

# Taxes! Municipal Authority Over Tax Revenue

A Guide for Newly Elected Officials

Presented by:

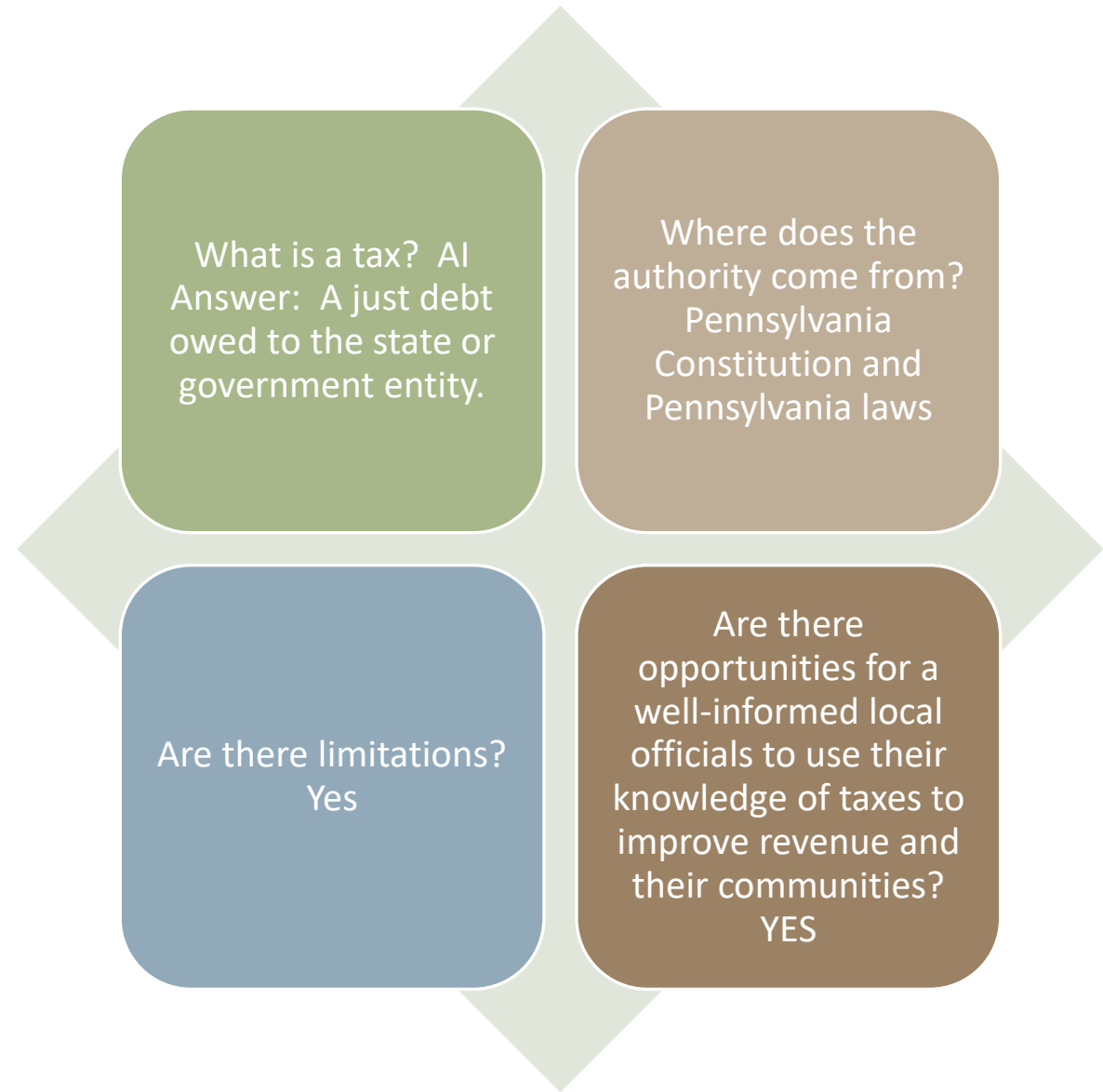
Megan M. Turnbull, Esquire



**LOCAL GOVERNMENT ACADEMY**

Promoting Excellence in Local Government

# Foundational Local Tax Questions and Answers:



# Most Common Types of Local Taxes in Pennsylvania

## Real Estate Taxes

## Act 511 Taxes

- Mercantile tax
- Business privilege tax
- Earned income tax
- Occupation tax
- Occupation privilege tax
- Realty transfer tax
- Per capita tax
- Amusement tax

# Real Estate Taxes Basics

---

- Only local tax that is specifically authorized for all three (3) forms of local government.
- Typically, the largest revenue source for municipalities.
- Municipality sets the millage rate through legislative action annually in conjunction with budget adoption.
- The county assesses all real estate values within its jurisdiction utilizing a county specific .
- The values are certified by the county as of January 1st annually and transmitted to municipalities/tax collectors.
- Tax assessment litigation is pending behind the scenes all the time.

# Real Estate Taxes Basics

---

Real estate bills are prepared by the real estate tax collector, a deputized third-party, or other person designated in your state municipal code or home rule charter.

Be cognizant of when the bills are sent for your community and the interplay with cash flow.

Installments and homestead exemptions are local choices memorized in legislation.

Timing for discount, face and penalty are derived by law.

The tax collector should be remitting taxes collected within their warrant regularly and providing reports.

# Real Estate Tax Opportunities

---

- Interim assessment programs
- Tax assessment engagement and cooperation
- Good municipal permit practices help keep your tax rolls accurate.
- Good record keeping regarding preferential land program participants (i.e. LERTA, TIF)
-

# Delinquent Real Estate Tax Collection

---

- The two primary statutes to collect delinquent real estate taxes in Pennsylvania are:
  - The Real Estate Tax Sale Law (RETSL)
  - The Municipal Claims and Tax Liens Act (MCTLA)
- Both laws offer a cost shifting paradigm from the taxing body to the delinquent taxpayer inclusive of interest, penalty, servicing fees and costs in addition to the face amount.
- Allegheny County is governed by MCTLA. Allows the selection of a third-party for this function. This can be a different company for each taxing body.

# Delinquent Real Estate Tax Collection Opportunities

---

- Dual goals of most delinquent tax collection efforts are typically (1) voluntary compliance and, where necessary, (2) land recycling.
- Intersections with property donations and land banks.
- Although the function is defined by the law and Agreement, this is a partnership that requires dialog and direction.
- The key is a LIEN for various municipal strategies.
- Analyze and understand your delinquent tax portfolio.

# What are Act 511 Taxes?

---

- Earned income taxes (collected by specialized bureaus or private agencies)
- Per capita taxes (often collected by elected tax collector)
- Occupation and occupational privilege taxes (often collected by elected tax collector)
- Mercantile and business privilege taxes (often collected by appointed third parties)
- Amusement taxes, gross receipts taxes (often collected by appointed third parties)

# Act 511: A Different Structure

---

- The Local Tax Enabling Act (Act 511 of 1965) authorizes municipalities and school districts to provide their own arrangements for collecting some of these taxes. This applies to both current and delinquent collections.
- You have discretion to appoint the elected tax collector to collect some, all, or NONE of your Act 511 taxes. This can be an interesting conversation.
- Elected tax collector is not always in the best position to be the most successful collector.
- Must have a local ordinance underpinning one of these taxes, and there are limitations embedded in the Local Tax Enabling Act, as amended, from adding or expanding some Act 511 taxes.

# Act 32: Local Earned Income Tax

- All other municipalities and school districts adopting income taxes under the Local Tax Enabling Act are limited to a combined rate of one percent.
- Where both a school district and a municipality located within that school district both levy an EIT, the one percent limit must be shared on a 50/50 basis, unless otherwise agreed to by the taxing bodies.
- State law allows the LTEA limit for earned income taxes to be exceeded under six circumstances:
  1. Home rule municipalities.
  2. Municipalities declared financially distressed.
  3. Municipalities with financially distressed municipal pension systems.
  4. Municipalities where voters approve an additional tax for open space purposes.
  5. School districts where voters approve increased earned income taxes under Act 50.
  6. School districts and municipalities where voters approve increased earned income taxes under Act 24.

# Tax or Fee?

- *Borough of West Chester v. Pennsylvania State System of Higher Education*, No. 9 MAP 2023 This case arose after West Chester University and the Pennsylvania State System of Higher Education (PSSHE) refused to pay the borough's fee, claiming to be exempt from local taxation as commonwealth entities.
- Borough and interested parties are asking the Pennsylvania Supreme Court to reverse the Commonwealth Court's decision that the stormwater management fee imposed by the Borough of West Chester on property owners based on the amount of impervious surface is a "tax."
- Case was argued in 2024 before the Pennsylvania Supreme Court. We are waiting for a decision.



# One Lens on Taxes

---



# Another Lens on Taxes

---



# Questions?

---



**LOCAL GOVERNMENT ACADEMY**  
Promoting Excellence in Local Government

# Thank You

---

Additional comments or questions:

Megan M. Turnbull, Esquire  
[mturnbull@wbklegal.com](mailto:mturnbull@wbklegal.com)



Weiss Burkardt Kramer, LLC  
445 Fort Pitt Blvd., Suite 503  
Pittsburgh, PA 15219  
Phone: (412) 391-9890