

PROVEN STRATEGIES TO INCREASE DELINQUENT COLLECTIONS

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WHO WE ARE

For over 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, including sewer, water, trash, and stormwater charges.

Currently, PLA manages the recovery of delinquent accounts for more than 200 municipal clients across 30 Pennsylvania counties.



IMPROVING DELINQUENT COLLECTIONS

The key to enhancing the collection of delinquent accounts is establishing meaningful payment incentives for delinquent property owners. Without compelling incentives, payment behaviors are unlikely to improve.



THE CREATION OF POSITIVE INCENTIVES

Pennsylvania municipalities can create positive payment incentives through:

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



THE CREATION OF NEGATIVE INCENTIVES

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

- Charging Penalties and Interest
- Filing Liens and Judgments against the Property
- Listing the Property for Sheriff's Sale
- Shifting Collection Fees⁵ and Costs to the Delinquent Property Owner
- Hiring a Third-Party Collector



MUNICIPAL CLAIMS AND TAX LIENS ACT

PLA collects delinquent municipal claims and real estate taxes under the Municipal Claims and Tax Liens Act (MCTLA), a Pennsylvania law that has been in effect for over 100 years. The MCTLA enables municipalities to establish both positive and negative incentives, encouraging timely payment of not only delinquent accounts but also future bills.



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
- streetlight and electricity fees
- abatement of nuisance charges



BENEFITS OF COLLECTING DELINQUENT ACCOUNTS UNDER THE MCTLA

- All reasonable collection fees and costs are shifted to the property owner, enabling municipalities to actively pursue collection of delinquent accounts at minimal cost
- Collection incentives can be created within the first year of delinquency, encouraging prompt resolution
- Incentive is created to pay future bills on time, promoting long-term financial responsibility



TAX COLLECTION OPTIONS

By utilizing the collection procedures provided under the MCTLA, Pennsylvania taxing districts gain the flexibility to select both the entity responsible for collecting their delinquent real estate taxes and the legal framework under which collection will occur.



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 defined the procedures they must follow in their operations.



REAL ESTATE TAX SALE LAW

Due to the high volume of tax claims that county tax claim bureaus must process annually -- often compounded by limited staffing resulting from tight county budgets -- RETSL procedures do not require follow-up after the initial notice during the first year of the delinquency. The enforcement mechanism behind RETSL is the eventual sale of the taxpayer's property, typically occurring 2-3 years after the delinquency begins.



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 encourages property owners to pay not only their delinquent account but also future bills on time. Since partnering with PLA, the majority of PLA's clients have experienced a decrease in the number of delinquent accounts after PLA was hired.



ACCOUNTS WITHOUT ANY ATTORNEY'S FEES CHARGED

By creating incentives that encourage property owners to quickly settle their delinquent accounts, a significant percentage avoid paying any attorney's fees to PLA. On average, municipalities working with PLA have found that 59% of their delinquent property owners were not assessed any attorney's fees.



PLA'S SHERIFF'S SALE STATISTICS

PLA rarely needs to sell property to recover delinquent accounts for its clients. In 2024, only 0.68% of the delinquent accounts PLA was tasked with collecting were listed for sale, and just 0.02% of those accounts resulted in a sale.

of New Accts.

88,000

Sales Listed

600 (0.68%)¹⁶

Properties Sold

25 (0.02%)



BANKRUPTCY FILINGS

One important thing to remember:

DON'T IGNORE BANKRUPTCIES



QUESTIONS?

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THANK YOU FOR JOINING US!

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