

GFOA-PA  
2024 ANNUAL STATEWIDE CONFERENCE

**THE SECRET TO SUCCESSFULLY  
COLLECTING DELINQUENT ACCOUNTS**

**PORTNOFF LAW ASSOCIATES, LTD.**

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## WHO WE ARE

For 35 years, the law firm of Portnoff Law Associates (PLA) has focused its practice on the collection of delinquent real estate taxes and delinquent utility fees, such as sewer, water, trash and stormwater fees.

PLA currently represents over 200 municipal clients in 29 Pennsylvania counties.

# IMPROVING DELINQUENT COLLECTIONS

The key to improving the collection of your delinquent accounts is to create incentives for your property owners to pay. Without creating some type of meaningful incentive, delinquent payment behaviors are unlikely to change.

# CREATING POSITIVE INCENTIVES TO PAY

Pennsylvania municipalities can create positive incentives for property owners to pay their delinquent accounts through:

- Flexible Payment Plans
- A Hardship Program
- Multiple Payment Options
- Excellent Customer Service
- 24/7 Access to Account Information

# CREATING NEGATIVE INCENTIVES TO PAY

Pennsylvania municipalities can create negative incentives for property owners to pay their delinquent accounts by:

- Charging Penalties and Interest
- Filing Liens and Judgments against the Property
- Listing the Property for Sheriff's Sale
- Shifting Collection Fees and Costs to the Delinquent Property Owner
- Hiring a Third-Party Collector

# MUNICIPAL CLAIMS AND TAX LIENS ACT

PLA collects delinquent municipal fees and real estate taxes under a Pennsylvania law known as the Municipal Claims and Tax Liens Act (MCTLA). The MCTLA allows municipalities to create both positive and negative incentives to pay not only the delinquent account, but future bills on time.

# ACCOUNTS COLLECTIBLE UNDER THE MCTLA

“**MUNICIPAL CLAIM**” as defined under the MCTLA includes:

- real estate taxes
- trash fees
- sewer fees
- water and tapping fees
- stormwater and levee fees
- sidewalk fees
- street light and electricity fees
- abatement of nuisance charges

# BENEFITS OF COLLECTING DELINQUENT ACCOUNTS UNDER THE MCTLA

The following are some of the benefits of collecting delinquent accounts under the MCTLA:

- All reasonable collection fees and costs are shifted to the property owner, allowing the municipality to actively pursue collection of its delinquent accounts at minimal cost
- Collection incentives can be created during the first year of the delinquency
- Incentive is created to pay future bills on time



# TAX COLLECTION OPTIONS

By utilizing the collection procedures provided by the MCTLA, Pennsylvania taxing districts have the ability to choose not only who will collect their delinquent real estate taxes, but also the law under which collections will be made.

# COUNTY TAX CLAIM BUREAUS

County tax claim bureaus typically collect delinquent real estate taxes under the Real Estate Tax Sale Law (RETSL). RETSL is the statute that initially created county tax claim bureaus and established the procedures under which they are required to operate.

# REAL ESTATE TAX SALE LAW

As a result of the large amount of tax claims that county tax claim bureaus are required to collect each year, often coupled with a lack of staffing due to tight county budgets, the RETSL procedures do not require the tax claim bureau to follow up on its initial notice to the taxpayer during the first year of the delinquency. The teeth behind the RETSL process is the sale of the taxpayer's property 2-3 years down the road.

# DIFFERENCES BETWEEN MCTLA AND RETSL

## **MCTLA (used by PLA)**

Municipality retains complete control over the collection process

Municipality has complete discretion to initiate payment plans and a hardship program

## **RETSL (used by tax claim bureaus)**

Typically a one-size-fits-all process with long periods of inactivity

Often limited options for payment plans, with less flexibility for the taxpayer

# DIFFERENCES BETWEEN MCTLA AND RETSL

## **MCTLA (used by PLA)**

Incentive to pay initiated at the beginning of the collection process by shifting collection costs to the delinquent taxpayer

Incentive to pay often leads to future tax bills being paid on time

Delinquent collections can be remitted weekly

## **RETSL (used by tax claim bureaus)**

Threat of a property sale at the end of the collection process is the main incentive for taxpayers to pay

No real incentive is created to pay future bills on time

County distributions are typically remitted monthly

## REDUCTION IN # OF DELINQUENT ACCOUNTS

PLA's collection process under the MCTLA creates incentives for property owners to pay not only their delinquent account, but future bills on time. The majority of PLA's clients have seen a reduction in the number of delinquent accounts between the first year that PLA was hired and the end of 2023.

## % OF ACCOUNTS WITHOUT ANY ATTORNEY'S FEES CHARGED

By creating incentives for property owners to quickly pay their delinquent accounts, a large percentage of property owners are not charged any attorney's fees by PLA. For PLA's clients, the average municipality saw that 59% of its delinquent property owners were not charged any attorney's fees by PLA.

# PLA'S SHERIFF'S SALE STATISTICS

PLA rarely has to sell property to collect its clients' delinquent accounts. In 2023, PLA only had to list for sale property on 0.2% of the delinquent accounts it was asked to collect, and sold property on only 0.03% of the accounts.

<u># of New Accts.</u>	<u>Sales Listed</u>	<u>Properties Sold</u>
81,000	177 (0.2%)	24 (0.03%)



# BANKRUPTCY FILINGS

**A word to the wise:  
Do not ignore a property  
owner's bankruptcy case!**

QUESTIONS?

Questions?

**THANK YOU!**

**Thank you for joining us!**

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