, but future bills on time. **B**



ABOUT THE AUTHOR

Kevin H. Buraks, Esquire, has been practicing law with Portnoff Law Associates, Ltd. for the past 18

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