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## Pennsylvania's Current Real Property Tax Collection System

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Senate Resolution 2010-250

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## Table of Contents

	<u>Page</u>
<b>Summary and Recommendations .....</b>	S-1
<b>I. Introduction .....</b>	1
<b>II. Findings .....</b>	4
<b>A. Current Real Estate Tax Collection in Pennsylvania .....</b>	4
1. Typically, Property Tax Collection Is Consolidated at the Municipal Level, With Municipal Tax Collectors Responsible for All Current County, Municipal, and School District Property Tax Collection. ....	4
2. Most Local Tax Collectors Collect in Municipalities With Relatively Few Taxable Parcels, and Many Collect Other Local Taxes and Service Fees .....	11
3. Counties Serve as Appointed Municipal Tax Collectors for Approximately 3 Percent of Parcels Statewide. ....	13
4. The Small Number of Municipalities That Have Designated Private Firms to Collect Municipal Property Taxes Are Typically in Counties That Collect Their Own Real Estate Taxes. ....	16
5. About 20 Percent of Pennsylvania School Districts Do Not Rely on Local Municipal Tax Collectors to Collect School Property Taxes. ....	19
<b>B. Real Estate Tax Collection Compensation Methods and Costs .....</b>	23
1. Current Real Estate Taxes Are Less Costly to Collect Than Other Local Taxes. ....	23
2. Counties and School Districts Typically Compensate Local Tax Collectors on a Per Bill Basis, While Municipalities Often Compensate Based on the Percent of Revenue Collected .....	28
3. County Costs to Collect Current Real Estate Taxes Vary, Though Counties That Reimburse Based on a Flat Percent of Collections Have the Highest Per Parcel Compensation Costs. ....	32
4. Typical School District Costs to Collect Real Estate Taxes Are at the High End of the Range of Typical County Costs for Such Collection. ....	43
5. The Three Taxing Districts in a Sample of Counties by Class Spent Less Than One-Half of a Percent of Revenue to Compensate for Property Tax Collection .....	45
6. Property Tax Collection Costs Are an Estimated One-Half of One Percent of Collected Revenues. ....	58

**Table of Contents  
(Continued)**

	<u>Page</u>
C. Pennsylvania and Other States.....	62
1. Local Tax Collection in Pennsylvania .....	62
2. Four of Pennsylvania’s Six Surrounding States Have Municipal Property Tax Collectors, Though All Do Not Have Consolidated Collection Across All Taxing Districts.....	83
<b>III. Appendices .....</b>	<b>89</b>
A. Senate Resolution 2010-250.....	90
B. Questionnaire for Counties That Collect All County Current Real Estate Taxes .....	93
C. Questionnaire for Counties Serving as the Appointed Local Tax Collector for Certain Taxing Districts.....	97
D. Questionnaire for Elected or Appointed Local Real Estate Tax Collectors .....	101
E. Questionnaire for School Districts That Collect Local Real Estate Taxes .....	105
F. Real Estate Tax Revenues in Pennsylvania .....	109

## Summary and Recommendations

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Senate Resolution 2010-250 directed the Legislative Budget and Finance Committee to conduct a comprehensive study of the current real property tax (i.e., property tax) collection system in Pennsylvania and other states. The resolution also directed us to consider the costs and benefits associated with consolidation of the collection of current property taxes in the Commonwealth. The resolution did not direct, and we did not consider, delinquent tax collection as part of the study.

We found:

***In most counties, property tax collection is consolidated at the municipal level, with municipal elected or appointed collectors typically responsible for collecting county, municipal, and school district property taxes.*** Over 90 percent of Pennsylvania municipalities have elected or appointed municipal tax collectors responsible for collecting current property taxes. Eight counties (Chester, Clinton, Columbia, Dauphin, Lancaster, Lebanon, Lycoming, and Union) have more than 10 percent of their municipalities without local collectors. The General Assembly, however, has provided certain exceptions to consolidated property tax collection by municipal collectors:

- 11 (Allegheny, Beaver, Chester, Delaware, Greene, Lackawanna, Lawrence, Lehigh, Northampton, Philadelphia, and Washington) counties—typically based on their home rule charters or special legislation dating back to the 1800s prior to the state Constitution’s prohibition of such legislation<sup>1</sup>—are authorized to centrally collect county property taxes;<sup>2</sup>
- 13 (Berks, Butler, Cambria, Centre, Clinton, Crawford, Dauphin, Fayette, Lancaster, Luzerne, Lycoming, McKean, and Venango) counties collect county property taxes in third class cities and home rule municipalities; and
- 7 (Clinton, Columbia, Dauphin, Lawrence, Lebanon, Lycoming, and Union) counties (discussed below) collect county and/or municipal (and in some cases school) property taxes in municipalities without elected local collectors until such time as a collector is elected.

In addition, we identified 91 school districts that collect school property (and other school) taxes in municipalities that are home rule, without a local collector, or have been deputized by the local elected collectors; and at least 26 municipalities—

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<sup>1</sup> Pa. Const. of 1874, Art. III §7, Pa. Const. of 1967, Art. III §32. While not special legislation, the General Assembly in 1929 authorized Treasurers in Second Class counties (of which there is currently one) to collect county current property taxes in municipalities throughout the county.

<sup>2</sup> Only one home rule county charter (Erie) does not provide for central collect of county property taxes.

often with home rule charters where the position of elected tax collector has been abolished—that contract with private firms to collect municipal property taxes.<sup>3</sup>

**Most local tax collectors serve municipalities with relatively few taxable parcels, and many collect per capita taxes and other fees on behalf of their local taxing districts.** Of the 60 percent of local tax collectors statewide responding to our survey, 92 percent were elected to serve and report collecting for 1,500 or fewer parcels. Two-thirds of the respondents report collecting other local taxes, with 80 percent collecting per capita or occupational taxes and fewer than 15 percent collecting earned income taxes.<sup>4</sup> Approximately 90 percent of the collectors report receiving payments through the mail or in person at their office, which is often their home. In addition to billing and receipting property and other taxes, many reported responsibility for maintaining local per capita rolls, identifying new construction for the county assessors, and issuing mobile home permits.

**The seven counties currently serving as the appointed municipal tax collector collect for approximately 3 percent of parcels statewide.** Five counties that responded to our survey reported that they collect property taxes for at least some of their municipalities. One reported that it received no compensation for collecting the municipality's property taxes, and two others charged only their incremental costs for collection. Two, however, charge municipalities more than the county itself pays for county property tax collection. Municipal parcels in which the county serves as the municipal collector accounted for about 15 percent of total county parcels in one county to as much as 90 percent in another. Three of the five counties were positioned to take on municipal collections as they collected county real estate taxes in third class cities which account for about 10 to 20 percent of total county parcels.

**Over 75 percent of the school districts that collect school property taxes responding to our survey report using full- and/or part-time school district staff and bank lock boxes to collect school property taxes.** Some school districts collect their own school property taxes. These districts account for about 10 percent of parcels statewide and typically collect for between 6,000 and 12,000 parcels, with almost one-half of the parcels concentrated in Allegheny, Chester, and Lancaster Counties. Over one-half report collecting other local taxes, with about 80 percent collecting per capita taxes and 30 percent collecting earned income taxes.

**Real estate taxes are less costly to collect than other local taxes as they have low compliance costs, due to property immobility, involve fewer transactions, and are not as labor intensive as other local taxes.** One home rule municipality, for example, requires one-quarter of one full-time equivalent staff to collect

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<sup>3</sup> Allegheny County accounts for about one-half of all municipalities in which private firms have been designated to collect municipal property taxes.

<sup>4</sup> Local tax collectors reporting collection of earned income taxes were concentrated in eight, mostly western, counties—Allegheny, Butler, Cambria, Centre, Clearfield, Erie, Mercer, and Westmoreland.

property taxes and one and three-quarters staff to collect earned income taxes. The return on collection costs, moreover, is significantly greater than for other local taxes. It costs the township 0.22 percent of township property tax revenue to collect the property tax, 2.09 percent of earned income tax revenue to collect township earned income tax, and 8.58 percent of local service tax revenues to collect the township local service tax.

***Counties and school districts typically compensate local tax collectors on a per bill basis, while municipalities often compensate based on percent of revenue collected.*** In our survey of local tax collectors, 85 percent reported school districts compensate them based on the number of bills mailed or collected, however, 63 percent reported that municipalities compensate them based on the percent of revenue they collect. Compensation arrangements are often highly complex, as illustrated by methods of compensation used by counties. LB&FC staff surveyed the 56 counties that do not have central collection of county property taxes and found:

- 39 relied on various forms of per bill compensation,
- 7 relied on forms of compensation based on the percent of current real estate tax revenues collected,
- 4 relied on combined forms of per bill and percent of collection compensation,
- 3 relied on forms of compensation with certain caps, and
- 3 relied on other “hybrid” methods.

In addition to such compensation methods for local tax collectors, 12 counties rely on county staff to collect county property taxes in 17 municipalities, and 11 counties reimburse 19 municipalities using compensation methods that differ from those used in other areas of the county.<sup>5</sup>

## **Property Tax Collection Compensation Costs**

LB&FC staff also estimated county compensation costs and potential savings to collect property taxes based on the various county compensation methods. Based on a sample of 44 counties that account for more than one-half of parcels statewide, we found:

***County costs to collect property taxes through local tax collectors are relatively low, with counties that reimburse based on the percent of revenue collected having the highest per parcel compensation costs.***

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<sup>5</sup> Detailed information on counties and their compensation methods can be found in Finding B2.

- Our sample of 44 counties expended about \$9.5 million in compensation<sup>6</sup> to collect over \$1.3 billion in county current real estate tax revenues, or 0.7 percent of collections.
- The typical per parcel compensation cost for the largest portion of parcels in our sample (56 percent of all sample parcels, 31 percent of parcels statewide, and 22 of 44 sample counties) is in the \$3.00 to \$4.00 range.
- Counties in our sample<sup>7</sup> with central collection and those that compensated local tax collectors based on per bill collected had the lowest average per parcel compensation cost (about \$2.00), while those that compensated based on a flat percent of revenue collected had the highest average per parcel cost (over \$8.00). Counties that use a flat percent of collection method, however, account for less than 2 percent of parcels statewide.
- Typical county costs for printing and mailing, based on a more limited county sample, are about \$0.35 per parcel, and about \$0.12 per parcel for the tax collector's bond.
- If our sample counties could reduce their per parcel compensation costs to the average for counties using a similar compensation method, and they are positioned to make any necessary investments to accomplish such savings, \$1.2 million in potential county savings might be realized, with 8 of the 44 counties realizing potential savings greater than \$1.00 per parcel.

We also identified per parcel compensation costs for 29 of the 91 school districts that collect their own school property taxes and provided costs data in response to our survey.

***School districts that collect their own property taxes typically have per parcel compensation costs at the high end of the range of typical county costs (\$4.00 to \$7.00 for school districts compared to \$3.00 to \$4.00 for counties).***

- School district property tax collectors in our sample reported spending \$1.5 million in compensation costs to collect over \$814 million in property taxes for roughly 300,000 parcels, or somewhat over \$5.00 per taxable parcel.
- School district average per parcel compensation costs are lower for school districts that collect only school property taxes rather than property and other taxes—about \$4.00 compared to about \$7.00.

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<sup>6</sup> Compensation costs include county personnel and benefit costs as well as banking fees when a bank lock box is used in the collection process or payments to local tax collectors (including any benefits) and the employer share of FICA associated with the collector's payment.

<sup>7</sup> Our sample did not include several large counties with central collection of county property taxes, and, therefore, we had data for less than half of the parcels statewide with central collection.

- If the sample school districts that collect property and other local taxes could reduce their per parcel costs to the average for their group, approximately \$185,000 in total potential savings could be realized by four school districts, with such savings ranging from \$0.27 per parcel to as high as \$8.00 per parcel. Similarly, if school districts that collect only school property taxes could reduce their average per parcel costs, approximately \$180,000 in total potential savings could be realized by eight districts, with such savings ranging from about \$0.30 per parcel to as much as \$4.50 per parcel.

We also reviewed total costs for all taxing districts for a sample of counties consisting of one county from each class, other than first and second class counties. The seven counties by class were selected based on the high proportion of municipal collectors responding to our survey. Our sample of counties by class accounts for 11 percent of parcels statewide. We found:

***Counties, municipalities, and school districts in our sample of counties by county class reported expending \$5 million in compensation costs to collect over \$1.2 billion in property taxes, or 0.4 percent of the tax revenue collected by all three taxing districts.***

- The average per parcel compensation costs for all sample taxing districts was \$3.75. Sample counties' per parcel compensation costs ranged from \$2.49 to \$4.74, average municipal per parcel compensation costs ranged from \$1.36 to \$5.78, and average school district costs ranged from \$1.85 to \$6.31 per parcel.
- Municipalities in the sample had the greatest variability in their per parcel compensation costs, for example, ranging from \$0.49 per parcel to \$23.13 in the 4<sup>th</sup> Class County. Such variability is due in part to the differences within counties in municipal tax rates and the assessed value of properties and their method of compensation. Two municipalities in the 4<sup>th</sup> Class County, for example have similar numbers of parcels (325), the same method of tax collector compensation (5 percent of revenues collected), but substantially different per parcel compensation costs—about \$3.00 versus \$23. This can happen because the municipalities have substantially different assessed values and millage rates—\$16 million with a 9.35 millage for the municipality with the \$23 per parcel cost versus \$1.7 million with a 12.35 millage for the municipality with the \$3.00 per parcel cost.
- School districts in the sample of counties by class had average per parcel printing and mailing costs of \$ 0.84 per parcel—twice that of counties. Their printing and mailing costs tend to be higher on a per parcel basis than those of the county. In part, this is due to counties and municipalities often sharing such costs, as they have similar tax collection cycles.



- Potential savings for all taxing districts in the sample counties are under \$1 million, or about 20 percent of their compensation costs. Such potential savings, however, vary across the taxing districts, with counties potentially realizing about 8 percent savings in compensation costs, and school districts and municipalities more than 20 percent. Such potential savings, moreover, vary across the counties, with savings ranging from 14 percent of compensation costs in the 8<sup>th</sup> Class County to 33 percent in the 4<sup>th</sup> Class County. Potential savings in the 4<sup>th</sup> Class County are largely due the school districts in the county having the potential to reduce their compensation costs by over 50 percent if they could reduce their per parcel costs to those of their county (i.e., from over \$6.00 per parcel to about \$2.85 per parcel).
- Potential municipal and school district savings largely occur due to differences in the compensation methods used by those taxing districts and those of their county. Three of the five counties with potential school district savings, for example, use some form of per bill compensation, whereas the school districts in these counties use other methods (e.g., salaries to compensate collectors, and percent of collections).<sup>8</sup>

Based on our various samples' average per parcel compensation and printing and mailing cost data and statewide county parcel and property tax revenue data for all taxing districts, we estimated the costs to collect property taxes for most taxing districts in the state (i.e., about 75 percent of all parcels statewide).<sup>9</sup> We found:

***Taxing districts accounting for most parcels in the state spent nearly \$55 million to collect \$11.6 billion in property tax revenues, or 0.5 percent of collections—an amount nowhere near the 5 percent of taxes collected permitted in the statute.***<sup>10</sup> School districts have the highest aggregate collection costs, because school tax revenues are relatively higher, but such costs are low as a percent of tax collections (\$21 million, 0.3 percent of collections). Municipalities have the second highest costs, and such costs represent the highest percent of tax collections (\$17.7 million, 1.8 percent of collections). Counties have the lowest collection costs (\$14.3 million, 0.7 percent of collections).

If potential savings similar to the savings in our samples could be realized by taxing districts across the state, such savings may be as high as 10 percent of county compensation costs, 30 percent of municipal compensation costs, and over 20

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<sup>8</sup> In Pennsylvania, taxing district compensation for most local collectors is controlled by resolutions adopted by each taxing district prior to the fifteenth day of February in the year of the election where the office is filled.

<sup>9</sup> Excluded from our estimates are county property tax collection costs in Allegheny and Philadelphia and in selected municipalities with county tax collection compensation methods that differ from those used throughout the rest of the county; municipal property tax collection costs in municipalities where the county serves as the appointed municipal tax collector, and school district property tax collection costs in Allegheny and Philadelphia counties.

<sup>10</sup> 72 P.S. §§5511.34, 5511.35.

percent of school district compensation costs, totaling approximately \$10 million in compensation cost savings.

Such savings, while consequential, are significantly below the savings projected as a result of consolidation of local earned income tax collection. For example, a state-sponsored study estimated that consolidation of local earned income tax collection would result in the recovery of more than \$237 million each year in uncollected local earned income taxes, \$127 million of which would be available to school districts across the state. School district property tax collection costs for about 75 percent of parcels statewide are an estimated \$22 million. If such costs are reduced 25 percent, school districts (not including Philadelphia and Allegheny Counties) would realize only about \$5 million in annual savings.

### **Property Tax Collection in Selected Other States**

We reviewed property tax collection in our surrounding states (Delaware, Maryland, New Jersey, Ohio, and West Virginia) and Illinois, which like Pennsylvania has a substantial number of local governments. We found:

- Pennsylvania, Delaware, Illinois, Maryland, New Jersey, and New York have local government municipal tax collectors. Municipal collection of property taxes for all taxing districts, however, typically occurs only in Pennsylvania, Illinois, and New Jersey.
- Ohio and West Virginia have county-based property tax collectors. In Ohio, all taxing districts are required to share in tax collection costs of the county.
- Delaware and Maryland provide for both county and municipal tax collectors. In Maryland, counties (which also operate school districts) and municipalities have the option of adopting formal resolutions providing for county collection of taxes on behalf of the municipality. In Delaware, counties collect county and school district taxes and provide such school revenues to the state for distribution.
- New York permits taxing districts to collect their own property taxes, though it encourages taxing districts to enter into agreements for cooperative collection.

***There are several advantages and disadvantages to Pennsylvania's current system, according to local tax collectors, and county and school district collectors.***

- *The advantages are:* it is "low cost" as local tax collectors do not receive benefits and are often responsible for their office and equipment costs. Local collectors, moreover, are a community liaison between taxpayers

and their governments providing information to taxing districts to maintain per capita and occupational tax rolls; and information for the county assessment office on district property sales, construction without permits, unfit dwellings, address corrections, movement of mobile homes, and property that may have been razed by fire for adjustment to real estate taxes. As they are elected, they often provide customer services such as answering questions about complex tax bills, contacting mortgage companies that have paid the wrong amount in order to prevent a taxpayer from having to pay a tax penalty, and personally going to the homes (or assisted living and nursing homes) of the elderly and disabled to receive and receipt property tax payments. Those with good working relationships with their taxing districts, moreover, help them maximize cash flow so the taxing district does not have to wait a month or more for its revenue. In particular, local, county, and school district tax collectors agree on the importance of the personal contact between the taxpayer and tax collector, and recognize the significant amount of time required to provide customer services.

- *The disadvantages are:* there are no qualifications (e.g., background checks) for those running for the office of local collector, and in a few reported cases those who have been elected have been unable to obtain the surety bond required to hold the elected office and collect taxes. Training of collectors is voluntary and not all taxing districts are willing to pay for costs associated with such training. When the sole person responsible for collection of taxes becomes seriously ill or dies, the outcome is lack of continuity in tax collection and a problem for taxing districts. The existing required reporting and auditing by taxing districts, moreover, may not be sufficient when someone who is not competent is elected. The current system discourages the use of current technologies unless a taxing district(s) elects to introduce such technologies and assume responsibility for their costs. The current system, moreover, is non-uniform in that it permits different taxing districts to have different dates for receipt of tax payments; charge different fees to perform tax certifications, issue duplicate bills, and mobile home permits; and have different tax collector compensation. Such non-uniformity can complicate taxpayer, attorney, and closing company involvement with Pennsylvania taxing districts.

Some taxing districts have addressed some of the disadvantages, for example, by purchasing and introducing centralized computing and accounting systems used by most taxing districts and collectors in the county, by requiring that collections be deposited into taxing district accounts, by negotiating with their banks to provide free lock boxes for use by local tax collectors, and by assessing fiscal penalties when expected remittances deviate from those in prior years. Some taxing districts also

pay for tax collector training and provide various automated technologies to facilitate prompt and accurate receipting of tax payments.

***Mandatory state consolidation of property tax collection could have possible unintended consequences for local governments, such as higher collection costs and need to develop other means for collection of other local taxes and fees.*** County and school district statewide associations have policy positions endorsing consolidated property tax collection. With respect to such consolidation, counties would appear to be in the best position to take on responsibility for local property tax collection as they are responsible for processing deed transfers, valuing property, determining the level of assessment, maintaining the inventory of all property to be taxed, and are often responsible for delinquent tax collection for all taxing districts. County per parcel collection costs, moreover, tend to be lower than those of municipalities and school districts.

Nonetheless, if consolidation at the county level would occur in our sample of 2A, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> Class Counties and assuming these counties charged municipalities and school districts at the same rate as it cost the county to compensate local tax collectors:

- over one-half of the municipalities (78 of 141) in the sample counties would have higher tax collection compensation costs than they do now, and
- over 40 percent (14 of 32) of the school districts would have higher tax collection costs.

Such consolidation, moreover, results in some taxing districts expending more than 5 percent of their tax revenue on collection. One municipality in our sample, for example, that currently expends \$0.60 per parcel to collect municipal real estate taxes for just over 1,000 parcels would increase its per parcel costs by about \$2.00 with consolidation based on the county's per parcel costs. The municipality currently spends about 6 percent of its real estate revenue on such collection. If the county were to take on such collection at its current per parcel cost, the municipality would be expending about one-quarter of all municipal real estate revenue on such tax collection.

Requiring municipalities and school districts to compensate for tax collection at higher costs than they now incur would be problematic. Similarly, requiring counties to provide for collection without covering their actual collection costs would be problematic. The County Commissioners Association of Pennsylvania in its 2010-2011 Official Policy Statement supports consolidated property tax collection at the county level with a "mechanism for recovery of costs of administration."

Consolidation has the appeal of potential economies of scale due to higher volume and resultant cost savings. Our data, however, do not demonstrate that per parcel compensation costs necessarily decrease as parcel volume increases. The method of collection compensation, which is controlled by the taxing district, and not the parcel volume, most directly impacts property tax collection costs.

A previous experiment with consolidated municipal and school district property tax collection through a non-government agency, moreover, was not without problems. Currently, the county's treasurer is collecting most municipal property taxes in the county.

Consolidated collection of local property taxes, moreover, does not provide for collection of other local taxes, such as the per capita tax. Three of the five counties that responded to our survey of counties serving as the appointed municipal tax collector do not collect other local taxes on behalf of the municipality. Municipalities, therefore, would have to identify other means to collect local per capita, occupational, amusement, or street light taxes, or forego such local tax revenue. In one county, for example, where the county serves as the appointed municipal tax collector for 29 municipalities, almost 60 percent of such municipalities levy other local taxes in addition to the property tax. In some cases, the municipalities have designated local municipal employees to collect the other local taxes. Statewide, however, about 30 percent of Pennsylvania municipalities are without a full-time employee.

Local municipal tax collectors also play a role in maintaining the local per capita tax rolls and in such tax collection. Over 60 percent of Pennsylvania counties do not have county per capita taxes, and there are no longer municipal assessors responsible for maintaining the per capita tax roll.

The Pennsylvania State Association of Township Supervisors has taken a position in opposition to mandatory countywide collection of the real estate tax. Along with the Pennsylvania State Association of Boroughs, however, it generally supports voluntary options for real estate tax collection as an alternative to the elected tax collector. Municipal officials and school business managers, moreover, have expressed caution about any changes to local tax collection systems at this time. They note that they are now involved in implementation of consolidated collection of local earned income taxes (Act 2008-32), and anticipate time and effort will be required to assure that concerns they have identified related to such consolidation are successfully resolved.

## Recommendations

1. ***The General Assembly may wish to consider legislation requiring candidates for elected local tax collector to certify prior to the election that they have not been convicted of a felony and/or other infamous crime.*** Local tax collectors

must qualify for a surety bond in order to hold office. When an individual who is elected is unable to qualify for such a bond, this presents problems for local taxing districts that require taxing notices be sent and are anticipating tax revenue at the beginning of the elected official's term. The Pennsylvania State Association of Township Supervisors had adopted a position in support of such legislation.

2. ***The General Assembly may wish to consider legislation to facilitate the temporary appointment of a county treasurer to collect property taxes on behalf of municipalities and school districts in situations where a local elected tax collector is unable to serve a full term due to incapacity or other reasons.*** Such an option, as well as the option to designate a local tax collector in an adjacent municipality, is currently available, and as described in this report, is current practice. County treasurers who currently serve as the appointed municipal tax collector in such situations note that proposed legislation, such as House Bill 715, would facilitate the county assuming the duties of local tax collector for the remainder of the collector's term and assure property taxes are collected in a timely manner by eliminating the need for court petitions associated with such vacancies.
  
3. ***The General Assembly may wish to consider legislation permitting counties, municipalities, and school districts to regularly enter into voluntary agreements for county collection of current property taxes based on mutually agreed-to resolutions of the taxing bodies such as in Maryland.*** Such a voluntary option for consolidation would be similar to the option currently available in Maryland where municipalities can choose to have the county collect its taxes based on voluntary, negotiated agreements, and resolutions of the local government bodies, rather than through local elected tax collectors. Some Pennsylvania counties have developed highly efficient property tax collection systems and, if they are willing, might be able to more efficiently collect for other local taxing districts. As we note in the report, however, two counties with highly efficient systems advised us that they had reached peak efficiency levels and are unwilling to consider taking on added collection duties at this time. They also expressed concern about the major amount of staff time required to address taxpayer questions and resolve over- and under-payment issues. Conceivably, such an approach need not necessarily eliminate the role of tax collector, but could redefine the collector's role as that of a liaison between the taxpayer and the local government and person responsible for customer service rather than the receipting of tax payments.



# I. Introduction

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Senate Resolution 2010-250 directed the Legislative Budget and Finance Committee to conduct a comprehensive study of the current real property (i.e., property tax) tax collection systems in Pennsylvania and other states. The resolution also directs that the study consider the costs and benefits associated with consolidation of property tax collection. The resolution did not direct us, and we did not attempt, to identify the cost of delinquent real estate tax collection. Appendix A provides a copy of Senate Resolution 250.

## Study Scope and Objectives

Specifically, the study seeks to:

1. Identify the amount of property taxes collected annually by counties, municipalities, and school districts.
2. Identify the various approaches to current property tax collection that are in place in Pennsylvania.
3. Identify the costs associated with the various approaches to tax collection and factors accounting for differences in costs.
4. Identify the overall cost to collect property taxes for Pennsylvania counties, municipalities, and school districts and opportunities for cost savings.
5. Identify provisions in place to provide property tax collection accountability and oversight.
6. Identify the advantages and disadvantages of the various approaches to property tax collection and opportunities to enhance the efficiency and effectiveness of the Commonwealth's property tax collection system.
7. Identify the approaches to collection of property taxes in surrounding states.

To identify the amount of property taxes collected annually by counties, municipalities, and school districts, we analyzed 2008 data reported by taxing districts to the Department of Community and Economic Development and the Pennsylvania Department of Education.<sup>1</sup> For more in depth analysis of selected counties and school districts, we also obtained more recent data on current property tax revenues from selected taxing districts.

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<sup>1</sup> During the course of this study, more recent revenue data became available through DCED for many counties and municipalities. However, the newer data was less complete for counties and municipalities and varied less than 1 percent in the aggregate from the 2008 data.



To identify various approaches to tax collection in place in Pennsylvania, we contacted all counties, with the exception of Philadelphia, and surveyed selected counties (see Appendices B and C) and approximately 2,500 elected and appointed tax collectors (see Appendix D). We also spoke with officials from all school districts that were reported by counties and/or elected and appointed tax collectors to be involved in collection of current real estate taxes, and surveyed all school districts in which the district (or its contractor) collected property taxes in at least one-half of the municipalities comprising the district (see Appendix E).

To identify the costs associated with the various approaches to tax collection, we identified the specific tax collection compensation methods used in all counties, surveyed counties and school districts that collect current property taxes, and reviewed contracts between taxing districts and third party collectors. We also surveyed over 2,500 elected and appointed collectors to identify how they were reimbursed by taxing districts, and identified the costs to collect property taxes across all taxing districts in a sample of counties (i.e., a 2A, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> class county). Based on such surveys and sample cost and revenue data, we estimated the typical per parcel compensation cost to collect property taxes in counties by county compensation method, in school districts that collect their own taxes, and for all taxing districts in a sample of counties by class of county. Based on such data, we also identified potential savings.

To identify the overall cost to collect property taxes for Pennsylvania counties, municipalities, and school districts, we used our estimates of typical taxable per parcel costs for each of the various approaches to compensation. Based on such costs estimates, we were able to project overall property tax collection costs and potential savings.

To identify provisions in place to provide accountability and oversight of property tax collection, we reviewed relevant statutes, the Department of Community and Economic Development's *Tax Collector's Manual*, and individual taxing district resolutions specifying various accountability and oversight requirements for tax collection.

To identify the advantages and disadvantages of the various approaches to property tax collection and opportunities to enhance the efficiency and effectiveness of collection, we surveyed counties, school districts, and tax collectors. We met with and solicited input from the Pennsylvania State Tax Collectors' Association, the Department of Community and Economic Development, several statewide associations, and title information service providers. We also spoke with several county treasurers, local tax collectors, school business managers, and municipal finance officers.

To identify the approaches to collection of property taxes in surrounding states, we reviewed various state statutes and regulations. We also spoke with association and government officials from other states.

## **Acknowledgements**

LB&FC staff completed this study with the assistance of counties, school districts, and local tax collectors. In particular, we thank the Pennsylvania State Tax Collectors' Association and its regional chapters for their cooperation and support.

## **Important Note**

*This report was developed by the Legislative Budget and Finance Committee staff. The release of this report should not be construed as an indication that the Committee or its individual members necessarily concur with the report's findings and recommendations.*

*Any question or comments regarding the contents of this report should be directed to Philip R. Durgin, Executive Director, Legislative Budget and Finance Committee, P.O. Box 8737, Harrisburg, Pennsylvania 17105-8737.*

## II. Findings

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### A. Current Real Estate Tax Collection in Pennsylvania

#### 1. Typically, Property Tax Collection Is Consolidated at the Municipal Level, With Municipal Tax Collectors Responsible for All Current County, Municipal, and School District Property Tax Collection

Over 90 percent of Pennsylvania municipalities have elected or appointed municipal tax collectors responsible for the collection of current real property taxes. As shown in Table 1, in over 80 percent of the counties, the local elected or appointed municipal tax collector is responsible for current county and municipal real estate tax collection. Eight counties (Chester, Clinton, Columbia, Dauphin, Lancaster, Lebanon, Lycoming, and Union) have more than 10 percent of their municipalities without local tax collectors, including six (Clinton, Columbia, Lancaster, Lebanon, Lycoming, and Union) where more than 30 percent of their municipalities are without local tax collectors.

#### Exceptions to Consolidated Municipal Level Property Tax Collection

Typically, though not always, local tax collectors are responsible for collection of current real property taxes for the county, municipality, and school district. As shown in Table 2, eleven counties have the county, or another designated entity, collecting all county property taxes. Such counties include six home rule counties (Allegheny, Delaware, Lackawanna, Lehigh, Northampton, and Philadelphia<sup>1</sup>), and five counties authorized by special legislation enacted in the 1800s (Beaver, Chester, Greene, Lawrence, and Washington). Table 2 also shows that 91 school districts (or their contractors) in 25 counties are the primary collectors of current school property taxes. Such school districts collect current school property taxes in over 400 municipalities.

In addition to the counties that centrally collect county property taxes, several counties collect current property taxes in certain municipalities. As shown in Exhibit 1, 13 counties collect county property taxes in third class cities and certain home rule municipalities. Seven counties have also been appointed to collect county and/or municipal property taxes in several municipalities that are without elected local tax collectors. Four of the seven counties, moreover, have been designated to serve as the appointed collector for school district property taxes in certain municipalities. In seven of the eight counties where 10 percent or more of the county municipalities are without local tax collectors, the county has been designated to collect municipal taxes in some municipalities without local tax collectors.

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<sup>1</sup> County property taxes for all municipalities in Lackawanna County are collected by the Scranton Single Tax Office. In Philadelphia, the City of Philadelphia Revenue Department collects all current real estate taxes for the city/county and school district.

Table 1

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**Unduplicated Count of Local Tax Collectors by County**


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<u>County</u>	2000 U.S. Census Reported <u>Municipalities</u> <sup>a</sup>	<u>Local Tax Collectors</u>	Municipalities With Financial Firm <u>Collectors</u>
Adams .....	34	34	-
Allegheny.....	128	119	10
Armstrong.....	45	45	-
Beaver .....	53	53	1
Bedford.....	38	38	-
Berks .....	73	72 <sup>b</sup>	-
Blair .....	24	23	1
Bradford.....	51	51	-
Bucks.....	53	54	-
Butler .....	57	54 <sup>b</sup>	-
Cambria.....	63	61	-
Cameron .....	7	7	-
Carbon.....	23	23	-
Centre.....	35	35	-
Chester.....	73	55	12
Clarion .....	34	34	-
Clearfield .....	50	50	-
Clinton .....	29	20 <sup>b</sup>	-
Columbia .....	33	19 <sup>b</sup>	-
Crawford.....	51	50	-
Cumberland.....	33	33	-
Dauphin .....	40	34 <sup>b</sup>	-
Delaware .....	49	47	-
Elk .....	12	11	-
Erie .....	38	38	-
Fayette .....	42	42	-
Forest.....	9	9	-
Franklin.....	21	22	-
Fulton .....	13	13	-
Greene .....	26	25	-
Huntingdon.....	48	47	-
Indiana.....	38	38	-
Jefferson.....	34	34	-
Juniata.....	17	17	-
Lackawanna .....	40	40	-
Lancaster.....	60	33 <sup>b</sup>	-
Lawrence.....	27	27	-

**Table 1 (Continued)**

<u>County</u>	<u>2000 U.S. Census Reported Municipalities<sup>a</sup></u>	<u>Local Tax Collectors</u>	<u>Municipalities With Financial Firm Collectors</u>
Lebanon .....	26	11 <sup>b</sup>	1
Lehigh.....	24	25	-
Luzerne .....	76	76	-
Lycoming.....	52	32 <sup>b</sup>	-
McKean .....	22	22	-
Mercer .....	48	47	-
Mifflin .....	16	16	-
Monroe .....	20	20	-
Montgomery .....	62	62	-
Montour .....	11	11	-
Northampton .....	38	37	1
Northumberland .....	36	33	-
Perry.....	30	28	-
Philadelphia.....	1	1	-
Pike .....	13	13	-
Potter.....	30	30	-
Schuylkill .....	67	67	-
Snyder .....	21	20	-
Somerset.....	50	48 <sup>b</sup>	-
Sullivan.....	13	13	-
Susquehanna .....	40	40	-
Tioga .....	39	39	-
Union.....	14	9 <sup>b</sup>	-
Venango.....	31	31	-
Warren.....	27	27	-
Washington .....	66	66	-
Wayne .....	28	28	-
Westmoreland .....	65	63	-
Wyoming .....	23	23	-
York.....	<u>72</u>	<u>67</u>	<u>-</u>
Statewide .....	2,562	2,411	26 <sup>c</sup>

<sup>a</sup> The number of municipalities by county may differ from the number of municipalities with local tax collectors for several reasons including differences in the way the U.S. Census bureau and local governments count municipalities that cross county boundaries. The counts also differ as some municipalities have designated an alternate municipal tax collector and some municipalities do not levy and collect real estate taxes.

<sup>b</sup> County is the appointed tax collector in certain county municipalities, though in some the parcel count is negligible.

<sup>c</sup> In addition to the 26 municipalities that have identified a financial firm as their local tax collector in their reporting to the Department of Community and Economic Development, the LB&FC survey of local elected and appointed tax collectors identified at least 12 additional municipalities that have designated firms as deputy collectors. They include eight municipalities in Allegheny County, two in Luzerne County, one in Northampton County, and one in Westmoreland County.

Source: Developed by LB&FC staff from U.S. Census data and information reported by counties and municipalities.

Municipalities that collect property taxes and are without a local property tax collector have other options in addition to the county for property tax collection. Some may designate local tax collectors from nearby municipalities to handle their collections, or they may designate municipal staff to perform tax collection. Others may elect to contract with financial firms for property tax collection. As shown in Table 1, 26 municipalities, including those in which the position of elected tax collector has been abolished under a local home rule charter, contract with financial firm collectors. Several other municipalities have also designated such firms as their deputy tax collectors.

Table 2

**Collection of Current Property Taxes by Other Than Local Tax Collectors**

<u>County</u>	<u>County Collects All County Property Taxes</u>	<u>School District (or Contractor) Is Primary Collector of District Property Taxes</u>
Adams .....	0	0
Allegheny.....	1	9
Armstrong.....	0	0
Beaver .....	1	0
Bedford.....	0	0
Berks .....	0	4
Blair .....	0	2
Bradford.....	0	3
Bucks.....	0	2
Butler .....	0	1
Cambria.....	0	1
Cameron.....	0	0
Carbon.....	0	0
Centre.....	0	0
Chester.....	1	12
Clarion.....	0	0
Clearfield.....	0	0
Clinton.....	0	1
Columbia.....	0	1
Crawford.....	0	0
Cumberland.....	0	0
Dauphin.....	0	3
Delaware.....	1	8
Elk.....	0	0
Erie.....	0	0
Fayette.....	0	0
Forest.....	0	0
Franklin.....	0	0
Fulton.....	0	0
Greene.....	1	0
Huntingdon.....	0	0
Indiana.....	0	0
Jefferson.....	0	0
Juniata.....	0	0
Lackawanna.....	1	1
Lancaster.....	0	16
Lawrence.....	1	0

**Table 2 (Continued)**

<u>County</u>	<u>County Collects All County Property Taxes</u>	<u>School District (or Contractor) Is Primary Collector of District Property Taxes</u>
Lebanon .....	0	6
Lehigh.....	1	0
Lycoming .....	0	4
McKean .....	0	0
Mercer .....	0	0
Mifflin .....	0	0
Monroe .....	0	0
Montgomery .....	0	3
Montour .....	0	0
Northampton.....	1	2
Northumberland.....	0	2
Perry .....	0	1
Philadelphia.....	1	NA
Pike.....	0	0
Potter .....	0	0
Schuylkill .....	0	1
Snyder .....	0	1
Somerset .....	0	0
Sullivan .....	0	0
Susquehanna .....	0	0
Tioga.....	0	3
Union .....	0	2
Venango .....	0	0
Warren.....	0	0
Washington .....	1	0
Wayne .....	0	0
Westmoreland .....	0	0
Wyoming .....	0	0
York .....	<u>0</u>	<u>2</u>
Statewide.....	11	91

Source: Developed by LB&FC staff from information reported by counties, school districts, and local elected and appointed tax collectors.



Exhibit 1

**County Collection of Current Real Property Taxes**  
As of Second-Half 2010

County	County Tax Collected Throughout County	County Tax Collected in Selected Third Class Cities and Home Rule Municipalities	County and/or Municipal Taxes Collected in Some Municipalities	County, and/or Municipal and/or School District Taxes Collected in Some Municipalities	County in Which Some School Districts Collect School District Taxes <sup>a</sup>
Allegheny	✓				✓
Beaver	✓				
Berks		✓			✓
Butler		✓			✓
Cambria		✓			✓
Centre		✓			
Chester	✓				✓
Clinton		✓	✓	✓	✓
Columbia			✓		✓
Crawford		✓			
Dauphin		✓	✓	✓	✓
Delaware	✓				✓
Fayette		✓			
Greene	✓				
Lackawanna	✓ <sup>b</sup>				✓
Lancaster		✓	✓		✓
Lawrence	✓				
Lebanon			✓		✓
Lehigh	✓				
Luzerne		✓			✓
Lycoming		✓	✓	✓	✓
McKean		✓			
Northampton	✓				✓
Philadelphia	✓ <sup>c</sup>				
Union			✓	✓ <sup>d</sup>	
Venango		✓			
Washington	✓				

<sup>a</sup> Other counties in which some school districts collect school district real estate taxes include Blair, Bradford, Bucks, Montgomery, Northumberland, Perry, Schuylkill, Snyder, Tioga, and York.

<sup>b</sup> County taxes collected throughout the county by the Scranton Single Tax Office.

<sup>c</sup> The City of Philadelphia Revenue Department collects all current real estate taxes for the City/County and School District.

<sup>d</sup> School districts are responsible for all reconciliation and reporting activities in areas where the county receipts current school district real estate taxes on behalf of the school district.

Source: Developed by LB&FC staff.

## **2. Most Local Tax Collectors Collect in Municipalities With Relatively Few Taxable Parcels, and Many Collect Other Local Taxes and Service Fees**

In late 2010, the LB&FC staff surveyed local elected and appointed tax collectors in all 67 counties, with the exception of Philadelphia. Over 60 percent (1,473 of 2,411)<sup>1</sup> of the local tax collectors responded to our survey, and most of those (92 percent) responding reported they had been elected to serve. Consistent with Pennsylvania's local government structure, township (rather than city or borough) tax collectors represented the largest number of respondents (851 of 1,473).

### **Number of Taxable Parcels**

Almost all (98 percent) survey respondents report collecting real estate taxes for municipalities, with 88 percent also collecting for school districts, and 81 percent for counties. Such local tax collectors collect real estate taxes for approximately 60 percent of taxable parcels<sup>2</sup> statewide.

As shown in Table 3, however, most are responsible for collecting real estate taxes for relatively small numbers of taxable parcels. Ninety-five percent (1,397 of 1,473) of those surveyed reported the number of taxable parcels for which they collected taxes. As shown in Table 3, local tax collectors typically reported collecting for between 500 and 1,000 taxable parcels. Approximately 60 percent of those reporting collect for 1,500 or fewer parcels. Only 9 percent reported collecting for more than 5,000 taxable parcels.

Consistent with the relatively small number of parcels for which most local tax collectors are responsible, only 10 percent report having staff to assist with collection activities, and only 12 percent report having posted tax collection hours five days a week, seven hours a day. Many respondents, however, report that their offices are in their homes and they are readily available to taxpayers seven days a week and during evening hours. Several local tax collectors note they receive collections outside of posted hours, even at church services.<sup>3</sup>

### **Collection of Other Local Taxes and Service Fees**

Two-thirds (965 of 1,473) of the local tax collectors responding to our survey report collecting one or more other taxes or service fees on behalf of their local taxing districts. Such other taxes include, for example, per capita, occupational,

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<sup>1</sup> Lebanon is the only county with less than 25 percent of local tax collectors responding to the LB&FC survey. In 11 counties (Armstrong, Bucks, Cambria, Crawford, Erie, Forest, Franklin, Indiana, Mercer, Monroe, and Pike), 75 percent or more responded to the survey.

<sup>2</sup> This includes 3.12 million out of an estimated 5.05 million taxable parcels, excluding Philadelphia.

<sup>3</sup> Approximately 90 percent of the respondents report receiving payments through the mail or in person at the office, which is often their home. About 20 percent also report tax payments can be made in person at the municipal office, and about 2 percent provide for payments at a local bank office or a bank lock box.

Table 3

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**Real Estate Parcels Per Local Tax Collector**


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<u>Number of Parcels</u>	<u>Tax Collector Respondents</u>	<u>Percent Respondents</u>
Less than 100 .....	20	1.4%
100 - 500.....	261	18.7
501 – 1,000.....	333	23.8
1,001 – 1,500.....	210	15.0
1,501 – 2,000.....	149	10.7
2,001 – 2,500.....	109	7.8
2,501 – 3,000.....	61	4.4
3,001 – 3,500.....	51	3.7
3,501 – 4,000.....	34	2.4
4,001 – 4,500.....	18	1.3
4,500 – 5,000.....	24	1.7
5,001 – 10,000.....	90	6.4
10,001 and over .....	37	2.6

Source: Developed by LB&FC staff from the local elected and appointed tax collector survey responses.

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earned income, local service, and amusement taxes. Examples of reported service fees include mobile home permits and sewer and water fees.

Almost 80 percent (755 of 965) of those that report collecting other local taxes or fees collect per capita taxes. Many of those that report collecting the per capita tax also note they have a role in identifying taxing district residents to be placed on the local per capita tax roll. In addition to tax collectors in the 26 counties with per capita or occupational taxes,<sup>4</sup> collectors in 39 other counties report collecting per capita and occupational taxes on behalf of the other taxing districts.

Along with the local real estate tax, the earned income tax is a major local source of tax revenue for municipalities and school districts. Relatively few (104 of 1,473) local tax collectors responding to our survey, however, report collecting local earned income taxes. Such collectors from eight, mostly western, counties (Allegheny, Butler, Cambria, Centre, Clearfield, Erie, Mercer, and Westmoreland) accounted for approximately two-thirds of all reported earned income tax collection in our survey.

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<sup>4</sup> Over 60 percent of Pennsylvania counties do not have county per capita taxes. Only Adams, Armstrong, Bedford, Cameron, Clarion, Columbia, Crawford, Cumberland, Elk, Fayette, Forest, Huntingdon, Indiana, Juniata, McKean, Mercer, Mifflin, Montour, Northumberland, Perry, Potter, Schuylkill, Snyder, Venango, and Wyoming have county per capita taxes. Fulton County has a county occupation tax, according to Department of Community and Economic Development data.

### **3. Counties Serve as Appointed Municipal Tax Collectors for Approximately 3 Percent of Parcels Statewide**

LB&FC staff surveyed seven counties that serve as the appointed local municipal tax collector for a substantial number of municipalities.<sup>1</sup> Total county parcels in the seven counties (Clinton, Columbia, Dauphin, Lancaster, Lebanon, Lycoming, and Union) account for about 9 percent of parcels statewide. Five of these counties, accounting for about 7 percent of parcels statewide, responded to our survey.

In total, the five counties collect municipal (and county) real estate taxes in approximately 3 percent of parcels statewide. Municipal parcels in which the county served as the appointed municipal collector accounted for about:

- 15 percent of total county parcels in one county,
- 25 percent in a second,
- 35 percent in a third,
- 50 percent in a fourth, and
- 90 percent in a fifth.

Three of the five counties were positioned to begin to collect real estate taxes for municipalities. Prior to serving as the appointed municipal tax collector for select municipalities, the three collected county real estate taxes in third class cities, which account for about 10 to 20 percent of total county parcels in such counties.

#### **County Compensation for Collecting Municipal Real Estate Taxes**

Compensation paid to counties to collect municipal real estate taxes varied. For example:

- One county received no compensation for collecting municipal real estate taxes.
- A second received the cost of a first class postage stamp for each municipal real estate tax bill.
- A third received \$0.35 to \$0.45 per bill collected.
- A fourth received \$0.75 per bill collected plus the postage cost for the municipal and county property tax bill.
- A fifth received 2 percent of all municipal taxes collected by the county.

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<sup>1</sup> In addition to the seven counties, LB&FC staff identified three counties in which the county also served as the appointed municipal tax collector for a limited number of municipalities and parcels. One of the three counties collected for two municipalities with a total of 27 parcels, a second for two municipalities with a total of 218 parcels, and a third for one municipality with fewer than 150 parcels. Such counties were excluded from our analysis in view of the minimal number of municipal parcels for which they collect.

In addition to collecting real estate taxes for selected municipalities, two of the five counties collect school property taxes for school districts in some municipalities. Such counties charge school districts the same amount per bill collected that the county pays local elected tax collectors to collect county real estate taxes. A third county that does not collect real estate taxes on behalf of school districts also links its charge to collect municipal real estate taxes to the amount it pays local elected tax collectors to collect county real estate taxes.

Two of the five counties, however, charge municipalities more than the county pays for county real estate tax collection. The difference is substantial (i.e., \$0.25 per bill generated versus 2 percent of collections) for one of the two counties.

In response to our survey, only two of the five counties provided data on their actual costs to collect current real estate taxes. One had compensation costs<sup>2</sup> of about \$1.00 per bill, and the second had costs nearing \$3.00 per bill.

The county with about \$1.00 per parcel actual compensation costs noted in response to the LB&FC survey it is unwilling to consider collecting municipal real estate taxes throughout the remainder of the county. The other four counties indicated an interest in such collection, though several noted they would require additional staff and resources.

Similar responses were provided by the counties with central collection of county current real estate taxes. The county with central collection and the lowest per parcel compensation costs (\$0.97 per parcel<sup>3</sup>) (see Finding B3) indicated it is not willing to take on responsibility for collection of municipal real estate taxes through the county.

The two counties cited above with the lowest per parcel compensation costs (about \$1.00 per parcel, excluding printing and postage, bond, and other operating costs) advised the LB&FC staff that they are currently operating at peak efficiency and cannot take on additional collections without substantially increasing their per parcel costs. They noted, moreover, that in the current fiscal environment, their counties are not considering expanding staff and investing in additional technology.

## **County Collection of Other Municipal Taxes**

Only two of the five counties collect local taxes in addition to current real estate taxes for municipalities. One county (without a county per capita tax) collects municipal per capita taxes in a municipality where the county is the appointed tax

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<sup>2</sup> Such costs include staff and benefit costs plus bank lock box tax payment receipting costs.

<sup>3</sup> In addition to providing for payment of taxes in person at the county office, this county provides for bank lock box collection and payment at banking locations throughout the county. The county relies on automated systems designed and operated by county staff in its tax payment processing.

collector. A second county (without a county per capita tax) collects per capita taxes and school property tax installment payments.

Three of the five counties, however, do not collect other local taxes in municipalities where they serve as the appointed municipal tax collector. Such municipalities must identify other means to collect local per capita, services, amusement, or street light taxes, or decide to forego such local tax revenue.

In Lancaster, for example, the county serves as the appointed tax collector and collects municipal (and county) real estate taxes in 29 municipalities.<sup>4</sup> The county, however, does not collect other local taxes for these municipalities, and school property taxes are often collected by the school districts. Almost 60 percent of these municipalities have other local taxes (e.g., local per capita, amusement, or street light taxes). In some cases, the municipalities designate local municipal employees to collect the other local taxes. Lancaster, however, is one of only five Pennsylvania counties<sup>5</sup> in which all county municipalities have at least one full-time employee. Statewide, about 30 percent of Pennsylvania municipalities are without one full-time employee, according to Department of Community and Economic Development data.

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<sup>4</sup> The County Treasurer and the County Assessment Office have slightly different municipal counts. Our analysis relied on municipal counts provided by the County Assessment Office.

<sup>5</sup> Lancaster, Lebanon, Lehigh, Monroe, and Philadelphia have at least one full-time employee in every county municipality. Twenty-one counties (Bedford, Cameron, Clearfield, Clinton, Columbia, Forest, Fulton, Huntingdon, Indiana, Juniata, Lycoming, Mercer, Montour, Perry, Potter, Sullivan, Susquehanna, Tioga, Union, Wayne, and Wyoming) are without at least one full-time employee in 40 percent or more county municipalities.

#### **4. The Small Number of Municipalities That Have Designated Private Firms to Collect Municipal Property Taxes Are Typically in Counties That Collect Their Own Real Estate Taxes**

As noted in Finding A1, 26 municipalities identify private companies as their appointed local tax collectors. The LB&FC survey of local and elected tax collectors, moreover, identified 12 additional municipalities that contract with private companies for municipal real estate tax collection. We estimate such private firms collect municipal property taxes for approximately 2 percent of parcels statewide.

In almost 90 percent (33 of the 38) of the municipalities that use private companies to collect municipal property taxes, the county itself collects county real estate taxes.<sup>1</sup> As shown in Table 1 in Finding A1, most private firms serve municipalities in Allegheny and Chester Counties, with Allegheny County accounting for about one-half of all municipalities in which private firms have been designated to collect municipal property taxes. In Allegheny and Chester Counties, private firms collect municipal property taxes for approximately 12 percent of total county parcels. Typically, such firms collect for municipalities with at least 1,500 parcels.

#### **Collection of Other Current and Delinquent Taxes and Fees**

LB&FC staff requested municipalities that have designated private companies as their local tax collector to provide copies of their contracts and agreements with such companies. We also obtained information for additional municipalities through our survey of local elected and appointed tax collectors when the municipality or its local tax collector had designated a firm to collect municipal property taxes.<sup>2</sup> Based on our review of contracts and survey responses from 29 of the 38 municipalities<sup>3</sup> that utilize five different private firms, we found:

- at least 21 of the 29 municipalities contract with private firms to collect other taxes (such as earned income taxes) in addition to current real estate taxes, and
- at least 15 of the 29 also rely on private firms to collect delinquent taxes and fees.

#### **Real Estate Tax Collection Compensation Methods**

We also found that most of the 29 municipalities compensate for current real estate tax collection on a per bill basis:

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<sup>1</sup> In one additional municipality where the county contracts with a school district to collect county property taxes, the municipality contracts with a private firm to collect municipal real estate taxes.

<sup>2</sup> Typically, such private companies were designated as a “deputy” collector or referred to as a tax “administrator.”

<sup>3</sup> Information was not provided in response to our request or was incomplete for 11 of the 38 municipalities.

- 23 municipalities compensate using some form of per bill payment,
- 2 compensate using a flat payment amount,
- 2 compensate using the percent of revenue collected, and
- 2 compensate using hybrid compensation methods (e.g., payment on a per bill basis plus a separate monthly payment for receipting the payments).

While most of the municipalities compensate private firms on a per bill basis, there are variations in the per bill compensation methods used by municipalities. For example, one of the five private firms, which collects for 11 of the 29 municipalities, is reimbursed by eight municipalities on a per bill basis.<sup>4</sup> Of the eight:

- 3 compensate on a per bill printed basis,<sup>5</sup>
- 3 compensate on a per bill printed and per bill processed basis,<sup>6</sup> and
- 2 compensate on a per bill printed basis and additional per bill compensation for other taxes and fees (e.g., fire hydrant tax, etc.) included on the property tax bill.<sup>7</sup>

In addition to the per bill compensation, the municipalities also reimbursed the firm for first class postage to mail municipal real estate tax bills.

Municipal compensation arrangements varied not only within a private firm, but also across the five private firms. Per bill compensation, for example, ranged from:

- \$1.45 to \$2.00 (per bill printed and excluding postage costs) to \$5.00 (including printing and postage, reminder notices, and preparation of delinquent tax notices) at one firm;
- \$1.50 (excluding printing and postage costs) to \$2.00 (with additional taxes on the real estate bill and excluding printing and postage costs) at a second firm;
- \$1.50 (excluding printing and postage costs) to \$3.00 (with hydrant taxes on the real estate bill and excluding printing and postage) at a third firm;
- \$1.70 (with printing and excluding postage costs) to \$4.25 (including printing and processing of real estate, fire hydrant taxes, etc., and excluding postage costs) at a fourth firm; and
- \$2.50 (excluding printing and postage costs) at a fifth firm.

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<sup>4</sup> The remaining three contracts were on a flat commission basis or other hybrid methods (e.g., payment on a per bill printed and a flat monthly fee from receipting the payment).

<sup>5</sup> Compensation ranged from \$2.00 per bill printed to \$3.25.

<sup>6</sup> Compensation ranged from \$1.70 combined compensation to \$2.20.

<sup>7</sup> Compensation ranged from \$3.25 combined compensation to \$4.25.



Based on the limited data available, we did not find that higher taxable parcel volume necessarily results in lower private firm per bill compensation. One firm, for example, was reimbursed:

- \$2.00 per parcel (excluding printing and postage costs) by one municipality with just over 1,000 taxable parcels, another with 2,200 parcels, and a third with about 10,000 parcels, and
- \$3.00 per parcel (excluding printing and postage costs) by a municipality with about 1,400 parcels.

It is possible that such compensation differences are due to the specific services the municipality requires the firm to provide that are not detailed in the contract and information available to the LB&FC.

## **5. About 20 Percent of Pennsylvania School Districts Do Not Rely on Local Municipal Tax Collectors to Collect School Property Taxes**

As noted in Finding A1, 11 counties have central collection of county real estate taxes. Pennsylvania counties, however, are not the only taxing districts that collect their own property taxes. About 20 percent (91 of 501) of Pennsylvania school districts collect school real estate taxes.

In late 2010, LB&FC staff surveyed all school districts that collect school property taxes in 50 percent or more of the municipalities that comprise the district. Over 60 percent (56 of 91) of the school districts that collect school property taxes responded to our survey (see Appendix E). About one-half of the respondents (27 of 56) reported they had been appointed or deputized to collect school real estate taxes. A similar number (26 of 56) reported a formal contract or agreement existed between the district and the local tax collector or municipality allowing the district to collect school taxes.

For the most part, school districts collect real estate and other local taxes for the school, but not other taxing districts. One large urban school district, however, collects real estate taxes for the county, and a second collects earned income taxes for other school districts and municipalities in the county.<sup>1</sup>

Almost two-thirds of the reporting school districts have been collecting real estate taxes for a long time. So long, in fact, many cannot recall when the district started to collect. Of those that could recall (42 of 56), five reported the district had collected real estate taxes for 30 or more years, eight between 20 and 30 years, and 13 between 10 and 20 years. Three reported starting one year ago.

### **Counties With School Districts Collecting School Real Estate Taxes**

LB&FC school district survey respondents included:

- 13 Lancaster County school districts,
- 6 Allegheny and Chester County school districts,
- 4 Lebanon County districts,
- 3 Berks County districts,
- 2 Dauphin and Delaware County districts,

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<sup>1</sup> This analysis does not include school districts that have been designated by a municipality as the local municipal tax collector. At least one of the LB&FC local elected or appointed tax collector survey respondents (see Finding B1) is a school district appointed by its municipality as the local tax collector. The district collects all municipal and school district taxes based on an agreement between the municipality and the district, with the municipality responsible for reimbursing the district for its incremental costs incurred in the collection of municipal taxes and fees.

- 1 Blair, Bradford, Bucks, Butler, Cambria, Columbia, Lycoming, Montgomery, Northampton, Perry, Tioga, and York County districts, and
- 8 multi-county (Berks/Chester, Chester/Delaware, Chester/Lancaster, Lancaster/Berks, Lycoming/Tioga, Northumberland/Union, Northumberland/Union/ Montour, and Tioga/Wyoming) districts.

The reporting districts collect real estate taxes for about 10 percent (528,000 taxable parcels) of the state’s taxable parcels. Single county districts in three counties—Allegheny (26,908), Chester (69,821), and Lancaster (154,866)—account for almost one-half of the taxable parcels collected by the reporting school districts.

### School District Taxable Parcels

Typically, school district real estate tax collectors collect for a substantial number of parcels. As shown in Table 4, over one-third (19 of 53) of the reporting districts have between 9,000 and 12,000 parcels, and over 10 percent collect for 15,000 or more parcels. Only one of the reporting school districts has slightly fewer than 3,000 taxable parcels. As noted in Finding A2 (Table 3), over 60 percent of the local elected and appointed tax collectors collect for fewer than 1,500 taxable parcels.

Table 4

<b>Range of Taxable Parcels in School Districts Collecting Their Own Real Estate Taxes</b>	
<u>School Districts*</u>	<u>Range of Taxable Parcels</u>
1.....	Fewer Than 3,000
8.....	3,001 – 6,000
13.....	6,001 – 9,000
19.....	9,001 – 12,000
6.....	12,001 – 15,000
6.....	Greater Than 15,000

\*53 of 56 school district survey respondents reported taxable parcel counts.

Source: Developed by LB&FC staff from school district survey responses.

### School District Collection of Other Local Taxes

While school districts differ from local elected and appointed tax collectors in the number of taxable parcels for which they are responsible, they are similar in that both frequently collect other taxes in addition to real estate taxes. Two-thirds of local elected and appointed tax collectors (965 of 1,473), and over 50 percent of the school districts (29 of 56) report collecting other taxes. Of those collecting other

taxes, roughly 80 percent of local collectors (755 of 965) and school collectors (24 of 29) collect per capita taxes.

School districts that collect other local taxes, however, are more likely than local collectors that collect other taxes to collect local earned income taxes. Based on our surveys of local elected and appointed tax collectors and school district collectors, we found:

- About 30 percent (8 of 29) of the school districts that collect other local taxes collect the local earned income tax.<sup>2</sup>
- About 10 percent (104 of 965) of the local elected and appointed collectors that collect other local taxes collect the earned income tax.

## **Bank Lock Boxes**

School districts also differ from local elected and appointed tax collectors in their reliance on bank lock boxes as part of the real estate tax collection process. About 2 percent (25 of 1,473) of local collectors report using bank lock boxes as part of the collection process. In contrast, 75 percent (42 of 56) of school districts report using bank lock boxes to receive real estate tax payments through the mail, and 70 percent (39 of 56) report school real estate tax payments can be made in person at a bank.<sup>3</sup>

Typically, school district survey respondents compensate banks for lock box services, which generally involve banks having a dedicated post office box where property tax bills are sent. The bank then collects and deposits the payments into a separate account in the school's name. Almost 90 percent of the districts that use bank lock boxes (37 of 42) pay banking fees for such service. Ten percent (4 of 42), however, do not report paying such fees. Those that do not pay banking fees advised LB&FC staff that their banks had agreed to waive such fees based on the district's relationship with the bank and the district maintaining a substantial daily bank balance.<sup>4</sup>

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<sup>2</sup> With the implementation of Act 2008-32, three Pennsylvania school districts have been designated to collect local earned income taxes for their region. Two of the three districts collect current school property taxes for the district.

<sup>3</sup> Five of the seven counties with central collection of county real estate taxes that responded to our survey reported using bank lock boxes as part of their real estate tax collection processes, and six reported payments could be made at a local bank.

<sup>4</sup> Several school district business managers with whom we spoke that utilize local tax collectors to collect local real estate taxes also advised LB&FC staff that they have been able to obtain "free" bank lock box services at the district's bank for use by the local tax collector in the real estate tax collection process. Through such arrangements, school managers noted the district obtains immediate deposit and access to revenues that are collected with no added cost to the local collector. The district, moreover, does not have to employ and/or assign school district staff to answer taxpayer questions about their tax bills, resolve issues such as duplicate payments and under and over payments, and reconcile taxes paid against the tax duplicate.

For the most part, school districts that use bank lock boxes and banks to receipt real estate tax payments do not rely on them exclusively. Approximately 50 percent report taxpayers can mail their real estate tax payments to the school district (27 of 56), or they can pay in person (28 of 56) at the district. Most school districts (47 of 56) report posted tax collection hours that coincided with school district hours.

## **Use of School District Staff**

Over 75 percent of the school districts (43 of 56) report using full- and/or part-time school district staff in the real estate collection process.<sup>5</sup> Typically, such school employees hold clerical and accounting positions. Eleven percent of school districts (6 of 56) report their employees have completed the Department of Community and Economic Development's Qualified Tax Collector program.<sup>6</sup>

## **School District Use of Private Firms to Collect Real Estate Taxes**

Fewer than 2 percent of Pennsylvania municipalities use private firms to collect municipal real estate taxes (see Finding A4).<sup>7</sup> About 20 percent (11 of 56) of the school districts responding to our survey, however, report using such firms to collect school property taxes.<sup>8</sup> As with private firms that collect municipal real estate taxes (see Finding A4), private firms that collect school real estate taxes frequently collect other taxes (9 of 11) on behalf of the district, in particular the local earned income tax.

## **Surety and Performance Bonds**

Most school districts (39 of 56) report they have obtained a performance or surety bond to cover school district (and contractor) staff that collect real estate taxes on their behalf. About 15 percent (8 of 56), however, report they have not. Twenty of the 27 districts that have been appointed or deputized to collect school real estate taxes also report they share in the cost of the local elected tax collector's bond with the other taxing districts.

Finding B4 provides information on school district per parcel compensation costs for school districts that collect school property taxes.

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<sup>5</sup> Only 10 percent of local tax collectors we surveyed report having staff to assist in their local tax collection activities, and frequently such assistance is provided by taxing district employees.

<sup>6</sup> In response to the LB&FC survey of local elected and appointed tax collectors, 35 percent of the survey respondents report program completion.

<sup>7</sup> None of the counties with central collection of county current real estate taxes report use of private firms for county real estate tax collection.

<sup>8</sup> In some instances, local municipalities utilized the same firms as the districts for real estate tax collection.

## **B. Real Estate Tax Collection Compensation Methods and Costs**

### **1. Current Real Estate Taxes Are Less Costly to Collect Than Other Local Taxes**

Different taxes have different costs associated with their administration and collection. Current real estate taxes are among the local taxes that are least costly to collect.

Current real estate taxes are less costly to collect than other local taxes, in part, because they have low compliance costs. Real property is “visible” and “immobile.” Property taxes, therefore, cannot be avoided. The real estate tax revenue collected, moreover, is always due to the taxing district in which the property is located. Such visibility and immobility distinguish real property taxes from, for example, earned income taxes where taxes may be collected in one taxing district (e.g., where an individual is employed) and are due to another district (e.g., where an individual resides), and disputes can arise as to which taxing district is entitled to the collections. They also distinguish the real estate tax from other local taxes, such as per capita taxes, that are often levied on highly mobile individuals that must be identified by the taxing district. And unlike other taxes, the taxing district can seize the property that remains in place to recover unpaid property taxes.

Collection of current real estate taxes is also less labor intensive than other local taxes. Typically in Pennsylvania, current real estate collection involves one mailing, payment receipt, and recording of the payment on the tax roll. Earned income and local service tax collection, however, are more labor intensive and involve multiple collection transactions throughout the year. Such local taxes, moreover, have compliance costs for businesses and employers that property owners do not have.

### **Comparison of Tax Revenue Generated and Tax Collection Costs**

Real property taxes yield substantially more revenue in relationship to their collection costs than other local taxes. Two townships with public employees serving as their appointed local tax collectors highlighted this point in their responses to our survey of local elected and appointed tax collectors.

One township, consisting of over 4,000 taxable parcels, collects township and school district property and earned income taxes. The township also imposes a local service tax, and contracts with a nearby municipality to provide for such collection. This township incurs personnel and benefits costs of just over \$3,560 to collect township real estate taxes (with a per parcel cost of roughly \$0.90 for collection

personnel with benefits), and \$24,900 to collect township earned income taxes.<sup>1</sup> It also pays just over \$49,000 for local service tax collection. In other words, it costs the township:

- 0.22 percent of property tax revenues<sup>2</sup> to collect the township property tax,
- 2.09 percent of earned income tax revenues<sup>3</sup> to collect township earned income tax, and
- 8.58 percent of local service tax revenues<sup>4</sup> to collect the township local service tax.

The second township consists of over 20,000 taxable parcels and has geographic boundaries coinciding with those of the school district. The township appointed the school district to serve as its municipal tax collector. In addition to collecting the current real estate tax, the school district collects earned income, mercantile, business privilege, and local service taxes on behalf of the municipality and the school district. The total personnel and benefit costs to collect such local taxes (for both taxing districts) is approximately \$165,000.<sup>5</sup> According to the school district business manager/appointed tax collector, little staff time is required to collect current real estate taxes because many payments are received from mortgage companies.<sup>6</sup> Earned income tax collection accounts for most staff time. As a consequence, 80 percent of the taxing districts' local tax revenue collections (approximately \$48 million) involve the least amount of personnel costs.<sup>7</sup>

The point is further highlighted by the experience of a school district that responded to the LB&FC survey of school districts that collect their own current real estate taxes. The district collects its own current real estate tax and earned income tax. Annually, the school district collects \$16 million in current real estate and \$8 million in earned income taxes. The district, which employs 13 tax office

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<sup>1</sup> One-quarter of one full-time equivalent staff is required for real estate tax collection and 1.75 full-time equivalent for earned income tax collection, according to the township Finance Director/Tax Collector.

<sup>2</sup> \$1.6 million.

<sup>3</sup> \$1.19 million.

<sup>4</sup> \$571,000.

<sup>5</sup> The municipality reimburses the school district one-half of the salary for two of the 3.5 staff involved in tax collection and the cost to print and mail the municipal tax bills, and one-half of the cost of office equipment, computers, and software. The appointed municipal tax collector (i.e., the school district) promptly transfers municipal revenues that are collected to the municipality.

<sup>6</sup> The district distributes 13,500 property tax bills to individuals and the remainder to mortgage companies.

<sup>7</sup> Townships and school districts that collect their own real estate taxes are not the only taxing districts where the cost to collect other taxes is greater than the cost to collect real estate taxes. LB&FC staff identified two counties that reimburse local tax collectors the exact same amount to collect a real estate tax bill as a per capita tax bill. As a consequence, one county expends the same amount per bill to collect approximately \$38 million in real estate taxes as it does to collect about \$700,000 in per capita taxes. The second county expends the same amount per bill to collect approximately \$11 million in real estate taxes as it does to collect about \$140,000 in per capita taxes. As there are more per capita tax bills than real estate bills, moreover, the total tax collection compensation cost to collect per capita taxes is higher than the total for real estate tax collection.

staff, reports 7.75 percent of the time of two of its 13 tax office staff is required to collect the current real estate tax.

## **Complexity in Determining Property Tax Bill Collection Costs**

Efforts to identify property tax bill collection costs are complicated, in part, as a result of the absence of a relationship between the resource inputs required to collect various local taxes and the revenues each tax generates. They are also complicated by other local considerations.

***Difficulty in Associating Specific Costs With Specific Local Taxes and Fees:*** When local tax collectors collect multiple local taxes and service fees, the actual unit cost to collect a specific tax (e.g., real estate or per capita tax) may be difficult to identify. Absent highly developed cost accounting systems, taxing districts may not be able to identify complete tax collection costs as they apply to any specific tax.

***Preference for Bundled Local Tax Collection:*** Local taxing districts may prefer not to “unbundle” their local tax collection as their unit cost to collect local taxes may increase if they do. To illustrate, assume that a municipality has 500 taxable parcels that generate \$1,000,000 in tax revenue and a per capita tax roll of 1,000 that generates \$5,000. Further assume the total compensation to collect the two taxes is \$10,000, and current real estate tax collection requires 10 percent of the tax collector’s time and per capita tax collection 90 percent. In this illustration, the compensation cost to collect all local tax revenue is 0.99 percent of all tax revenues ( $\$10,000/\$1,005,000$ ). On a per bill basis, the “true” cost to collect the municipal property tax is \$2.00 per taxable parcel ( $\$1,000/500$ ), and the “true” cost to collect the per capita tax is \$9.00 per bill ( $\$9,000/1,000$ ). The overall per bill compensation cost for both taxes is \$6.66 ( $\$10,000/1,500$ ). If the municipality in this illustration no longer collects the current real estate tax, the municipality’s per bill cost to collect local taxes increases to \$10 per bill.

***Additional Functions Performed by Local Tax Collectors:*** Local taxing districts that collect multiple taxes may take into account factors other than the resources required to collect a specific tax when they establish compensation rates for local tax collection. A small municipality that collects current real estate and per capita and occupational taxes in a county without per capita or occupational taxes, for example, may assign responsibility for updating the per capita or occupational tax rolls to the local tax collector. Several local tax collectors responding to our survey noted they are responsible for helping to maintain such roles as municipalities no longer have municipal assessors. They also noted that they perform other tax assessment-related functions such as issuance of mobile home permits.



**Additional Local Requirements for Local Tax Collectors:** Local taxing districts have the option of establishing requirements for real estate tax collection that go beyond the minimum requirements set forth in statute.<sup>8</sup> The taxing district may take such local requirements into account when establishing its compensation for property tax collection. Such local considerations may account, in part, for certain differences in taxing district compensation for local tax collectors.

For example, one county, in its resolution establishing compensation for tax collectors for the collection and remittance of county real estate taxes, established relatively higher per bill compensation (i.e., about \$4.00 per bill collected) within its compensation resolution. The county resolution, however, also established a schedule of collection remittance more rigorous than the one set forth in statute.<sup>9</sup> The resolution, moreover, provided for tax collection submission monitoring and imposed fiscal penalties on local tax collectors that failed to remit collections weekly during the discount and face periods and bi-weekly during the penalty period.

**Other Revenue:** In exercising local discretion, taxing districts in their tax collection resolutions and contracts may also authorize tax collectors to impose fees and retain other revenue outside of their stated real estate tax bill compensation. One municipality, for example, in its contract with a private firm for municipal real estate tax collection:

- paid the private firm \$3.25 per bill printed (plus first class postage),
- permitted the firm to charge requesting parties a fee of \$10.00 for each tax certification<sup>10</sup> issued and to retain such revenue, and
- permitted posting, remitting, and reporting of taxes collected on a monthly, rather than weekly or daily, basis.<sup>11</sup>

A second municipality—a large township in southeastern Pennsylvania with a local elected tax collector—further illustrates the importance of such local taxing district discretion. This large township relies on its local elected tax collector to collect a variety of taxes and service fees and provides the collector a salary of \$6,000 annually to collect over \$27 million in real estate taxes. In addition to the salary, however, the township specifically authorized the collector to retain all revenue derived from municipal tax certifications. According to the local tax collector, such revenue is over \$100,000 a year. Many municipalities, however, require that such fee revenue be turned over to the municipality.

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<sup>8</sup> 72 P.S. §5511.1 *et seq.*

<sup>9</sup> 72 P.S. §5511.25.

<sup>10</sup> Tax certificates are official proof of payment of due taxes on property and are required when property is sold.

<sup>11</sup> Similar provisions, as well as permission to retain certain interest, are included in other municipal contracts we reviewed.

***Different Local Administrative Resources and Structures:*** Taxing districts have different administrative resources and structures. As a consequence, a taxing district with full-time staff, including staff with technical skills, may be better positioned to reduce its unit tax collection costs than one without such staff and resources.

With such considerations in mind, the LB&FC staff have identified the per parcel compensation costs for real estate tax collection in counties, school districts that collect school property taxes, and across all taxing districts in selected counties in Findings B3, B4, and B5. Such costs and the potential savings we have identified, however, should be considered as estimates and viewed cautiously in view of the above noted problems in arriving at true unit collection costs.

## **2. Counties and School Districts Typically Compensate Local Tax Collectors on a Per Bill Basis, While Municipalities Often Compensate Based on the Percent of Revenue Collected**

Based on LB&FC survey responses from local elected and appointed tax collectors, counties, municipalities, and school districts use different methods to compensate local tax collectors. Per bill compensation is the primary method used by counties and school districts, while compensation based on the percent of revenue collected is the primary method used by municipalities. According to local tax collectors responding to our survey, statewide:

- 85 percent (1,111 of 1,300) of the school districts and 72 percent (854 of 1,188) of the counties use compensation arrangements that are based on the number of bills mailed or collected;<sup>1</sup> and
- 63 percent (910 of 1,439) of the municipalities compensate based on the percent of revenues collected.

The compensation arrangements that are in place within such methods, however, vary and are often highly complex. Such variation and complexity is illustrated by the methods used by counties to compensate for collection of county real estate taxes.

### **County Methods of Compensating for County Real Estate Tax Collection**

LB&FC staff surveyed the 56 counties that do not collect their own property taxes to identify their method of compensating local tax collectors. We found that most counties rely on per bill compensation for real estate tax collection, but there are significant differences across the counties within their per bill compensation methods.<sup>2</sup> Specifically, we found:

- 39 counties relied on various forms of per bill compensation, including:
  - 16 counties (Adams, Bedford, Blair, Bradford, Clarion, Crawford, Cumberland, Dauphin, Lancaster, Lebanon, Lycoming, Mifflin, Northumberland, Snyder, Somerset, and Union) that compensate local tax collectors on a per bill collected basis.<sup>3</sup>

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<sup>1</sup> In 15 counties (Armstrong, Cambria, Clearfield, Fayette, Forest, Fulton, Greene, Jefferson, Lawrence, McKean, Potter, Schuylkill, Sullivan, Washington, and Westmoreland), 25 percent or more of the local tax collectors reported the school district compensated them based on percent of collections.

<sup>2</sup> A similar type of comprehensive analysis of reimbursement methods used by school districts and municipalities is outside the scope of this study in view of the number of municipalities and school districts. Our review of local elected and tax collector survey responses and other information (discussed in Finding A2), however, led us to conclude that differences in compensation methods across counties and within counties also occur with school districts and municipalities.

<sup>3</sup> Such compensation method ranged from \$0.20 (in Lebanon) to \$3.80 (in Bradford).

- 12 counties (Butler, Carbon, Centre, Columbia, Fayette, Franklin, Fulton, Jefferson, Juniata, Luzerne,<sup>4</sup> Susquehanna, and Warren) that compensate collectors on a per bill generated basis.<sup>5</sup>
  - 6 counties (Berks, Bucks, Cambria, Erie, Montgomery, and Wayne) that compensate collectors on a graduated per bill generated or collected basis (e.g., compensation ranging from \$1.75 for the first 1,000 bills generated, \$1.50 for the next 3,000 bills, and \$1.25 for 4,000 or more bills).<sup>6</sup>
  - 4 counties (Mercer, Perry, Venango, and York) that compensate collectors on a combined per bill generated and per bill collected basis.<sup>7</sup>
  - 1 county (Pike) that compensates collectors on a combined flat fee and per bill generated basis (i.e., \$4,350 for the first 1,000 bills and \$1.66 per bill generated over 1,000 bills).
- 7 counties relied on forms of compensation based on the percent of current real estate tax revenue collected, including:
    - 5 counties (Armstrong, Cameron, Forest, Montour, and Potter) that compensate collectors based on a flat percent of collections.<sup>8</sup>
    - 1 county (Elk) that compensates collectors using different percents of collections during different tax collection periods (i.e., 4 percent during the discount period and 4.5 percent during the face and penalty periods).
    - 1 county (McKean) that compensates collectors using graduated collection percents with such percents declining as collection amounts increase (i.e., 5 percent for the first \$20,000 to \$30,000 collected with the percent declining to 2.25 percent for \$90,000 or more in collections).
  - 4 counties relied on forms of combined per bill and percent of collection compensation, including:
    - 1 county (Clearfield) that compensates collectors based on a combination of per bill collected and graduated (and declining) percents of collection.

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<sup>4</sup> Reimbursement is based on bills processed.

<sup>5</sup> Such compensation method ranged from \$0.25 (in Columbia) to \$4.00 (in Fulton).

<sup>6</sup> Such compensation method ranged from \$1.75 for the first 1,000 bills, \$1.50 for the next 3,000 bills, and \$1.25 for 4,000 or more bills (in Berks) to \$7.40 for the first 1,000 bills, \$4.35 for the next 4,000 bills, and \$2.79 for 5,000 or more bills (in Bucks).

<sup>7</sup> Such combined compensation method ranged from a possible combined total compensation of \$2.89 (in York) to \$4.00 (in Venango, which also has a \$1,000 annual minimum compensation).

<sup>8</sup> Such compensation method ranged from 2 percent (in Cameron) to 4 percent (in Potter).

- 1 county (Monroe) that compensates collectors based on a combination of graduated per bill generated payments (\$3.07 for 500 parcels declining to \$1.05 for more than 6,000 parcels) and a fixed percent of collection (3 percent) during the penalty phase.
- 2 counties (Schuylkill and Sullivan) that compensate collectors based on a combination of per bill generated payments and a fixed percent of collection.<sup>9</sup>
- 3 counties relied on forms of compensation with certain caps, including:
  - 1 county (Westmoreland) that compensates collectors using a graduated percent of collection with the percent declining as revenue collection amounts increase and with total compensation capped based on prior compensation.
  - 1 county (Clinton) that compensates collectors using combined per bill generated and collected and percent of collection compensation with compensation capped at \$50 per bill for each collection over \$10,000.
  - 1 county (Wyoming) that compensates collectors using combined percent (3.5) of collection with an individual bill cap (\$714) and per bill collected compensation (of \$25) for each capped bill.<sup>10</sup>
- several counties relied on other hybrid methods, including:
  - 3 counties (Huntingdon, Indiana, and Tioga) that compensate collectors using a combination of differing percents of collection and other criteria (e.g., if the payment occurred during the discount, face, or penalty period, the municipality in which the payment occurred, etc.).

## **County Methods of Compensating for County Real Estate Tax Collection in Selected Municipalities**

Within counties, there are also differences in county real estate tax collection compensation methods. In several counties, county staff collect county real estate taxes in certain municipalities. In others, the county has a compensation arrangement for selected municipalities that differ from those in the rest of the county. In particular,

- Twelve counties (Berks, Butler, Cambria, Centre, Clinton, Crawford, Dauphin, Fayette, Lancaster, Luzerne, Lycoming, and McKean) rely on county staff to collect county real estate tax in 17 municipalities (i.e., the

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<sup>9</sup> Such compensation methods ranged from \$1.35 plus 1 percent (in Sullivan) to \$1.80 plus 1 percent (in Schuylkill).

<sup>10</sup> This county also reimburses \$1.00 per bill forwarded for delinquent collection.

cities of Reading, Butler, Johnstown, Lock Haven, Titusville, Harrisburg, Connellsville, Uniontown, Lancaster, Nanticoke, Pittston, Wilkes-Barre, Williamsport, and Bradford, College and Ferguson Townships, and State College borough).

- Eleven counties (Blair, Clearfield, Crawford, Elk, Erie, Mercer, Northumberland, Schuylkill, Warren, Westmoreland, and York) reimburse 19 municipalities (Altoona, DuBois, Meadville, St. Mary's, Corry, Erie, Farrell, Hermitage, Sharon, Shamokin, Sunbury, Pottsville, Warren, Arnold, Jeannette, Lower Burrell, New Kensington, Monessen, and York) using compensation methods that differ from those used to compensate for county real estate tax collection in other areas of the county.

The 36 municipalities account for over 5 percent of taxable parcels statewide. In several counties, however, they account for a significantly higher proportion of the county's taxable parcels. For example, in:

- Blair, Centre, Elk, Erie, and Mercer Counties, they account for roughly 30 percent or more of county taxable parcels;
- Lycoming and Venango Counties account for roughly 20 percent or more; and
- Berks, Crawford, Dauphin, Luzerne, Northumberland, Warren, and Westmoreland Counties, account for roughly 15 percent or more.

Finding B3 provides information on county per parcel compensation costs to collect county real estate taxes under the various approaches to tax collection compensation. Finding B4 provides information on school district per parcel compensation costs when school districts collect their own property taxes. Finding B5 provides information on county, municipality, and school district per parcel compensation for local tax collectors for a sample of counties by county class.

### **3. County Costs to Collect Current Real Estate Taxes Vary, Though Counties That Reimburse Based on a Flat Percent of Collections Have the Highest Per Parcel Compensation Costs**

LB&FC staff surveyed the counties that centrally collect all county real estate costs to identify their costs to collect current real estate taxes in Pennsylvania. We also identified the method(s) used in all other counties to compensate for such collection. With such information, we estimated the cost to counties to collect county current real estate taxes by method of compensation based on a sample of 44 counties that account for more than one-half of all parcels statewide.

As shown in Table 5, the sample counties expended about \$9.5 million in compensation to collect over \$1.3 billion in county current real estate tax revenues. Compensation costs include personnel and benefit costs as well as banking fees when bank lock boxes are used in the tax collection process. The typical compensation per taxable parcel for the largest proportion of parcels in our sample (56 percent of all sample parcels, 31 percent of parcels statewide, and 22 of 44 sample counties) is in the \$3.00 to \$4.00 range, with such compensation accounting for about 1 percent of revenue collected.

As shown in Table 5, counties that compensate for collection based on a flat percent of revenue collected have the highest taxable parcel collection costs (over \$8.00). Their compensation relative to revenue collected is also substantially greater (3 percent versus less than 1 percent) than in counties that use other methods of compensation. Counties that use a flat percent of collections method to compensate tax collectors, however, account for fewer than 2 percent of parcels statewide.

As shown in Table 5, counties with central collection and those that reimburse on a per bill collected basis have the lowest per parcel compensation (about \$2.00). We, however, did not have taxable per parcel data for over one-half of the parcels with central county collection of real estate taxes and those that reimburse on a per bill collected basis.

In all, LB&FC staff identified a total of \$1.2 million in potential savings<sup>1</sup> (or 13 percent of total sample compensation costs). Realization of such savings might require investment of county tax dollars. In 8 of the 44 counties potential savings are greater than \$1.00 per parcel.

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<sup>1</sup> Potential savings are the difference between a county's compensation costs per taxable parcel and the average parcel cost for the sample counties using the same compensation method.

Table 5

**Summary of Sample County Estimated Real Estate Compensation Costs and Potential Savings by County Compensation Method**

Compensation Method	Sample Counties									
	Method % of Parcels Statewide	% of Parcels Statewide	Total Compensation (\$ Millions)	Total Collections (\$ Millions)	Per Parcel/Cost Range	Per Parcel Average Cost	Total Potential Savings <sup>a</sup>			
Central County Collection	37%	15%	\$1.7	\$441	\$0.97 - \$3.61	\$2.03	\$256,000			
Per Bill Collected	16	8	0.975	160	0.79 - 3.75	2.13	235,000			
Per Bill Generated	11	9	1.6	197	1.83 - 4.58	3.22	165,000			
Graduated Per Bill Generated or Collected	16	14	3.0	375	1.79 - 4.78	4.05	380,000			
Combined Per Bill Generated & Collected	5	4	0.705	114	2.88 - 4.00	3.39	27,000			
Combined Per Bill Generated & Percent of Collection	5	4	0.880	6.6	2.50 - 5.09	3.50	132,000			
% of Collection	1.5	1.5	0.700	23	5.21 - 10.72	8.33	49,500			
Unable to Estimate Due to Complexity of Method	8									

<sup>a</sup> Potential savings are the difference between a county's compensation costs per taxable parcel and the average parcel cost for the sample counties using the same compensation method.

Source: Developed by LB&FC staff.



More detailed information about county compensation costs for each of these methods is provided below. In addition, we have estimated county compensation costs in select municipalities where the county uses a different compensation method than in the remainder of the county. Typically, such compensation is substantially higher on a per parcel basis than in the remainder of the county.

### Counties That Collect County Real Estate Taxes Centrally

Seven of the 10 counties (Allegheny, Beaver, Chester, Delaware, Greene, Lackawanna, Lawrence, Lehigh, Northampton, and Washington) that centrally collect all county real estate taxes responded to the LB&FC staff survey.<sup>2</sup> The seven counties responding to our survey account for 15 percent of total parcels statewide.<sup>3</sup> For the most part, the reporting counties have substantial parcel counts.

Six of the seven counties provided data that allowed us to calculate their per parcel compensation cost to collect current real estate taxes.<sup>4</sup> Such costs include staff and benefit costs and the costs of bank lock box services if such services are used to collect and receipt tax payments. As shown in Table 6 below, the per parcel compensation costs for counties with central collection of county real estate taxes ranged from \$0.97 to \$3.61. Table 6 also shows such costs for the most part are highest in the county with relatively fewer parcels (i.e., approximately 90,000 taxable parcels). The parcel weighted average cost to collect current real estate taxes for the six counties was just over \$2.00 per parcel (i.e., \$2.03).

Table 6

<b>Per Parcel Compensation Costs for Counties Collecting County Current Real Estate Taxes by Parcel Counts</b>	
<u>Number of Reported Parcels</u>	<u>Per Parcel Compensation Cost</u>
Fewer Than or Equal to 90,000 .....	\$3.61
90,001 – 120,000 .....	\$2.08 – \$2.41
120,001 – 150,000 .....	\$0.97
Greater Than 150,000 .....	\$1.40 – \$2.39

Source: Developed by LB&FC staff from survey response data.

We estimate such counties' compensation costs relative to their real estate tax revenue collections<sup>5</sup> ranged from 0.1 percent to 1.1 percent of current real estate tax revenues. Such percents, however, are not directly related to county per parcel

<sup>2</sup> Philadelphia, which has central collection of all taxes for all taxing districts, was excluded from the analysis as it is specifically excluded in parts of Senate Resolution 2010-250.

<sup>3</sup> The 10 counties together account for 27 percent of total parcels statewide.

<sup>4</sup> The county that did not provide data is a county with fewer than 60,000 parcels.

<sup>5</sup> We used actual revenue data from counties or Department of Community and Economic Development (DCED) county real estate revenue data. As DCED data includes both current and delinquent tax revenue, based on select counties and State Tax Equalization Board data, we assumed 95 percent of DCED reported revenues are current real estate tax revenues. Additional information on real estate tax revenue for counties, municipalities, and school districts and issues related to that data is provided in Appendix F.

compensation amounts. The county with compensation costs representing the highest percent of collections (1.1 percent) had per parcel compensation costs that were \$1.20 less than the county with the highest per parcel compensation costs (\$3.61). Factors such as the county's taxable property value and tax rate, which vary across counties (as well as municipalities and school districts), influence the percent of real estate tax revenues for which real estate tax compensation accounts.

**Potential Savings:** In all, the six counties that collect all county real estate taxes expended approximately \$1.7 million to collect an estimated \$441 million in current real estate taxes, or 0.4 percent of total current real estate tax collections. Four of the six counties had taxable per parcel collection costs greater than the \$2.03 average collection cost per parcel. Such added costs ranged from \$0.05 to \$1.58, with one of the four counties having added costs of at least \$1.00 per parcel.

If these four counties could reduce their per parcel collection costs to the average for the group, in total they could realize approximately one-quarter of a million dollars in cost savings.<sup>6</sup> Such savings ranged from just under \$6,000 (or 2 percent of the county's compensation costs) to approximately \$140,000 (or 44 percent of the county's compensation costs). More typically, savings were in the range of \$45,000 to \$65,000 (or 15 percent of the county's compensation costs). Such savings overall would reduce the six counties' compensation costs to collect current real estate taxes from 0.4 percent of current real estate tax revenue collections to about 0.3 percent of such collections.

## Counties Using a Per Bill Collected Compensation Method

As discussed in Finding B2, 16 counties (Adams, Bedford, Blair, Bradford, Clarion, Crawford, Cumberland, Dauphin, Lancaster, Lebanon, Lycoming, Mifflin, Northumberland, Snyder, Somerset, and Union) reimburse for collection of current real estate taxes on a per bill collected basis. Such counties represent approximately 16 percent of parcels statewide.

LB&FC staff estimated the cost to counties that utilize per bill collection compensation methods for 11 of the 16 counties. Such counties account for approximately 8 percent of parcels statewide.<sup>7</sup> Our cost estimates do not include county collection costs in cities where the county itself collects the county real estate tax or compensates for such collection using a different collection method. Our analysis also excludes county real estate tax revenues from such municipalities.

As shown in Table 7, parcel volume does not appear to be determinative of county per parcel costs to collect current county real estate taxes in counties using

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<sup>6</sup> \$256,296.

<sup>7</sup> Our analysis did not include five counties (Dauphin, Lancaster, Lebanon, Lycoming, and Union) where the county has been designated as the local municipal collector in selected municipalities (see Finding A3). The data available for such counties did not allow for estimation of per bill collection costs in the remaining municipalities.

per bill collected compensation methods. Table 7 shows the counties with both the lowest and highest per parcel counts had between 20,000 and 40,000 parcels. Such differences are accounted for by several factors, including the specific per bill payment amount established by the county and differences in county collection rates. The parcel weighted average cost to collect current real estate taxes in the 11 counties was just over \$2.10 (\$2.13) per taxable parcel.

Table 7

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**Estimated Per Parcel Compensation Costs for Counties With a Per Bill Collected Compensation Method by Parcel Counts**

<u>Number of Reported Parcels</u>	<u>Per Parcel Compensation Cost</u>
Fewer Than or Equal to 20,000 .....	\$2.42
20,001 – 40,000 .....	\$0.79 – \$3.75
40,001 – 60,000 .....	\$1.31 – \$3.61
60,001 – 80,000 .....	\$1.70
Greater Than 80,000 .....	\$0.97

Source: Developed by LB&FC staff from county reported parcel counts and PA Department of Community and Economic Development county tax revenue data.

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We also estimated county compensation costs relative to real estate collections. Such estimates ranged from 0.2 percent (\$0.79, \$0.97, and \$1.31 per bill collected) to 1.5 percent (\$3.39) of current real estate tax revenues.

**Potential Savings:** In all, the 11 counties that compensate collectors using a per bill collected method expended approximately \$975,000 to collect over \$160 million in current real estate tax revenues, or 0.6 percent of current real estate tax collections. Six of the 11 counties had taxable per parcel collection costs greater than the \$2.13 weighted average collection cost per parcel. Such added costs ranged from \$0.29 to \$1.62 per taxable parcel, with three of the six counties having added costs greater than \$1.00 per parcel. If these six counties could reduce their per parcel costs to the average for the group, in total they could realize approximately \$235,000 in savings. Such savings ranged from about \$5,300 (or 12 percent of the county’s compensation costs) to approximately \$74,000 (or 46 percent of the county’s compensation costs). More typically, savings were in the range of \$30,000 to \$40,000.

**Counties Using a Per Bill Generated Compensation Method**

As discussed in Finding B2, 12 counties (Butler, Carbon, Centre, Columbia, Fayette, Franklin, Fulton, Jefferson, Juniata, Luzerne, Susquehanna, and Warren) reimburse for collection of current real estate taxes on a per bill generated basis. Such counties represent over 10 percent of taxable parcels statewide.

LB&FC staff estimated the cost to counties that utilize the per bill generated compensation for 10 of the 12 counties.<sup>8</sup> Such counties account for just over 9 percent of taxable parcels statewide.

As shown in Table 8, the per parcel compensation costs for the ten counties with a per bill generated compensation method ranged from \$1.83 to \$4.58. Table 8 also shows that per parcel costs are not necessarily related to parcel volume. The county with the lowest per parcel compensation costs has relatively fewer parcels than other counties with greater numbers of parcels. The compensation established by the county itself is the key factor accounting for differences across the counties using this method to compensate for tax collection.

Table 8

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**Estimated Per Parcel Compensation Costs for Counties With a Per Bill Generated Compensation Method by Parcel Counts**

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<u>Number of Reported Parcels</u>	<u>Per Parcel Compensation Costs</u>
Fewer Than 20,000 .....	\$2.55 – \$4.31
20,001 – 40,000 .....	\$1.83 – \$4.58
40,001 – 60,000 .....	\$2.83
60,001 – 80,000 .....	\$2.37 – \$2.92
Greater Than 80,000 .....	\$3.77

Source: Developed by LB&FC staff from county reported parcel counts and PA Department of Community and Economic Development county tax revenue data.

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We also estimated county compensation costs relative to real estate tax revenues collected. Such estimates ranged from 0.6 percent (\$3.77 per bill generated) to 1.3 percent (\$2.37 and \$4.58 per bill generated). Again, factors such as the assessed value in the county and tax rates account for the absence of a relationship between per bill compensation costs and the percent of tax revenue collected.

**Potential Savings:** In all, the 10 counties that compensate collectors using a per bill generated method expended \$1.6 million to collect \$197 million in current real estate revenues, or 0.8 percent of current real estate tax collections. Four of the 10 counties had taxable per parcel collection costs greater than the \$3.22 weighted average collection cost per parcel. Such added costs range from \$0.55 to \$1.36 per taxable parcel, with two of the three counties having added costs greater than \$1.00 per parcel. If these four counties could reduce their per parcel collection costs to the average for the group, in total they could realize approximately \$165,000 in savings. Such savings ranged from about \$9,800 (or 25 percent of the

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<sup>8</sup> Our analysis did not include one county in which the county itself collects county property taxes in certain home rule municipalities and a second county that is the appointed municipal tax collector in selected municipalities. The data available for such counties did not allow for estimation of per bill costs in the remaining municipalities.

county's compensation costs) to approximately \$75,000 (or 15 percent of the county's compensation costs). Typical savings were about \$40,000.

## **Counties Using a Graduated Per Bill Generated or Collected Compensation Method**

Six counties (Berks, Bucks, Cambria, Erie, Montgomery,<sup>9</sup> and Wayne) reimburse for collection of current real estate taxes on a graduated per bill generated or collected basis. Such counties represent over 15 percent of parcels statewide. This compensation approach effectively results in per parcel compensation that is higher in municipalities with fewer parcels and lower in municipalities with higher numbers of parcels.

LB&FC staff estimated the cost to counties that use graduated per bill generated or collected compensation methods for five of the six counties. Such counties account for approximately 14 percent of parcels statewide. All but one of the five counties has more than 100,000 total county parcels, and the fifth has more than 90,000 parcels.

County compensation costs for the five counties ranged from \$1.79 to \$4.78 per taxable parcel. The parcel weighted average cost to collect current real estate taxes in the five counties was just over \$4.00 (\$4.05). The differences in per parcel compensation costs across these counties occurs as a result of differences in per bill costs and graduated scales established by the county, and the mix of small and large municipalities in the county.

The county compensation costs relative to real estate tax collections were similar for this group. Such estimates ranged from 0.7 percent to 0.9 percent.

**Potential Savings:** Four of the five counties<sup>10</sup> that compensate collectors using a graduated per bill generated or collected method expend approximately \$3 million to collect over \$375 million in current real estate tax revenues, or 0.8 percent of collections. Three of the five counties had per parcel collection costs greater than the \$4.05 weighted average per parcel cost. Such added costs ranged from \$0.29 to \$0.73—all less than \$1.00. If these three counties could reduce their per parcel collection costs to the average for the group, in total they could realize approximately \$380,000 in savings. Such savings ranged from about \$22,000 (or about 7 percent of the county's collection compensation costs) to approximately \$200,000 (or about 15 percent of the county's collection compensation costs).

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<sup>9</sup> Montgomery County reimburses on a graduated per bill collected basis.

<sup>10</sup> Current real estate tax revenue data were not available for one of the five counties for this analysis.

## **Counties Using a Combined Per Bill Generated and Collected Compensation Method**

Four counties (Mercer, Perry, Venango, and York) reimburse for collection of current real estate taxes using a combined per bill generated and collected compensation method. Such counties represent just over 5 percent of total parcels statewide.

LB&FC staff estimated the cost to counties that use a combined per bill generated and collected compensation method for three of the four counties. Such counties account for approximately 4 percent of parcels statewide. Such counties varied substantially in parcel volume with one county having fewer than 25,000 parcels and another about 185,000 total parcels.

The three counties had per parcel costs ranging from \$2.88 to \$4.00. The weighted average cost to collect current real estate taxes in the three counties was \$3.39.

We also estimated county compensation costs relative to real estate collection costs. Such estimates ranged from 0.5 percent to 2.0 percent.

**Potential Savings:** In all, the three counties expended approximately \$705,000 to collect about \$114 million in current real estate tax revenues, or 0.6 percent of current real estate tax collections. Two of the three counties had taxable per parcel collection costs greater than the \$3.39 weighted average per parcel costs for the group. Such added costs ranged from \$0.10 to \$0.61—all less than \$1.00.

If the two counties with greater per parcel costs could reduce their cost to the group average, in total they could realize approximately \$27,000 in savings. Such savings ranged from about \$2,200 (or 3 percent of collection costs) to about \$25,000 (about 15 percent of collection costs).

## **Counties Using a Combined Per Bill and Percent of Collection Compensation Method**

Four counties (Clearfield, Monroe, Schuylkill, and Sullivan) reimburse for collection of current real estate taxes using a combined per bill and percent of collection compensation method. Such counties account for about 4 percent of parcels statewide. With, one exception, the four counties have more than 70,000 parcels.

LB&FC staff estimated the cost to counties that use the combined per bill and percent of collection compensation method. Per parcel collection costs for this group of counties ranged from \$2.50 to \$5.09 per taxable parcel. The parcel

weighted average cost to collect current real estate taxes for the four counties was \$3.50.

We also estimated county compensation costs relative to real estate collections. Such estimates ranged from 0.9 percent (\$2.79) to 1.7 percent (\$2.50, \$3.62, and \$5.09).

**Potential Savings:** In all, the four counties that compensate collectors using a combined per bill and percent of collection method expended approximately \$880,000 to collect approximately \$6.6 million in current real estate tax revenues, or 1.3 percent of current real estate tax collections. Two of the four counties had taxable per parcel compensation costs greater than the \$3.50 weighted average per parcel cost. One county had \$0.12 per parcel added costs and the second \$1.59 in per parcel added costs. If these two counties could reduce their per parcel collection cost to the average for the group, in total they could realize approximately \$132,000 in savings. Ninety-nine percent of such savings, however, are accounted for by one of the two counties.

### Counties Using a Flat Percent of Revenue Collected Compensation Method

Five counties (Armstrong, Cameron, Forest, Montour, and Potter) reimburse for collection of current real estate taxes based on a flat percent of collection. Such counties account for very few parcels statewide (1.49 percent).

LB&FC staff estimated the cost in the five counties that use a flat percent of collection method to collect current real estate taxes. All of these counties have fewer than 50,000 parcels. As shown in Table 9, such counties have some of the lowest parcel counts of all counties in the state. They also have the highest per taxable parcel compensation costs in the state, with such costs ranging from \$5.21 to \$10.72, with a parcel weighted average of \$8.33.<sup>11</sup>

Table 9

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#### Estimated Per Parcel Compensation Costs for Counties With a Flat Percent of Revenue Collected Compensation Method by Parcel Counts

<u>Number of Reported Parcels</u>	<u>Per Parcel Compensation Costs</u>
Fewer Than 10,000 .....	\$7.01 – \$10.72
10,001 – 20,000 .....	\$5.21 – \$8.87
Greater Than 20,000 .....	\$8.84

Source: Developed by LB&FC staff from county reported parcel counts and PA Department of Community and Economic Development county tax revenue data.

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<sup>11</sup> Similar results occur for a county with a small number of taxable parcels (0.49 percent of parcels statewide) that uses a graduated percent of revenue collected method to reimburse for current real estate tax collection.

We also estimated county compensation costs relative to real estate tax collections. Counties that compensate local tax collectors based on a flat percentage of revenue collected also tend to have much higher costs relative to revenue than counties using other methods to reimburse for collections. Estimates for these counties ranged from 2.2 percent (\$7.01) to 4.3 percent (\$5.21 and \$8.87).

**Potential Savings:** In all, the five counties that compensate collectors based on a flat percent of collections expended approximately \$700,000 to collect about \$23 million, or 3.1 percent of current real estate revenue collections. Three of the five counties had taxable parcel collection costs greater than the \$8.33 weighted average per parcel collection cost for the group. Such added costs ranged from \$0.51 to \$2.39 per taxable parcel. If these three counties could reduce their per parcel collection cost to the average for the group, in total they could realize approximately \$50,000 in savings. Such savings ranged from less than \$10,000 (or 6 percent of the county's compensation costs) to about \$21,000 (or 6 percent of the county's compensation costs).

## Other Compensation Arrangements Within Counties

As noted in Finding B2, 11 counties (Blair, Clearfield, Crawford, Elk, Erie Mercer, Northumberland, Schuylkill, Warren, Westmoreland, and York) have other compensation arrangements in selected municipalities than those used in the rest of the county.<sup>12</sup> Such counties include:

- three counties using a per bill collected compensation method,
- two counties using a combined per bill generated and collected compensation method,
- two counties using a combined per bill and percent of collection compensation method,
- one county using a per bill generated collection compensation method, and
- one county using a graduated per bill collected compensation method.<sup>13</sup>

LB&FC staff analyzed taxable per parcel county real estate collection costs in 13 selected municipalities in 9 counties where the county collection reimbursement method differed from the remainder of the county (excluding municipalities in which the county itself collected county taxes).<sup>14</sup> Per parcel compensation in such

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<sup>12</sup> Finding A1 also notes that in 13 counties the county collects county current real estate taxes in third class cities and certain home rule municipalities. County offices involved in such collection are also involved in other activities. We, therefore, are unable to identify costs associated with county real estate tax collection for selected municipalities in such counties.

<sup>13</sup> Two additional counties have compensation methods that did not allow for estimation of their current real estate collection costs on a taxable parcel basis.

<sup>14</sup> LB&FC staff did not include in its analysis six municipalities in the two counties with compensation methods that did not allow for estimation of current real estate collection costs on a taxable parcel basis.



municipalities ranged from \$1.49 to \$9.75, with about a \$4.10 weighted average for the 13 municipalities.

Typically, such per parcel compensation is substantially greater than in the rest of the county. Specifically, we found county per taxable parcel compensation in selected municipalities was:

- almost the same in 1 of 13 municipalities,
- less than the remainder of the county in 2 of 13 municipalities (12 to 36 percent less), and
- greater than the remainder of the county in 10 of 13 municipalities (32 to 420 percent).

In three of the ten municipalities in which county compensation was higher, such per parcel compensation was at least twice the compensation in the remainder of the county.

**Potential Savings:** The nine counties expended over \$475,000 to collect over \$45 million in county real estate tax revenue in the 13 municipalities, or approximately 1 percent of collections. If the eight counties in which 10 municipalities had higher per parcel compensation than the remainder of the county could reduce their per parcel reimbursement to that of the remainder of the county, all eight counties could realize at least \$1.00 per parcel in savings. In total, they could realize about \$150,000 in savings, with such savings ranging from \$5,600 to \$31,000.

### **Other Costs**

In addition to compensation costs, counties also have costs for printing and postage and bonding. Average county costs for printing and mailing, based on a more limited county sample, ranged from \$0.22 per parcel to \$0.75 per parcel, and average about \$0.35 per parcel. The tax collector's bond ranged from \$0.02 per parcel to \$0.27 per parcel, averaging about \$0.12 per parcel for our sample counties.

## **4. Typical School District Costs to Collect Real Estate Taxes Are at the High End of the Range of Typical County Costs for Such Collection**

LB&FC staff analyzed the per parcel tax collection compensation costs of school districts that collect their own real estate taxes in one-half or more of their municipalities. Over one-half of such school districts responding to our survey (29 of 56) provided data on their real estate tax collection compensation costs (i.e., staffing and benefit costs and associated bank lock fees).

The 29 school districts that provided cost data account for approximately 5 percent of parcels statewide. The number of taxable parcels in such districts ranged from 3,400 to almost 27,000. Typically, such districts collected real estate taxes for about 10,000 to 15,000 parcels.

### **School District Real Estate Compensation Collection Costs**

The 29 school districts reported spending \$1.5 million in compensation costs to collect real estate taxes for over 300,000 parcels, or \$5.03 per taxable parcel. Such taxable per parcel costs ranged from just under \$1.00 to \$14.97, with a weighted average per parcel cost of just over \$5.00 per parcel.<sup>1</sup> The district with the lowest per parcel costs pays an existing district employee slightly higher compensation to collect real estate taxes for 3,500 parcels. The district with the highest per parcel costs collects multiple local taxes (i.e., real estate, earned income, per capita, and local service) for a substantial number of parcels (almost 20,000).

About 40 percent of the school districts (11 of 29) reported collecting other taxes in addition to real estate taxes. Because of the issue of cross subsidization of collection costs when more than one local tax is collected, we analyzed the reported data separately for districts that collect only real estate taxes and those that collect real estate and other local taxes. We found that school districts that only collect real estate taxes:

- Have substantially lower per parcel costs than those that collect multiple local taxes (\$3.99 compared to \$6.89 per parcel).
- Have typical per parcel costs in the \$2.00 to \$4.00 range, though 20 percent have per parcel costs in excess of \$6.00 per parcel.
- Have per parcel costs (\$3.99) at the high end of the range of what it costs a typical county (\$3.00 - \$4.00 as discussed in Finding B3) to collect county real estate taxes.

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<sup>1</sup> Our survey did not ask school districts to report current real estate revenue. For the school districts that collect only school real estate taxes, based on Pennsylvania Department of Education data, we estimate their compensation costs (approximately \$750,000) represent 0.15 percent of their real estate tax revenue. For those that collect real estate and other taxes, we estimate their compensation costs (over \$742,000) represent 0.23 percent of collected tax revenues.

## Potential Savings

**School Districts Collecting Real Estate and Other Local Taxes:** The 11 school districts that collect real estate and other taxes expend approximately \$742,000 in compensation for such collection, or \$6.89 per parcel. Four of the 11 districts have per parcel costs greater than the average for the group. If the four districts could reduce their per parcel cost to the average for their group, they could realize approximately \$184,000 in savings. Such savings would range from \$0.27 per parcel to a high of over \$8.00, with two of the districts realizing at least \$1.00 per parcel in savings.

**School Districts Collecting Only Real Estate Taxes:** The 18 districts that collect only real estate taxes expend approximately \$770,000 in compensation for such collection, or \$3.99 per parcel. Eight of the 18 districts have per parcel costs greater than the average for the group. If the eight districts could reduce their per parcel cost to the average for their group, they could realize approximately \$180,000 in savings. Such savings would range from \$0.14 to \$4.41 per parcel, with all but one of the eight districts realizing at least \$1.00 per parcel in savings.

## School Districts Using Private Firms

In addition to the 29 school districts that provided information on their real estate collection compensation costs, five of the 11 school districts that use private firms for school district collection provided compensation data. Typically, such compensation was in the range of \$1.50 to \$2.00 per bill, excluding printing, postage, and other school district incurred costs. One district, however, compensated the collector using a flat payment amount plus a per bill collected amount for each local tax collected, including each installment payment. As a consequence, this district compensated the private firm \$3.75 per taxable parcel to collect district real estate payments and a similar amount for per capita and occupational tax payments.

## 5. The Three Taxing Districts in a Sample of Counties by Class Spent Less Than One-Half of a Percent of Revenue to Compensate for Property Tax Collection

Senate Resolution 2010-250 directs the LB&FC to identify total compensation costs across taxing districts in at least one county by class (other than Philadelphia and Allegheny Counties), and to consider cost savings associated with real estate tax collection in such counties. Based on our surveys and other requests of counties, municipalities, and school districts, we were able to identify the cost to collect real estate taxes across the three taxing districts in one 2A, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> Class County.<sup>1</sup> Such counties represented north- and southeastern, central, and north- and southwestern Pennsylvania. In total, the counties in the sample account for 11 percent of parcels statewide.

The sample counties selected for this analysis were chosen because of their class and the high proportion of local elected and appointed municipal tax collectors responding to the LB&FC survey of such collectors. As shown in Table 10, typically, more than two-thirds of the municipalities and school districts responded to our survey or request for information<sup>2</sup> in each Class County. In Pennsylvania, municipalities typically do not cross county geographic boundaries, but school districts frequently do. As a consequence, the 3<sup>rd</sup> Class, 4<sup>th</sup> Class, 5<sup>th</sup> Class, 7<sup>th</sup> Class, and 8<sup>th</sup> Class County responding school districts included multi-county school districts that cross the sample county's geographic border.

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<sup>1</sup> Second Class A counties have a population of 500,000 to 799,999, Third Class 210,000 to 499,999, Fourth Class 145,000 to 209,999, Fifth Class 95,000 to 144,999, Sixth Class 45,000 to 94,999, Seventh Class 20,000 to 44,999, and Eighth Class less than 20,000 based on 2000 U.S. Census data. Second Class A counties account for approximately 12 percent of parcels statewide, 3<sup>rd</sup> Class counties approximately 25 percent, 4<sup>th</sup> Class counties approximately 9 percent, 5<sup>th</sup> Class counties approximately 8 percent, 6<sup>th</sup> Class counties approximately 15 percent, 7<sup>th</sup> Class counties approximately 2 percent, and 8<sup>th</sup> Class counties approximately 1 percent.

<sup>2</sup> For this analysis of the three taxing districts in a sample of counties by class, LB&FC staff requested data from all sample counties and school districts based in the county, according to State Tax Equalization Board data. In response, all sample counties provided actual data on their payments to local elected and appointed tax collectors and their current real estate tax revenues. Where available, the counties also provided data on the county cost for printing and mailing of the tax bill, the cost of the tax collectors' bonds, and other direct local tax collector costs. All school districts in the sample counties were requested to provide similar information along with their school district taxable parcel counts. Our reported school district data is based on such responses and school district boundaries, which are not always coterminous with those of the sample county.

Table 10

**Municipalities and School Districts Providing Information on Local Elected and Appointed Tax Collector Real Estate Tax Collection Compensation in Sample Counties**

<u>Sample County Class</u>	<u>% Municipal Respondents</u>	<u>% School District Respondents</u>
2A .....	66%	92%
3 <sup>rd</sup> .....	74	62
4 <sup>th</sup> .....	56	75
5 <sup>th</sup> .....	80	75
6 <sup>th</sup> .....	78	100
7 <sup>th</sup> .....	46	100
8 <sup>th</sup> .....	78	100

Source: Developed by LB&FC staff.

**Combined Real Estate Tax Collection Compensation Costs for the Three Taxing Districts**

The three taxing districts in the seven sample counties reported expending almost \$5 million in compensation costs to collect over \$1.2 billion in county, municipal, and school district property taxes. Such total collection costs account for less than one-half of 1 percent (0.4 percent) of the tax revenue collected by all three taxing districts in the seven counties. Table 11 shows the reported compensation costs for each of the seven sample counties.<sup>3</sup>

<sup>3</sup> Reported compensation costs (i.e., tax collector compensation, benefits (including employer FICA), and bank lock box fees) are actual reported costs for counties and schools in the sample. Such costs for sample municipalities are estimated based on the method of compensation reported by the local elected or appointed tax collector in response to our survey, county assessment office reported taxable parcels and taxable assessed values for the sample municipalities, and the millage rate and property tax revenues reported by the municipality to the Department of Community and Economic Development. The reported compensation costs exclude compensation costs (and associated property tax revenues) for school districts that collect their own school property taxes and county compensation costs (and associated property tax revenues) for collection of county property taxes in select municipalities where different tax collector compensation methods are in place than in the remainder of the county.

Table 11

**Sample Taxing Districts' Reported Current Real Estate Collection  
Compensation Costs by County Class**

<u>Sample County Class</u>	<u>Total Reported Compensation Costs for Three Taxing Districts (% of Collected Revenue)</u>
2A.....	\$2.0 million (0.3%)
3 <sup>rd</sup> .....	0.8 million (0.7%)
4 <sup>th</sup> .....	0.7 million (0.9%)
5 <sup>th</sup> .....	0.8 million (0.3%)
6 <sup>th</sup> .....	0.4 million (1.0%)
7 <sup>th</sup> .....	0.1 million (0.6%)
8 <sup>th</sup> .....	<u>0.1 million (2.7%)</u>
Sample Total.....	\$5.0 million (0.4%)

Source: Developed by LB&FC staff based on survey responses and other reported data.

**Three Taxing Districts' Per Parcel Compensation Costs**

Typically, the taxing districts in the sample had weighted average per parcel compensation costs of \$3.00 or more.<sup>4</sup> As shown in Table 12, five of the municipal, four of the county, and four of the school district groups in the seven sample counties had per parcel compensation costs of \$3.00 or more.

Table 12 also shows that school district groups tend to have higher average per parcel compensation costs than the counties and municipalities, with two of the seven school district groups having average per parcel compensation costs of \$5.00 or more, and one of the seven municipal groups having per parcel costs of \$5.00 or more. (See also Finding B4.) All counties had per parcel compensation costs below \$5.00 per parcel, including the one county that compensated for tax collection based on a flat percent of revenue collected basis.<sup>5</sup>

<sup>4</sup> The weighted per parcel compensation costs for all reporting taxing districts in the seven sample counties is \$3.78.

<sup>5</sup> The seven counties in the sample compensated local tax collectors using a variety of methods. Three of the seven used graduated per bill generated or collected compensation methods, one used a flat percent of revenue collected method, one used a combined per bill generated and collected method, one used a combined per bill generated and percent of collection method, and one used a method involving a flat compensation amount and per bill payments after a certain parcel volume. For municipalities, compensation based on a percent of revenue collected was the dominant method of compensation in six of the seven sample counties, and salary in the seventh county. For school districts, per bill generated was the dominant method of compensation in one sample county, graduated percents of collection in two counties, flat payments or salary plus some other compensation in three counties, and a fairly even mix of almost all types of approaches (e.g., graduated per bill generated, salary, combined graduated per bill generated and percent of collection, and percent of collection with a cap) in one county.

Table 12

<b>Taxing District Per Parcel Compensation Costs by County Class</b>			
<u>Sample County Class</u>	<u>Actual County Per Parcel Compensation<sup>a</sup></u>	<u>Average Municipal Sample Per Parcel Compensation</u>	<u>Actual or Average School District Sample Per Parcel Compensation<sup>b</sup></u>
2A.....	\$4.74	\$3.72	\$3.87
3 <sup>rd</sup> .....	4.34	3.51	4.88
4 <sup>th</sup> .....	2.86	2.98	6.31
5 <sup>th</sup> .....	2.74	3.62	1.85
6 <sup>th</sup> .....	2.49	5.78	1.90
7 <sup>th</sup> .....	3.49	4.52	2.43
8 <sup>th</sup> .....	4.56	1.36	6.09

<sup>a</sup> Excludes municipalities in which the county collects county real estate taxes and those with compensation methods that differ from those in place in the remainder of the county.

<sup>b</sup> Excludes school districts that collect their own property taxes and one district in a 2A Class County and one in a 7<sup>th</sup> Class County that were unable to separate real estate and other local tax collection costs. The reported per parcel compensation is actual for school districts in 6<sup>th</sup> and 8<sup>th</sup> Class Counties (where all school districts provided data) and the average for the reporting school districts in the remaining sample counties.

Source: Developed by LB&FC staff.

Table 12 shows there is wide variation in costs, particularly at the municipal and school district level. As shown in Table 13, only one county in our sample had per parcel compensation costs higher than both municipalities and school districts in the county.

Table 13

<b>Lowest and Highest Per Parcel Compensation Costs for Sample County Taxing Districts</b>			
<u>Sample County Class</u>	<u>County Per Parcel Compensation Cost</u>	<u>Municipal Per Parcel Compensation Cost</u>	<u>School District Per Parcel Compensation Cost</u>
2A.....	\$4.74	\$3.72	-
3 <sup>rd</sup> .....	-	3.51	\$4.88
4 <sup>th</sup> .....	2.86	-	6.31
5 <sup>th</sup> .....	-	3.62	1.85
6 <sup>th</sup> .....	-	5.78	1.90
7 <sup>th</sup> .....	-	4.52	2.43
8 <sup>th</sup> .....	-	1.36	6.09

Source: Developed by LB&FC staff from survey response and other reported data.

Of the sample county taxing districts, municipalities have the greatest variability in their per parcel compensation costs. As shown in Table 12, county per parcel costs range from \$2.49 to \$4.74. In municipalities, however, per parcel costs ranged from:

- \$1.14 to \$16.58 in the 2A Class County,
- \$0.64 to \$13.35 in the 3<sup>rd</sup> Class County,
- \$0.49 to \$23.13 in the 4<sup>th</sup> Class County,
- \$1.16 to \$21.68 in the 5<sup>th</sup> Class County,
- \$0.60 to \$80.70 in the 6<sup>th</sup> Class County,
- \$0.67 to \$15.29 in the 7<sup>th</sup> Class County, and
- \$0.14 to \$3.32 in the 8<sup>th</sup> Class County.<sup>6</sup>

In part, this variability occurs as a result of the differences in property assessed values across municipalities within a county, differences in municipal tax rates, and the small numbers of taxable parcels in some municipalities. Such wide variability in municipal per parcel compensation costs within counties is illustrated in the 4<sup>th</sup> Class County in our sample.

The 4<sup>th</sup> Class County has two municipalities with a similar number of taxable parcels (about 325), the same method of tax collector compensation (5 percent of revenues collected), and substantially different per parcel compensation costs—\$3.08 versus \$23.13 per parcel. The municipalities, however, have very different assessed values and tax millage rates—\$16 million in taxable assessed values and a 9.35 millage rate for the municipality with the \$23 per parcel compensation and \$1.7 million in taxable assessed values and a 12.35 millage rate for the municipality with the \$3.00 per parcel compensation. Such differences in assessed values in municipalities with similar parcel counts may be due to inherent differences in the value of property in the municipalities. They may also be due to the presence of several high value commercial properties in one municipality, and not the other.

Such variability in per parcel costs does not occur with school districts in the counties with relatively fewer taxable parcels (5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup>), which have relatively fewer districts. There is, however, certain variability in the per parcel costs of school districts in the larger counties, though it is not as great as the variability in per parcel costs for the municipalities. In school districts in counties with relatively more taxable parcels, per parcel costs ranged from:

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<sup>6</sup> With the exception of 5<sup>th</sup> and 6<sup>th</sup> Class County municipalities, the municipalities with the highest and lowest per parcel compensation rely on the same method to compensate collectors (i.e., a percent of compensation) for municipal property tax collection.



- \$2.26 to \$9.38 in the 2A Class County,
- \$2.89 to \$7.47 in the 3<sup>rd</sup> Class County, and
- \$2.75 to \$13.44 in the 4<sup>th</sup> Class County.

Such variability in school district per parcel costs appears to be due in part to differences in methods of compensation. In the 3<sup>rd</sup> Class County, for example, the school district with the lowest per parcel costs compensates for tax collection based on a capped percent of collections, while the district with the highest costs uses a graduated per parcel and percent of collection method without a cap. Both districts have similar numbers of taxable parcels, though the district with the lower per parcel costs collects more in property taxes than the district with the higher compensation costs.

## Potential Savings

We estimated potential savings for all taxing districts in the sample counties using the county's per parcel compensation costs as our benchmark. The sample counties had per parcel compensation costs that were below (4 of the 7 counties) or only slightly above (\$0.10 to \$0.65) the average for all counties statewide using the sample county's compensation method (see Finding B3). The sample counties tended to have per parcel costs between the lowest and highest average parcel costs for the other taxing districts in the county.

**Municipal Savings:** About half (63 of 141) of the municipalities in the sample counties had per parcel compensation costs greater than those of their county. If such municipalities could reduce their average per parcel costs to those of the county, they could potentially realize about \$465,000 in total savings, with such savings ranging from about \$22,000 (in the 7<sup>th</sup> Class County) to about \$128,000 (in the 6<sup>th</sup> Class County). Over 80 percent (51 of 63) of the municipalities with per parcel costs greater than those of the county could potentially realize savings of \$1.00 or more per parcel.

In part, such relatively large potential savings occur because counties generally use different compensation methods than the municipalities. All counties with municipalities with potential municipal savings (6 of 7) use some form of per bill compensation, while the municipalities in such counties relying primarily on percent of collection to compensate collectors. In all but two (2A and 4<sup>th</sup>) of the six counties where potential saving may be realized, all such savings would occur in municipalities that compensate tax collectors based on the percent of revenue collected.

**School District Savings:** School districts in five (2A, 3<sup>rd</sup>, 4<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup>) of the seven counties had per parcel compensation costs greater than those of their county. If the school districts in the five counties could reduce their average per

parcel costs to those of the county, they could potentially realize over \$315,000 in savings. Such savings would range from about \$500 (in the 7<sup>th</sup> Class County) to over \$200,000 (in the 4<sup>th</sup> Class County). Over 80 percent (15 of 18) of the school districts with per parcel costs greater than those of the county could potentially realize savings of \$1.00 or more per parcel.

Potential school district savings also occur primarily due to the differences in the county and school district compensation methods. In three of the five counties with potential school district savings the county uses some form of per bill compensation, but the school districts rely on a different, typically more expensive, method to compensate tax collectors. In one (2A) of the five counties with potential school district savings, more than 75 percent of such savings would occur in districts that report use of salaries to compensate local tax collectors. In a second county (4<sup>th</sup>), almost 75 percent of the savings would occur in districts that rely on percent of collection to compensate tax collectors. In a third county (3<sup>rd</sup>), about 40 percent of the savings would be realized in districts that report use of salaries to compensate tax collectors, and approximately 50 percent in districts that do use some method other than per bill or percent of collection compensation.

**Aggregate Savings:** We also considered possible savings across all of the taxing districts. In the aggregate, we estimate the taxing districts in our sample could potentially realize about 20 percent in compensation cost savings.<sup>7</sup> Such amounts, however, vary across the counties, ranging from 14 percent of compensation costs in the 8<sup>th</sup> Class County to 33 percent in the 4<sup>th</sup> Class County.

Across the sample counties, moreover, there are differences in which taxing districts have the greatest potential for savings. Such differences are illustrated in Table 14. For example, as shown in Table 14, school districts in the 4<sup>th</sup> Class County appear to have the greatest opportunity for savings of any group within the sample. It also shows that across the sample counties, typically municipalities have greater potential for compensation costs saving than the other taxing districts, though they are effectively tied with school districts in overall potential compensation cost savings.

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<sup>7</sup> Potential county savings were benchmarked against other counties using similar compensation methods (see Finding B3). Municipal and school district savings were benchmarked against county per parcel costs.

Table 14

**Percent of Potential Compensation Cost Savings<sup>a</sup> by  
Sample County and Taxing Districts**

Class County	% Potential Compensation Cost Savings <u>School Districts</u>	% Potential Compensation Cost Savings <u>Municipalities</u>	% Potential Compensation Cost Savings <u>County</u>	% Potential Compensation Cost Savings <u>Taxing District Aggregate</u>
2A .....	10.4%	19.5%	14.5%	15.0%
3rd.....	21.1	25.1	6.6	15.9
4 <sup>th</sup> .....	54.9	26.8	0.0	33.0
5 <sup>th</sup> .....	0.0	39.0	0.0	16.4
6 <sup>th</sup> .....	0.0	60.2	0.0	30.8
7 <sup>th</sup> .....	2.1	52.3	2.9	17.16
8th.....	25.1	0.0	0.0	14.0
Aggregate ....	23.5	31.8	8.2	19.3

<sup>a</sup> Potential county savings were benchmarked against other counties using similar compensation methods (see Finding B3). Municipal and school district savings were benchmarked against county per parcel costs.

Source: Developed by LB&FC staff.

## Other Real Estate Collection Costs

The information provided by our sample counties also allowed us to consider other costs, in addition to compensation costs, to collect property taxes. Typically, such other costs include the cost to print and mail the tax bill and the cost of surety and performance bonds for those involved in property tax collection.<sup>8</sup>

In Pennsylvania, counties and municipalities often have the same property tax billing and collection cycle, and, therefore, can share the costs to print and mail property tax bills. Pennsylvania counties also have the option to bid for a bond to cover all tax collectors in the county, with all taxing districts sharing (in proportion to their level of coverage) in the cost of tax collector bonds.<sup>9</sup>

School districts have higher property taxes than counties and municipalities, and their property tax billing and collection cycles (and fiscal years) do not coincide with those of the other taxing districts. As a consequence, districts can opt to participate in the county's cooperative program to share in tax collector bond costs, but they cannot share their tax collection printing and mailing costs with the other taxing districts.

<sup>8</sup> Such bonds may cover liability in the case of uncollected taxes. They are also used to protect and guarantee the public that the elected or appointed tax collector will honestly perform their tax-collecting duties.

<sup>9</sup> Six of the seven sample counties are among the 48 counties statewide that provide this cooperative program.

Table 15 provides the per parcel printing, mailing, and annual tax collection bond costs for the sample counties and school districts. As shown in Table 15, some counties were unable to provide their printing and mailing costs as such costs are imbedded in cost centers that cover a variety of county functions.

Table 15 also shows that school districts tend to have higher per parcel printing, postage, and bond costs than their counties. Printing costs, for example, are consistently lower for counties than school districts. Similarly, six of the seven counties have lower per parcel mailing and bond costs than school districts, in part because they send out a combined county/municipal property tax bill, and therefore share postage costs with the municipalities. When such costs are considered in the aggregate for the three sample counties with complete data, the counties consistently have lower per parcel costs, with such combined per parcel costs ranging from \$0.31 (in the 2A Class County) to \$0.66 (in the 8<sup>th</sup> Class County). The difference in such costs between the county and the school districts in the 2A Class County is significant (i.e., almost \$1.00 per parcel).

The school districts' higher per parcel costs for printing, mailing, and bonding may be due to their inability to share such costs with other taxing districts and the higher level of bond coverage associated with their higher tax revenues. They may also be due to economies of scale. School districts in the 5<sup>th</sup> Class County in our sample, for example, have printing, mailing, and bond costs that are almost equal to their per parcel compensation costs (\$1.85 vs. \$1.45).

As shown in Table 15, two of the four counties for which we have data report combined real estate tax bill printing and mailing costs of less than \$0.30 a parcel, including the 7<sup>th</sup> Class County. Such relatively low per parcel printing and mailing costs are consistent with data reported by counties with central collection of county real estate taxes (see Finding B3). Five of the six counties with central collection of county property taxes report combined printing and mailing costs between \$0.22 and \$0.32 per parcel. Based on actual data for 14 counties, we estimate the average county printing and mailing cost is \$0.35 per parcel.

Table 15

**Per Parcel Printing, Mailing, and Bond Costs in Sample Counties**

Sample County Class	Per Parcel Printing Cost County	Per Parcel Printing Cost School District	Per Parcel Mailing Cost County <sup>a</sup>	Per Parcel Mailing Cost School District	Per Parcel Bonding Cost County	Per Parcel Bonding Cost School District
2A .....	\$0.22 <sup>b</sup>	\$0.28	b	\$0.45	\$0.09	\$0.47
3 <sup>rd</sup> .....	N/R	0.52	\$0.34	0.38	0.07	0.14
4 <sup>th</sup> .....	N/R	0.28	0.17	0.33	N/R	0.11
5 <sup>th</sup> .....	N/R	0.55	N/R	0.56	N/R	0.34
6 <sup>th</sup> .....	0.25	0.49	0.49	0.44	N/R	0.20
7 <sup>th</sup> .....	0.10	0.41	0.18	0.35	0.05	0.18
8 <sup>th</sup> .....	0.13	0.38	0.43	0.37	0.10	0.06

<sup>a</sup> Some counties send a combined county/municipal property tax bill and therefore share postage costs with municipalities.

<sup>b</sup> Combined printing and mailing cost.

Source: Developed by LB&FC staff from county and school district reported data.

**Real Estate Tax Consolidation**

Two of the taxing districts’ state associations have adopted position statements concerning consolidated real estate tax collection. The County Commissioners Association of Pennsylvania in its 2010-2011 Official Policy Statement adopted the following position.

The Association supports legislation to provide for county collection of county, municipal, and school property taxes, including mechanisms for recovery of costs of administration.

The Pennsylvania School Board Association has adopted the following position. The School Board Association:

Supports legislation that abolishes the requirement for school districts to use elected property tax collectors, permits centralized collection for property taxes levied and allows regional tax collection with districts having a voice in the appointing and management of the tax collector.

The regional collection endorsed by the School Board Association is similar to the collection structure provided for by Act 2008-32 for the collection of local earned income taxes by school districts and municipalities.

The Pennsylvania Association of Township Supervisors has taken the position that it “opposes legislation mandating a countywide collection of the real estate tax.” The Association, however, supports intergovernmental cooperation, and

“supports voluntary cooperation as a means for local governments to creatively provide the levels of service demanded by their citizens while retaining their local autonomy.”

Somewhat similarly, the Pennsylvania State Association of Boroughs adopted a policy statement concerning tax administration endorsing options for local tax collections. Specifically, the Municipal Policy Statement notes:

Municipalities should be given the option by ordinance to replace the elected local tax collector with a municipal official charged with collection of the local taxes, and to make joint agreements with one or more municipalities, the county, or the Tax Collection Committee for joint collection of local taxes, as is presently authorized under Act 511, the Local Tax Enabling Act.

As noted in Finding B1, the requirements for real estate tax collection are very different than for other local taxes. In Pennsylvania, counties are responsible for deed transfers. More importantly, they are responsible for valuing property, determining the level at which it is assessed, and maintaining the inventory of all property to be taxed. In Pennsylvania, counties are often responsible for delinquent tax collection for all taxing districts. So in many ways, counties are in the best position to take on responsibility for local property tax collection.

Consolidation of all current real estate tax collection at the county level, however, is not without challenges. If, for example, current real estate tax collection were consolidated at the county level in the seven sample counties based on the county’s current per parcel compensation costs:

- over one-half of the municipalities (78 of 141) in the sample counties would have higher tax collection compensation costs than they do now, and
- over 40 percent (14 of 32) of the school districts would have higher tax collection costs.

Moving to county consolidated collection and county costs, moreover, could result in some taxing districts expending more than 5 percent of their revenue on tax collection. One municipality in our sample counties, for example, currently expends \$0.60 per parcel to collect municipal real estate taxes for just over 1,000 parcels. This municipality would increase its per parcel costs by about \$2.00 with consolidation based on the county’s per parcel costs. The municipality currently spends about 6 percent<sup>10</sup> of its real estate revenue on such collection. If the county were to take on such collection at current county parcel costs, the municipality would be ex-

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<sup>10</sup> This estimate includes the municipality’s employer share of FICA taxes, and for this reason is greater than 5 percent.

pending about one-quarter of all municipal real estate tax revenue on such tax collection.

Requiring municipalities and school districts to compensate for tax collection at higher costs than they now incur would be problematic. Similarly, requiring counties to provide for collection without covering their actual collection costs would also be problematic. As noted in Finding A3, moreover, the counties that currently collect real estate taxes at peak efficiency are not willing at this time to hire additional staff and invest in technology upgrades to provide for consolidated collection.<sup>11</sup>

Consolidation has the appeal of potential economies of scale due to higher volume and resultant cost savings. As noted in Finding B3, however, county real estate collection compensation costs on a per parcel basis do not necessarily decrease as parcel volume increases. Rather, the method of compensating for such collection—which is controlled by the taxing district—rather than parcel volume, appears to more directly impact property tax collection costs. As a result, consolidation of real estate tax collection does not necessarily result in lower per parcel collection costs.

Potential savings in terms of recovery of “lost revenue” that are anticipated with the consolidated collection of local earned income taxes over a wider area, moreover, are not available with real estate tax collection.<sup>12</sup> As noted in Finding B1, real estate taxes are among the least costly local taxes to collect because of their low compliance costs and the opportunity for taxing districts to seize properties in their taxing district for failure to comply with the tax. Local control of such tax collection, moreover, provides taxing districts with the ability to establish schedules for immediate access to their tax revenues rather than waiting several weeks or months for such access.

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<sup>11</sup> As noted in Finding A3, several of the counties that are the appointed municipal tax collectors perform such duties without cost to the municipalities, or charge only their incremental costs.

<sup>12</sup> In 2002, the Pennsylvania Department of the Auditor General in response to complaints regarding collection of the local earned income tax and delinquent occupational assessment and per capita taxes by two private firms acting as local tax collectors on behalf of school districts and other local governments found that earned income taxes were not being remitted to the appropriate jurisdictions, and the earned interest on collected tax funds was not being fully disclosed to the appropriate taxing authorities and paid to such authorities. In 2003, the Auditor General also reported on a series of questionable practices concerning earned income taxes and abuses in such collection related to non-resident earned income tax collection. In a 2004 report, the Department of Community and Economic Development (DCED) considered earned income tax collection in Pennsylvania and recommended such local tax collection be consolidated and that local jurisdictions be permitted and encouraged to expand such local tax collection boundaries to include several counties in a region. DCED recommended such consolidation (with state grants to support implementation) to reduce “inter-office disputes and improve cash flow to municipalities and school districts.” In response to such concerns, the General Assembly enacted Act 2008-32, which, in part, provides for full implementation of regional collection of local earned income taxes in 2012.

Previous local experiments with consolidated municipal and school district real estate tax collection, moreover, have not been without problems. Municipalities and school districts in one central Pennsylvania county provided for central countywide collection of real estate and earned income taxes through a private organization, which they formed. The former director of the central collection agency, however, embezzled taxing district funds over a four-year period prior to committing suicide in 2007. Subsequently, auditors determined that the collection agency had substantially overpaid certain school districts and municipalities participating in the central collection, and underpaid others. As of late 2010, proposals to resolve such over- and under-payments had not been agreed to by all parties. Many of the county's municipalities, moreover, had appointed the county treasurer to serve as their municipal property tax collector rather than continue to rely on the central collection agency's designated contractor.<sup>13</sup>

At this time, it may be premature to move toward consolidation of real estate tax collection. In 2012, the state requirement for consolidation of local earned income tax collection will be fully underway. Local school district and municipal officials have advised LB&FC staff they anticipate several implementation issues (e.g., local revenue cash flow, business compliance costs, etc.) that will require considerable effort to address. Before considering consolidation of local real estate tax collection, issues related to other local tax collection should be fully resolved to the satisfaction of all taxing districts.

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<sup>13</sup> In part, municipalities may have appointed the county to collect their real estate taxes as the cost for such collection under the central collection agency's new contractor increased from \$0.30 per bill to \$1.50 per bill.



## 6. Property Tax Collection Costs Are an Estimated One-Half of One Percent of Collected Revenues

LB&FC staff estimated the aggregate cost to collect current real property taxes across all taxing districts (counties, municipalities, and school districts). Our aggregate cost estimates include:

- compensation to appointed and elected tax collectors to collect current real estate taxes,
- employer FICA and other benefits cost associated with such collection, and
- property tax bill printing and mailing costs.<sup>1</sup>

Our estimated aggregate costs cover:

- county costs to collect county property taxes, with the exception of Allegheny and Philadelphia Counties, and selected municipalities with county tax collection compensation methods that differ from those throughout the rest of the county;
- municipal costs to collect municipal property taxes in 2<sup>nd</sup> Class A, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> Class Counties, with the exception of municipalities in which the county is the appointed collector of municipal property taxes; and
- school district costs to collect school property taxes, excluding those in Allegheny and Philadelphia Counties.

Our aggregate costs estimates cover 75 percent of taxable parcels statewide.<sup>2</sup>

The LB&FC's aggregate estimates are based on sample per parcel compensation and cost data discussed in Findings B3, B4, and B5; parcel data reported to the LB&FC staff by counties and taxing districts; data reported by county assessment offices to the County Commissioners Association of Pennsylvania; real estate tax revenue data reported to the LB&FC staff by taxing districts; and real estate

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<sup>1</sup> Based on various samples, we estimated average per parcel printing and mailing costs of \$0.35 for counties and municipalities and \$0.84 for school districts.

<sup>2</sup> Allegheny and Philadelphia Counties' taxing districts are excluded from the aggregate cost estimates as they have substantially different arrangements for property tax collection than the remainder of the state, in particular their home rule status and the large number of home rule municipalities in Allegheny County. In Pennsylvania, home rule counties and municipalities are free to make their own arrangements for tax collection, and local elected tax collectors in such taxing districts may or may not continue to collect property taxes. Allegheny and Philadelphia Counties account for approximately 20 percent of taxable parcels statewide. Certain municipalities (and their associated property tax revenues) have been excluded because cost data are not available in view of the variety of functions performed by county staff responsible for municipal tax collection. Other municipalities (and their associated property tax revenues) have been excluded because, as discussed in Finding B3, they have per parcel collection methods and costs that differ from those in place in most of the county.

revenue data reported to the Department of Community and Economic Development and the Pennsylvania Department of Education. Based on such data, we were able to extrapolate aggregate costs across taxing districts for much of the state.

## Aggregate Cost to Collect Current Property Taxes in Pennsylvania

Aggregate county, municipal, and school district costs to collect \$11.6 billion in property taxes are about \$55 million, and represent 0.5 percent of collected revenues,<sup>3</sup> with 0.4 percent due to compensation costs and 0.1 percent due to printing and postage. (Under state law, boroughs and second class townships may compensate local tax collectors up to 5 percent of collections.) As noted in Finding B3, however, collection costs as a percent of revenue collected are not particularly useful measures to compare costs across taxing districts or costs associated with different methods of collector compensation because of substantial differences in assessed property values and tax rates across taxing districts. Table 16, therefore, provides estimated aggregate costs for taxing districts across the state on a per parcel basis.

As shown in Table 16, counties tend to have lower per parcel costs on average than municipalities and school districts, with average per parcel costs to collect county property taxes roughly \$1.00 less than municipalities and school districts. School districts have per parcel costs just above those of municipalities, but their total costs represent a substantially smaller portion of their tax revenues. In part, their per parcel costs are somewhat above those of municipalities due to their higher per parcel printing and mailing costs (\$0.84 per parcel for school districts compared with \$0.35 for counties). School districts, with property tax billing cycles that differ from the county and municipality, have a disadvantage in that they are unable to share such costs through the use of a single bill.

Table 16

<b>Estimated Aggregate Property Tax Collection Cost by Taxing District</b>		
<u>Taxing Districts</u>	<u>Aggregate Collection Cost (% of Property Tax Revenue)</u>	<u>Average Per Parcel Cost With Printing and Postage</u>
Counties.....	\$14.3 million (0.7 %)	\$3.41
Municipalities .....	17.7 million (1.8 %)	4.30
School Districts.....	21.3 million (0.3%)	4.50
Total.....	53.4 million (0.5 %)	NA

Source: Developed by LB&FC staff.

<sup>3</sup> Our analysis excludes the cost of the tax collector surety and performance bond. The available data indicates such costs on a per parcel basis are negligible, ranging from \$0.02 to \$0.27 in the available sample data. As noted in Finding B5, counties have available a cooperative program for taxing districts to secure such protection for the taxpayers. Our analysis also excludes audit costs. We have excluded bonding and audit costs in our analysis because they are required to protect taxpayers, and necessary regardless of the property tax collection method utilized by the taxing district.

As noted in Findings B3, B4, and B5, there are potentials for savings. In the aggregate, if such potential savings are similar to the savings in our samples, such savings may be as high as:

- over 10 percent of county compensation costs,
- about 30 percent of municipal compensation costs, and
- over 20 percent of school district compensation costs.

Such savings, while consequential, are significantly below the savings projected as a result of consolidation of local earned income tax collection (see Finding B5). Using FY 2004-05 data, the Pennsylvania Economy League of Southwestern PA estimated the \$237 million in local income taxes goes uncollected annually as a result of the fragmented and inefficient system for collecting local earned income taxes. In 2007, the Task Force on School Cost Reduction's report to the Governor and General Assembly, "*Driving More Dollars Into the Classroom*," based on a Department of Community and Economic Development study, reported as much as \$127 million potentially would be available for Pennsylvania public schools as a result of consolidated regional earned income tax collection. In the aggregate, school district property tax collection costs are about \$22 million. If such costs are reduced between 20 and 25 percent, school districts (other than those in Philadelphia and Allegheny Counties) would realize only about \$5 million in annual savings.

When considering potential savings, it is important to remember that such savings are not uniform across the state, and the greatest opportunity for savings on a per parcel basis do not necessarily occur in areas of the state with a large number of parcels. As noted in Finding B3, for example, typical counties that compensate for county property tax collection based on the percent of revenue collected have the greatest opportunity to realize savings on a per parcel basis. Relatively few parcels statewide (1.5 percent), however, are compensated in this way. Many factors unique to individual taxing districts may also influence the potential to realize savings.

The opportunity to realize such savings, for example, may be restrained by the staff, monetary resources, and administrative structures of the taxing district, and the extent to which it is positioned to make necessary investments to realize potential savings. A taxing district's ability to reduce its per parcel collection costs, for example, may depend on its ability to invest in automated systems, make such systems available to local tax collectors (or taxing district staff), and the availability of staff with necessary skills to operate such systems. It may also depend on the availability of elected and appointed tax collectors who are able to adapt to use of such new systems. If local tax collectors are unable to adapt to newly introduced technology and decide not to serve, a taxing district's ability to realize potential savings may depend on the extent to which its existing staff can take on responsibility

for addressing taxpayer questions and concerns and resolving issues related to over- or under-payment of taxes without need for additional staff.

The ability to realize additional savings, moreover, may be confounded by other taxing district goals. Counties, for example, typically have lower per parcel collection costs than other taxing districts. Many school districts, however, collect their own property taxes, typically at higher per parcel costs than the county. Some school districts that now collect their own property taxes might be interested in entering into an agreement with the county to collect school district property taxes so as to lower their per parcel collection costs. Others, however, may prefer more immediate access to their tax revenues and administrative control over the collection process, even though such important practices may come with added collection costs.

Similarly, municipalities may have higher per parcel costs, but may also be concerned about municipal cash flow, how they will provide for collection of other municipal taxes and service fees, and both the direct and indirect costs associated with such alternative collection practices.

## C. Pennsylvania and Other States

### 1. Local Tax Collection in Pennsylvania

In Pennsylvania, various municipal codes<sup>1</sup> provide for the election of local tax collectors and their qualifications. Local tax collectors authorized under the various municipal codes are responsible for the collection of municipal, school, and county real estate taxes and personal taxes levied under municipal codes. There are, however, certain exceptions to the state's municipal-based consolidated real estate tax collection structure.

#### Exceptions to Locally Elected Tax Collectors

The General Assembly has authorized counties to provide for collection of county taxes in certain instances. Act 1929-136, for example, authorized the county treasurer in second class counties to collect all county taxes.<sup>2</sup> The County Code for first, third, fourth, fifth, sixth, seventh, and eighth class counties, moreover, permits county commissioners by resolution to provide for the billing and collecting by the county treasurer of all county taxes levied within:

- third class cities,
- municipalities existing or organized under home rule charters or plan that have eliminated the elective office of tax collector, and
- municipalities in which a vacancy occurs in the office of elected tax collector and the municipality appoints a municipal employee to assume the duties of tax collector until a successor tax collector is elected.<sup>3, 4</sup>

In addition to permitting county treasurers to temporarily assume the duties of municipal tax collector and collect county property taxes until a successor municipal tax collector is elected, the General Assembly has also permitted school districts to temporarily appoint one or more suitable persons to collect school district property taxes when a vacancy occurs.<sup>5</sup>

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<sup>1</sup> Third Class City Code, Act 1931-317, as amended, at 53 P.S. §37532; Borough Code, Act 1965-518, as amended, at 53 P.S. §46086; First Class Township Code, Act 1931-331, as amended, at 53 P. S. §55805; and Second Class Township Code, Act 1933-69, as amended, at 53 P.S. §66001.

<sup>2</sup> 72 P.S. §5527.

<sup>3</sup> County Code, Act 1955-130, as amended, at 16 P.S. §1701.1

<sup>4</sup> When a vacancy occurs in the office of elected tax collector, such county commissioners are also permitted to reimburse the municipality rather than the municipal employee for cost attributed to the billing and collecting of county taxes in the municipality, and to enter into an agreement with a tax collector in an adjoining municipality to assume the duties of the tax collector and receive the compensation that otherwise would be attributed to the billing and collection of county taxes in the municipality with the tax collector vacancy.

<sup>5</sup> When there is a vacancy or where any elected tax collector refuses to qualify or furnish a bond, the board of directors in each school district of the second, third, and fourth class is authorized to annually appoint one or more "suitable persons as tax collectors" in the school district (Public School Code of 1949, Act 1949-14, as amended, at §6-683).

Several counties were also authorized to collect county taxes under special legislation that predates the 1874 Pennsylvania Constitution prohibiting the Pennsylvania General Assembly from passing any “local or special law” “regulating the affairs of counties, cities, townships, wards, boroughs, or school districts.”<sup>6</sup> The Constitution of 1874 itself did not repeal special laws that were in effect when it was adopted, and as noted in Finding A1, several counties currently collect county property taxes under special legislation that predates the 1874 Pennsylvania Constitution.<sup>7</sup>

The General Assembly has also permitted exceptions to elected local tax collectors in home rule counties and municipalities. Counties with home rule charters<sup>8</sup> may make their own arrangements for county tax collection under their charters. Such counties may designate the individual responsible for tax collection and the manner of compensation for this function. The county may also choose to have different due dates and penalties than are included in the Local Tax Collection Law. Local elected tax collectors in the municipalities within those counties may or may not be responsible for the collection of county taxes. As noted in Finding A1, all home rule counties, with the exception of Erie, have chosen not to use local elected tax collectors to collect county property taxes.

Home rule municipalities may also designate the office responsible for collection of taxes for the municipality and provide for the duties, responsibilities, and compensation of the tax collector in their home rule charter. In some cases, the municipality may designate a municipal official or employee as tax collector, or the municipality may contract with a specialized firm to perform the tax collection function.

## **Terms of Office**

Local tax collectors are elected for four-year terms beginning the first Monday in January following the municipal election.

- In 3<sup>rd</sup> class cities and 1<sup>st</sup> class townships, the treasurer serves as tax collector until a successor is elected or appointed and qualifies. If no new treasurer is elected, an incumbent remains in office until the governing body appoints an individual to fill the vacancy.
- In boroughs and 2<sup>nd</sup> class townships, the tax collector serves until the first Monday in January four years after their election. If a successor is not

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<sup>6</sup> Pa. Const. of 1874, Art. III, §7; Pa. Const. of 1967, Art. III, §32.

<sup>7</sup> Such special legislation was enacted for Venango, Lawrence, Crawford, Clarion, Mercer, Beaver, Washington, Greene, Jefferson, Forest, Bedford, Fulton, and Chester Counties, and was later repealed for Venango, Crawford, Clarion, Mercer, Jefferson, Forest, Bedford, and Fulton Counties.

<sup>8</sup> Allegheny, Delaware, Erie, Lackawanna, Lehigh, and Northampton are home rule counties, according to Department of Community and Economic Development published data.

elected or fails to qualify, the position remains vacant until the governing body appoints an individual to fill the vacancy.

In general, candidates for local tax collector must meet minimal qualifications under Pennsylvania law:

- In 3<sup>rd</sup> class cities, the candidate for treasurer must be a competent accountant, 21 years of age or older, and a resident of the city for one year prior to the election. Once elected, moreover, the treasurer cannot serve as an election officer.
- In 1<sup>st</sup> class townships, the candidate must be a registered voter of the municipality and cannot hold another township office.
- In boroughs and 2<sup>nd</sup> class townships, the tax collector must have resided in the municipality for one year before the election and continue residency during the term of office. The tax collector may not hold another elected office, but in 2<sup>nd</sup> class townships, the tax collector may also hold an appointed office. In boroughs with population over 3,000, the tax collector cannot also be a borough employee.<sup>9</sup>

When a vacancy occurs in the office of tax collector, whether by resignation of an elected tax collector, the lack of a qualified candidate for the position, or failure of the elected tax collector to qualify for a surety bond, that vacancy is to be filled by the municipal governing body. If the governing body fails to fill a vacancy, the court can be petitioned to fill the vacancy.

In boroughs and townships, the governing body must officially accept the resignation and fill the vacancy by appointment within 30 days. A tax collector appointed to a vacancy holds office until the first Monday in January after the first municipal election occurring more than 60 days after the vacancy occurred. When a vacancy occurs in cities, the city council appoints a person to fill the vacancy until a successor is elected at the next municipal election.

When a vacancy exists in the office of tax collector, the governing body of a taxing district may, by ordinance or resolution, enter into an agreement with an adjoining or conveniently located taxing district for the joint collection of taxes. Two or more taxing districts may enter into such an agreement.

In 1995, the Supreme Court of Pennsylvania ruled that the only constitutional method for removal of an elected official, including tax collectors, is contained in

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<sup>9</sup> All tax collectors are prohibited from holding the offices of district attorney and school director while serving as tax collector.

Article VI, Section 7 of the Pennsylvania Constitution. Tax collectors can only be removed from office in Pennsylvania:<sup>10</sup>

- by impeachment in the General Assembly;
- by the Governor for reasonable cause after due notice and full hearing on the address of two-thirds of the Senate; or
- by the courts after conviction of misbehavior in office or of any infamous crime.<sup>11</sup>

## The Local Tax Collection Law

The Local Tax Collection Law (Act 1945-394, as amended)<sup>12</sup> does not provide for local tax collectors or their qualifications. It does, however, set forth the powers, duties, and responsibilities of certain local tax collectors. Act 394 specifically defines “tax collector” to include:

Every person duly elected or appointed to collect all taxes, levied by any political subdivision included in the provisions of this act, including the treasurers of cities of the third class and of townships of the first class in their capacity as treasurers, and county collectors of taxes in counties of the third, fourth, fifth, sixth, seventh and eighth class who have been designated to collect county and institution district taxes in cities of the third class and county treasurers in counties of the fourth, fifth, sixth, seventh and eighth class who have been designated to collect county taxes in municipalities existing or organized under the...Home Rule Charter and Optional Plans Law that have eliminated the elective office of tax collector. The term also includes a person authorized to collect taxes...[through a Joint Tax Collection District<sup>13</sup> provided for by this act].<sup>14</sup>

Act 394, however, does not apply to the collection of real estate taxes in certain counties and municipalities. Specifically, it excludes, for the most part, first and second class counties, cities, and schools<sup>15</sup> (i.e., Philadelphia taxing districts and Allegheny County and Pittsburgh taxing districts), and home rule municipalities and counties that elect to eliminate the elective office of tax collector. The Act further specifies that it is not to be construed to repeal any “local or special act”<sup>16</sup> that authorized certain counties to collect county taxes outside of the provisions in the relevant municipal codes.

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<sup>10</sup> In re Petition to Recall Reese, 665 A.2d 1162, 542 Pa. 114, Sup. 1995.

<sup>11</sup> Pa. Const. of 1967, Art. VI, §6, §7.

<sup>12</sup> 72 P.S. §5511.1 *et seq.*

<sup>13</sup> 72 P.S. §5511.4b.

<sup>14</sup> 72 P.S. §5511.2

<sup>15</sup> 72 P.S. §5511.3(a), (c)(1).

<sup>16</sup> 72 P.S. §5511.3(d).



**Surety Bond Requirement:** Act 394, as amended, requires that all tax collectors before taking office enter into a surety bond that must be presented to the court to secure the taxing district against any losses of tax funds.<sup>17</sup> Such bond costs are the responsibility of the taxing districts and not the tax collector. Failure to obtain a bond disqualifies a person from serving as tax collector.

- In 3<sup>rd</sup> class cities, the bond must cover all duties of the treasurer including tax collection.
- In 1<sup>st</sup> class townships, the bond amount is set by ordinance or resolution. The bond must cover the treasurer as township treasurer as well as collector of local taxes.
- In boroughs and 2<sup>nd</sup> class townships, the bond covers the collection of all municipal, school district, and county taxes. The premium is paid by the taxing districts. Failure to obtain a bond creates a vacancy in the tax collector position.

**Compensation:** Compensation for the local tax collector is set and paid by the local taxing district.<sup>18</sup> Any changes to the compensation of the tax collector must be adopted prior to the fifteenth day of February of the year of the election where the office is filled. This is to prevent a change in the compensation arrangement during the term of office.

- In 3<sup>rd</sup> class cities, the treasurer receives a salary and cannot be paid on a commission basis. The salary is set by joint action of the city council, school board, and county commissioners. The three taxing districts (city, county, and school district) often have an agreement on how the costs of tax collection will be shared with each entity paying one third of the cost including the tax collector's salary, printing, postage, and office administration.
- In 1<sup>st</sup> class townships, compensation for the treasurer is set by an ordinance. If a rate is not established by ordinance, the treasurer receives the statutory rate of 5 percent of collection and 1 percent of other township funds received, subject to a \$10,000 maximum. When the treasurer collects school and county taxes, the compensation is set by the school board and county commissioners and is not to exceed 5 percent of the taxes collected.

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<sup>17</sup> 72 P.S. §5511.4.

<sup>18</sup> All compensation for tax collectors is subject to Social Security and Medicare withholding and the taxing district is responsible for the employer's share of these taxes.

- In boroughs and 2<sup>nd</sup> class townships, the compensation is set by each taxing district independently. The compensation may be on a salary, a commission, or a mixed basis. The total compensation is not to exceed 5 percent of the taxes collected for each taxing unit.<sup>19</sup>

The tax collector may not deduct their compensation from the taxes collected. All funds collected and any interest accrued must be transferred to the taxing district. Compensation is paid directly by the taxing district to the tax collector. Commissions are usually paid when the tax collector's periodic reports of collections are received by the taxing district. Salaries can be paid evenly throughout the year. Taxing districts must withhold federal, state, and local income taxes from compensation payments.

In addition to responsibility for the cost of the bond, Act 394, as amended, required taxing districts to pay for the postage and printing of tax notices.<sup>20</sup> These expenses are not part of the tax collector's compensation.

Although there is no statutory requirement for the taxing district to cover other office expenses or training, some taxing districts provide additional payments to tax collectors to cover expenses such as office supplies, computer hardware and software, and training, while others do not. Tax collectors may not deduct the costs of their expenses from the tax money collected for the taxing districts.

**Office Administration:** State law provides limited guidance regarding tax collector offices. Administrative practices for these offices tend to follow local customs and expectations.

- In 3<sup>rd</sup> class cities, the treasurer's office is provided by the city and taxes are usually collected from this office.
- In 1<sup>st</sup> class townships, the treasurer often has offices in the municipal building.
- In larger boroughs and 2<sup>nd</sup> class townships, the tax collector may have an office in the municipal building. In smaller municipalities, tax collectors often work out of their home. Expenses for maintaining an office on private property are paid out of the tax collector's compensation.

**Office Hours:** Act 394, as amended, requires the tax collector or other authorized person be available for receiving and receipting taxes on at least 3 days of each of the last 2 weeks of the discount period. The place and time of receipt of tax

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<sup>19</sup> In 2<sup>nd</sup> class townships with populations less than 3,000, total compensation may not exceed 10 percent of taxes collected.

<sup>20</sup> 72 P.S. §5511.9.

payments must be identified in the tax notice.<sup>21</sup> Most tax collectors have office hours in excess of the minimum requirements.

**Deputy Tax Collectors:** Act 394, as amended, permits the tax collector to appoint one or more deputy tax collectors with the approval of the taxing district and the bond issuer. Deputy collectors are authorized in writing to receive and collect taxes with the same authority as the tax collector. When such deputies are appointed, the act notes that the tax collector must be responsible and account to the taxing district for any funds received or collected by the appointed deputy.<sup>22</sup> In some taxing districts, the elected tax collector performs none of the tax collection activities but instead has appointed an accounting firm or school district as the deputy tax collector. The tax collector remains responsible for all collections by an appointed deputy.

**Tax Receipts:** Act 394, as amended, requires tax collectors to furnish each person upon payment of taxes a numbered receipt. The receipt must include the date of the payment, name of the taxpayer, the taxing district, separately stated the amount of the specific taxes paid, and parcel identification for property taxes. When such payments are received by mail, a receipt is only required to be provided if the taxpayer encloses with the payment a self-addressed and stamped envelope for the return receipt.<sup>23</sup>

**Account Depository:** Act 394 itself is silent on account depository requirements for tax payments. Certain municipal codes, however, have specific account depository requirements. In 3<sup>rd</sup> class cities, all taxes collected on behalf of the city are deposited in the official depository designated by city council. In 1<sup>st</sup> class townships, the treasurer is required to keep all township funds, including taxes collected, in the official depository designated by the board of commissioners. In boroughs and 2<sup>nd</sup> class townships, however, there are no specific depository provisions, and the tax collector is responsible for all taxes collected until they are transferred to the taxing district.

The Department of Community and Economic Development recommends that tax collectors not deposit tax funds into a personal account but instead establish an account using their name and the EIN identification number for the taxing district(s). In some areas, however, taxing districts require tax collectors to deposit collections directly into the accounts of the taxing district.

While Act 394, as amended, does not specifically include account depository requirements, it does explicitly prohibit tax collectors from retaining any interest or investment income associated with tax revenues collected. Specifically, it states:

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<sup>21</sup> 72 P.S. §5511.13.

<sup>22</sup> 72 P.S. §5511.22.

<sup>23</sup> 72 P.S. §5511.14.

If any person charged with the collection, safekeeping or transfer of any taxes under this act, shall convert or appropriate the money so collected, or any part thereof, to his own use, in any way whatever, or shall use by the way of investment, in any kind of property or merchandise, any portion of the money so collected by him, and shall prove a defaulter or fail to pay over the same, or any part thereof, at the time and place required by this act to the person legally authorized to demand and receive the same, shall be guilty of embezzlement, and every such tax collector and every other person adding or abetting or being in any way accessory to such act, and being thereof convicted, shall be sentenced to undergo imprisonment....<sup>24</sup>

**Transfer of Taxes:** Act 394, as amended, requires the tax collector to pay over to the taxing district all tax money collected in the previous month by the tenth day of the subsequent month. Act 394 also requires transfers to be made more frequently if required by resolution of the taxing district.<sup>25</sup>

**Records and Reports:** Act 394, as amended, requires the tax collector to keep a correct account of all funds collected as taxes.<sup>26</sup> The collector must record each tax payment, including the amount and date of the payment, on the tax duplicate.<sup>27</sup> Amendments to the Local Tax Collection Law in 1998 provided local taxing districts with tools to improve accountability in the tax collection process. Taxing districts can impose additional timeliness and reporting requirements and impose potential penalties for failure to meet those requirements through an ordinance or resolution.

At a minimum, the tax collector is required to provide monthly reports to the taxing district. This report must include the names of taxpayers and the amount collected from each, including discounts and penalties. The report must also include a reconciled tax collector's report showing the amount of each type of tax collected for each taxing district reconciled from the tax duplicates to show the remaining taxes due. The taxing district may impose penalty fees if the reports are late and may require supplemental information and a more frequent reporting schedule by passing a resolution or ordinance with such requirements.

Tax records must be retained according to the Municipal Records Manual. These records are public documents and are the property of the municipal taxing district and should be maintained and stored by that district.

It is the duty of the tax collector to notify the sheriff of any unpaid taxes outstanding against any property advertised for sale by the sheriff.<sup>28</sup>

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<sup>24</sup> 72 P.S. §5511.39.

<sup>25</sup> 72 P.S. §5511.25.

<sup>26</sup> 72 P.S. §§5511.14, 5511.25, 5511.26.

<sup>27</sup> The duplicates of the tax collector may be inspected by any taxing district at any time.

<sup>28</sup> The sheriff pays the taxes out of the sale proceeds after payment of the costs of the sale.

Although there is no legal requirement that tax collectors must provide a certification of taxes paid on real estate being sold, the municipal governing body may enact an ordinance establishing a fee for this service to be collected by the tax collector. A municipal ordinance may establish other fees for services provided by the tax collector such as providing duplicate bills or copies of other information.

**Closing Out the Tax Year:** The tax collector must make a final settlement of the taxes on the duplicates by January 15 for the prior calendar year.<sup>29</sup> The tax collector presents the accounts to the taxing district so the district can examine the accounts and determine if the tax collector has discharged all responsibilities. As part of the final settlement, tax collectors must sign an oath swearing they have made a true and just return of all taxes collected by them. The tax collector's responsibility for collection of the real estate tax ends after they are returned to the tax claim bureau. The tax collector does not receive commission for taxes collected by the tax claim bureau.

The tax collector must also discharge the bond liability. A tax collector is discharged from liability:

- In 3<sup>rd</sup> class cities when all duplicates are either: (1) collected and paid over, (2) returned to the tax claim bureau, or (3) a record of those remaining uncollected is filed with the taxing authority.
- In 1<sup>st</sup> class townships when all duplicates are either: (1) collected and paid over, (2) returned to the tax claim bureau, (3) set forth in a schedule certified to the taxing district, or (4) a record of those remaining uncollected is filed with the taxing authority.<sup>30</sup>
- In boroughs and 2<sup>nd</sup> class townships when all duplicates are either: (1) collected and paid over to the taxing district, (2) returned to the county tax claim bureau, (3) returned to the county commissioners for sale of the real estate by the county treasurer, or (4) accounted for by exoneration.

The tax collector's accounts are audited by the duly authorized auditors of the taxing district, the elected auditor, controller, or an independently appointed auditor. The taxing districts may agree to conduct one audit for all taxing districts. The audit includes the tax collector's final accounts and records, monthly or other periodic returns, payments, and duplicates.

If the taxing district or its auditors find any unpaid taxes due, the tax collector is liable for those taxes. The taxing district can file a certificate of liability in

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<sup>29</sup> Settlement for the current year must be complete before the tax collector can receive the duplicates for the next year.

<sup>30</sup> 53 P.S. §55801.

the office of the prothonotary stating the amount due by the tax collector. If the liability of the tax collector is upheld, judgment can be enforced against the tax collector or the bond issuer.

**Training:** Act 394, as amended, encourages, but does not require, local tax collectors in Pennsylvania to attend training and complete testing to obtain a qualified tax collector designation. The Department of Community and Economic Development administers the program and maintains a listing of qualified tax collectors who have completed the required course work and passed the exam.<sup>31</sup> The act does not address reimbursement for such training. Tax collectors, therefore, are responsible for training and related travel costs, unless their taxing districts agree to cover such costs.

A tax collector who has passed the exam and earned the designation of qualified tax collector must complete six hours of continuing education each year to maintain that status. Tax collectors who have served eight or more terms are exempted from this program.

This training and testing program is a voluntary training program designed to increase the knowledge and professionalism of local tax collectors. DCED currently offers the course Best Practices in Tax Collection<sup>32</sup> to help both new and experienced tax collectors become more comfortable with their duties. This course is offered in limited locations across the state. DCED also offers a training CD, Basic Training for Municipal Tax Collector Qualification, that can be used by tax collectors to prepare for the qualifying exam. DCED also offers this course as an optional one-day review in conjunction with the qualification exam.

## **Additional Tax Collector Responsibilities**

Act 394, as amended, does not provide an all-inclusive list of duties and responsibilities of local tax collectors. For example, the local tax collector is responsible for issuing mobile home removal permits and assuring that all property taxes on such homes have been paid prior to issuing such a permit.<sup>33</sup> Many of the tax collectors responding to our survey reported performing duties previously assigned to municipal assessors prior to the elimination of such offices.<sup>34</sup> Frequently mentioned by local tax collectors responding to our survey is responsibility for maintaining

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<sup>31</sup> 72 P.S. §5511.4a.

<sup>32</sup> Best Practices in Tax Collection includes a review of the local tax collection act and manual, common pitfalls for the tax collector, process improvement, computer and data security and data management, and computerization of the tax collection office.

<sup>33</sup> 72 P.S. §5020-407(e).

<sup>34</sup> Act 2006-166 and Act 2006-167 abolished the office of elected assessor in all second class townships in the Commonwealth, and Act 2010-93 abolished locally elected assessors in boroughs, towns, and townships of the first class in 4<sup>th</sup>-8<sup>th</sup> class counties.

local per capita<sup>35</sup> and occupational tax rolls and identifying new mobile homes situated in their municipalities.

Other responsibilities that are performed by local tax collectors that are not specified in statute were identified in survey responses in their comments on the advantages and disadvantages of Pennsylvania's system for property tax collection.

## **Advantages and Disadvantages of Pennsylvania's Local Tax Collection System**

In our surveys of local elected and appointed tax collectors, counties, and school districts (see Appendices B, C, D, and E), LB&FC staff asked about the advantages and disadvantages of Pennsylvania's system for property tax collection.

### **Local Elected and Appointed Collector's Comments**

Most local tax collectors strongly endorsed the current system. Several enclosed signed petitions with local taxpayer signatures in support of the current system. Some also included letters with endorsements from municipal officials and letters forwarded to state legislators in support of the present system. Several local tax collectors noted that a locally-based system of collections keeps money in their community in local banks and provides local employment often in areas where relatively few jobs are available.

Exhibit 2 highlights several of the key advantages and disadvantages noted by the local elected and appointed tax collectors. Such advantages include their role as a liaison between their community, the taxpayer, and local government; the customer services they provide that are necessary but not mandated by statute; their relatively low costs; and other benefits such as opportunity for improved cash flow and other services provided to their taxing districts.

The key disadvantages noted by the local tax collectors are the absence of uniformity across taxing districts (i.e., specific dates for distribution of tax bills and discount and penalty periods and mandatory fee schedules); their low pay and absence of benefits; the absence of requirements for the position; the absence of state imposed uniform accounting and internal control guidelines; and need for increased reliance on automated rather than manual accounting and reporting tax collection systems.

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<sup>35</sup> Municipalities and school districts also have the option of levying the per capita tax under Act 1965-511 rather than the municipal code. Municipal tax collectors are not required to collect per capita taxes levied under Act 511.

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**Local Tax Collector Reported Advantages and Disadvantages**

**Advantages**

Liaison

- Tax collectors are the “liaison” between the residents and the government.
- Knowing the taxpayer, being a buffer between taxing body and payer.
- We give a ‘face’ to government. The tax collector is one of the few government officials people can and do talk with.
- Local Tax Collector knows the community they serve and deals with more residents on a daily basis than any other elected official serving in any capacity.
- A local collector is aware of the following: district property sales, construction without permits, unfit dwellings, areas that are not taxed.
- ...Gets the correct addresses for the County and pass on this information.
- We ...keep track...of the new people in the area, those who have moved out of the township, passed away, married, moved to a nursing home, bought or sold homes, etc....We know the area, and a lot of the people, and can inform the County of changes occurring in the township.
- Maintain per capita listing and keep it updated. Update addresses on both the real estate taxes and the per capita taxes.
- Because tax collectors are local and “know” their area, they’re in a position to monitor the movement of mobile homes.
- ...Notifies the Assessment Office of homes/buildings which may have been razed by fire or some other means in order for the property to be “tagged” and checked by the County Tax Assessor for adjustments to real estate taxes. Any construction or additions to properties are also brought to the attention of the County Tax Assessor and checked against the building permits submitted from the municipality.

Customer Service

- We are the protective layer between the Assessment Office and the Tax Claim. We catch mistakes, and obtain corrections before the homeowner even knows.... We strive to get bills delivered when residents have moved, in the Nursing Home, off on winter vacations, or have sold the property. We frequently know whose house was sold because the Realtor/Settlement Agency/Attorney has called for taxes at least once, and generally 3 times before closing.
- The County produces interim bills....I review each homeowner’s bill(s) and have caught errors at the county level almost every mailing. Sometimes it is the number of months being taxed for each municipality or school, sometimes it is a date or other printed line, sometimes it is just an incorrect amount.
- Many...problems and situations occur with mortgage companies, paying the wrong amount, paying on the wrong parcel, paying on only one parcel when someone owns two, etc. Any problem you can imagine has occurred...I am able to call, explain the problem, and frequently get it resolved in 24 hours. The homeowner usually is not even aware of the problem with THEIR taxes. Non-Personal Services would have rejected the check, and all the properties would have been in jeopardy.
- Personal service....My office is located in my home and I am available most anytime I am there....I am very near to where most of the people who own the real estate live, which makes me easily accessible.



## Exhibit 2 (Continued)

### Advantages (Continued)

#### Customer Service (Continued)

- ...Issues duplicate bill when a taxpayer loses the original...
- If I receive a check that is incorrect, I call the property owner and tell them what the problem is. If necessary I even take the incorrect check back to them and pick up a corrected check.
- I make personal contacts regarding payments due on the payment plans for the school district if not received by the day prior to the due date as a reminder. I will also contact residents that always pay at discount or face if I see they have not paid in their usual manner, in case the bill was lost or forgotten.
- ...we handle the escrow accounts for our taxpayers. We send the tax statements directly to the taxpayers escrow account and track what has been paid and what has not been paid. If an escrow account did not pay a taxpayer's statement, we inform the taxpayer so they are aware of the situation.
- I will personally contact mortgage companies in an effort to help taxpayers resolve problems.
- Follow up phone calls are made to accounts not usually on the delinquent list.
- On the very last day of October, one of my taxpayers had a mix up with his bank account. Through no fault of his own, his check to me bounced. I worked with him and his bank until the check was made good. I saved the gentleman over \$500.00. If I had not gone the extra mile for this man, his real estate tax bill would have gone into the penalty period, and it would have cost him a lot more than the \$5.00 resubmission fee the bank charged. His advantage was having someone at the other end of the phone that could help him....
- Income tax preparers call me frequently, for amounts paid or copies to be faxed to them so that they can complete someone's taxes.
- We are not hired or appointed. This encourages us to provide the best possible service to those who vote and pay taxes in our districts, since our performance can have a direct affect on whether we get re-elected.
- My office is in an area with three telephone areas and my number is available for free to all of the taxpayers living in this area....The bank where my deposits are made is a local bank and this is helpful to the economy in my district.

#### Low Cost

- This is a relatively inexpensive method of collection, while keeping the funds paid for in the community. Per PA law, the office, office expenses, insurance and retirement are NOT paid for by the taxing districts. The tax is already basically collected by an independent contractor. I, in turn, pay taxes back to my community, the largest being wage tax. I also spend in my community to help the local economy.
- For the municipality, county and school district: no expense of a building, utilities, insurance; no benefits paid; personal service to taxpayers; can put 2,000 bills in 700 envelopes to save postage; very low wages...; can provide immediate tax amounts to mortgage companies, banks and lawyers for real estate closings, no staff needed.
- For the real estate tax collections..., the cost to the taxing bodies is 0.18 % of the funds collected. This is an excellent return for the money that has been unparalleled in any other collection system.
- To increase our efficiency and accuracy most of us have purchased, at our own expense, software designed for tax collection.
- Local costs per dollar collected due to the fact the Elected Tax Collector is NOT an employee of the taxing district.

## Exhibit 2 (Continued)

### Advantages (Continued)

#### Low Cost (Continued)

- The cost to the municipality, county and school has to be minimal...compared to each having their own collection system (person and equipment) in place.
- Local tax collectors actually run a small business. They rent office space, own their own equipment, and must be fully insured; therefore they are aware of their expenses. All costs come out of the tax collectors pocket not a big muddles fund where no one cares how much is spent....

#### Other

- All my deposits are made to the local banks and my collectors are turned over to the taxing district the same day. It is important to the school district that their money is received ASAP.
- Maximize cash flow to taxing districts due to proximity of local office.
- Daily disbursement of tax funds to the local government to insure a more viable cash flow and interest collection for the local municipalities. Without the daily disbursement of tax funds our municipality would now have to take out a tax anticipation loan causing further expense to the taxpayer.
- My borough, county and school district know if they need money weekly during the discount period when money is coming in fast all they have to do is ask and I do a report and get them the funds within a day.
- Our close working relationship with the township has enabled us to find and correct discrepancies in township records that have yielded improved billing in areas like solid waste collections, and increased revenue by \$50,000.
- We have created synergies by doing additional work for the township. In addition to collection of school taxes and township/county taxes we bill for and collect sanitary sewer rents and solid waste fees for the township. Maintaining the billing and collections in a single office results in savings to the township. We also handle all banking deposits for the township.
- Separation of duties in accounting is a standard practice. The elected tax collector allows for the tax to be issued by one entity and collected by another. This creates an important check and balance for the system.

### Disadvantages

#### Non-Uniformity

- Overall lack of uniformity in tax collection process.
- ...Not all school districts or counties within the state have the same day to mail out the taxes or the same discount, face and penalty periods. I feel that if this were uniform it would be much easier for the taxpayers, attorneys, closing companies etc. If PA could adopt one day that all the county real estate taxes have to be mailed out and a day that all School Real Estate taxes have to be mailed out then everyone would be on the same page.....
- Disparity in salaries throughout the state.
- Disparity in fees charged by tax collectors to perform: tax certifications, issuance of mobile home permits, duplicate bill.
- ...Some collectors are charging too much for tax certifications and duplicate bills. The PA State Tax Collectors Association has urged members to charge no more than \$10.00 per year for a certification and no more than \$5.00 for a duplicate bill.

## Exhibit 2 (Continued)

### Disadvantages (Continued)

#### Qualifications

- Background checks are not mandatory.
- There are no minimum qualifications for tax collectors.
- ...A Tax Collector who would not take the time to return the call, leave the dinner table for a taxpayer, or remit the money and reports timely to the taxing bodies....there is most likely one [like this] out there somewhere.

#### Accounting and Internal Controls

- Lack of security for cash being handled by tax collectors.
- Minimal internal controls: there is no segregation of duties. Typically one person collects the money, balances the daily transactions, deposits the funds and reconciles the bank statement.
- Manual systems are being used too much by tax collectors.

#### Limited Reimbursement and Absence of Benefits

- Tax Collector pays for office space, office supplies, utilities, staff and computer hardware and software while local taxing districts set compensation rate.
- ...We only get paid on only the bills collected. The bills that have to be returned to the county as delinquent had to be sent out, tracked, reminders of non-payment sent and monthly and annual reports done, but we get no reimbursement for any tax bill that is not collected.
- It would be nice considering we are elected officials, to have some benefits to go along with the job title. Even to be able to 'buy' into the county or school district healthcare program would be a plus for those of us who don't have good healthcare coverage.

#### Other

- Tax Collector currently must purchase and maintain tax collection database therefore the Tax Collector owns the data.
- The Local Tax Collection Law has not been obeyed by some taxing bodies within the state. Due to the misuse of the law, tax collection practices within the state are becoming fragmented, making the tax collection system less efficient.
- [The Local Tax Collection Law's]...restrictions on partial payments and the rigid 2% discount and 10% penalty are anachronisms from the days before computers and the ability to readily recomputed interest payments. A more flexible sliding interest rate computed based on receipt of payment would improve relations between tax collectors and taxpayers.

Source: Developed by LB&FC staff from survey responses.

The local tax collectors also note the services they provide to elderly tax payers and their families. The tax collectors view such services as an important advantage of the current system, when they are provided by local collectors. Exhibit 3 provides a list of some of the more frequently noted services provided on behalf of elderly taxpayers.

### Exhibit 3

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#### **Types of Assistance Provided to Elderly Taxpayers**

- Breaking down the tax bills so they understand them.
- Meeting them at their home because they cannot get around.
- Providing service to the home or curbside when needed.
- Going to assisted living and nursing homes to hand-deliver tax bills, help write the check, and hand receipt the tax bill.
- [Providing the Area Agency on Aging] information for [senior citizens] when they are filling out the Pennsylvania Property Tax forms.
- Providing receipts and filling out application for Clean & Green, Homesteads, Senior Citizens rebates, etc.
- Providing information to family members with a mother with Alzheimer's about tax payments.
- Notifying family more than once about an elderly relative that needed assistance with their daily life.
- [Forwarding tax bills on requests to children when their parents'] health is failing, and [they] write the checks.
- Providing copies of their tax bills for the Property Tax Rebate...at no cost to them....

Source: Developed by LB&FC staff from survey responses.

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#### **School District Tax Collector Comments**

School districts responding to our survey offered comments about the advantages and disadvantages of Pennsylvania's system of local elected and appointed tax collectors and comments about the advantages and disadvantages of Pennsylvania's system when school districts collect their own property taxes. Exhibit 4 provides school district collectors' perspective on Pennsylvania's system for local elected and appointed tax collectors.

As shown in Exhibit 4, such collectors agree with the local collectors as to the importance of local community knowledge and the personal service local collectors provide. They also agree that disadvantages arise when the elected collector is not competent and note that the current system does not always make the most effective use of existing technologies.

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**School District Tax Collector Reported Advantages and Disadvantages of  
Pennsylvania's Property Tax Collection System**

**Advantages**

- People collecting taxes are intimately connected to their community.
- [Our school district] does not have any elected tax collectors, which allows the district to maintain 100% control of collections.
- Personal contact with taxpayers and tax collector.

**Disadvantages**

- If a tax collector is elected who is not competent there is no oversight.
- Ignores current technologies that can make the process more cost-effective for the taxpayer.
- Dictated by State Government which has shown more of an interest in appeasing the lobbyist instead of allowing local governments to provide up-to-date services that benefit their communities and taxpayers.
- Antiquated system, discourages efficiency, exposure to fraud and loss is greater.
- At any given election someone could run and be elected to a tax collector position and jeopardize the current system.
- Current law allows elected collectors to collect under very unsecure ways.
- School district does not have control in selecting a qualified collector. Current system of elected tax collector is outdated.

Source: Developed by LB&FC staff from survey responses.

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As shown in Exhibit 5, school district collectors consistently point to the cash flow advantage and administrative control school districts have when they collect their own property taxes. Some school collectors, however, are aware of the increased costs and staff requirements associated with such collection despite its various administrative and technological advantages.

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**School District Collector Reported Advantages and Disadvantages of  
School District Collection of School Property Taxes**

**Advantages**

- The school district collecting means there is no middleman taking a cut as well as the money is available to use immediately.
- Increased cash flow, decreased expense, less chance of fraud/embezzlement.
- The district serves their taxpayers on a one-to-one basis in the office.
- Funds immediately available to the LEA [local education agency], accounting for funds done at the local level.
- Local control, better able to answer questions.
- Collecting our own taxes is a huge advantage; we know our taxpayers, district boundaries, and we have immediate cash flow.
- Cash flow.
- Provides the ability to take advantage of highly accurate and productive technology, including software upgrades required for any new legislative fiat or mandate; duplicates are updated electronically daily from bank posting of receipts, and the funds are secure in the bank and available to the district; records are housed and maintained with dual image and dual location backups accessible via computer to address questions and respond to taxpayer need; the single entity (i.e., district) control and uniform administration of the process is provided at minimal cost to the taxpayers; the complexities of Homestead/Farmstead exclusions, bill printing, MICR encoding, legal requirements, installment process, cash reconciliations, audit needs, and internal controls are all coordinated and housed with professional oversight; the process allows for significant elimination of cash handling as well as daily deposits of funds in the bank provides improved financial controls. Additionally, any and all checks (i.e., not just taxes received) received by the district are scanned electronically (at the district) and cleared via the bank's electronic deposit system (i.e., we do not take them to the bank). Bonding is incorporated into other major district insurance coverage for economies of scale.

**Disadvantages**

- The additional workload placed on school district staff.
- Adds extra non-educational cost/duty to the school districts.
- Labor involved, banking fees.
- Duplicity of positions with school districts, townships, counties.
- Very time consuming and inefficient; would be better done on a broader scale—such as the county or state level.
- Dealing with the mortgage companies.

Source: Developed by LB&FC staff from survey responses.

## Counties Serving As Appointed Municipal Collectors

LB&FC staff also asked counties that are currently serving as appointed municipal (and, in some instances, school district) property tax collectors about the advantages and disadvantages of Pennsylvania's current system of local elected and appointed tax collectors. As shown in Exhibit 6, their responses are fairly consistent with those of both local elected and appointed collectors and school district collectors.

### Exhibit 6

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## County Appointed Municipal Collectors' Comments

### Advantages

- Direct payments made to county, expanded hours, better technology [when the county collects on behalf of a municipality].
- Tax collector is not paid a lot [by the taxing districts].
- Opportunity to hold elective office and serve the public.
- Maintain local contact in municipality.

### Disadvantages

- High volume of walk-in and telephone traffic [for county staff collecting property taxes].
- Lack of security, theft, incorrect reports [associated with some local tax collectors].
- Currently, with no criterion required as a tax collector, results in the election of an individual needing proper knowledge and experience in handling millions of dollars of tax revenue....
- There is lack of consistency regarding office hours when tax information is available, i.e., when tax collectors are out-of-town the week between Christmas and New Year's, and citizens want to pay their taxes before the December 31<sup>st</sup> deadline. People who have questions or need tax certifications, etc., end up calling the county for answers.
- Local tax collectors' pay rates (compensation) all over the board...
- Many hours are wasted by the county staff when incompetent tax collectors come to settle their duplicate and are not in balance....
- When the sole person responsible for collection of taxes becomes seriously ill or dies, the outcome is lack of continuity accompanied by various issues to resolve.
- Even when a tax collection program is available to the tax collector enabling them to process collections more efficiently, the need for computer compatibility is necessary. Too many issues with outdated computers and programs require a uniform method of accountability.
- The risk of computer crash or failure on personal computers owned by tax collectors has resulted in data loss and inability to retrieve the information.
- Tax collectors may find it costly to upgrade computers and software to perform their job more effectively, thus causing an issue with inputting data electronically.
- Computer illiterate tax collectors cause a burden to an updated computerized system for Tax Claims creating a need to enter delinquent taxes manually.

Source: Developed by LB&FC staff from survey responses.

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Several of the survey respondents offer suggestions for improving the current system. Local tax collectors often recommended that the program for training collectors be mandatory and that web-based training programs be provided by the Department of Community and Economic Development (DCED) due to the high cost of travel and other costs that local collectors have when participating in such training. DCED officials advised LB&FC staff that their training budget has budgetary constraints. Others have noted, moreover, that broadband access is not universal in Pennsylvania. Currently, Senate Bill 837 would require that school district employees performing the functions of an elected tax collector be required to maintain the same basic training, examination, and continuing education requirements as the elected tax collectors. The bill, however, does not mandate such training for local elected tax collectors or school district collectors, and, as noted in Finding A5, relatively few of the local elected or school district collectors have completed qualified collector certification.

Some collectors recommend that smaller municipalities be required to consolidate for purposes of tax collection. One noted that it is not financially feasible for a collector in an adjoining municipality to collect for a small municipality that is without a tax collector, as is currently permitted.

Some school districts that currently collect their own property taxes recommended collection at the county level by the county assessment office or a county-wide or statewide software or collection system as a way to modernize the current system. While few counties provided recommendations for changes to the current system, one recommended a centralized tax collection location with qualified, supervised personnel and a uniform computerized system for processing tax collection, current and delinquent.

As noted in Finding A3, some counties currently serve as municipal collectors and collect municipal (and in some cases school district) property taxes. House Bill 715 would permit county treasurers in 3<sup>rd</sup> through 8<sup>th</sup> class counties to serve as the municipal tax collector based on an agreement with the governing body of the municipality and the county commissioners during the term of an elected tax collector when a vacancy occurs. Such an agreement would expire when a successor tax collector is elected and would not require court approval for its execution. According to county treasurers with whom we spoke, House Bill 715 is intended to facilitate implementation of practices currently in effect to assure timely collection of taxes, but not mandate county treasurer collection.

During the course of our review, moreover, LB&FC staff became aware that some counties have implemented countywide software collection systems. In at least one county in northeastern Pennsylvania, almost all local tax collectors and taxing districts utilize the system, which was developed by the county and financed



jointly by the county and the other taxing districts without cost to the local collectors. In other counties with such systems, tax collectors reported they may use the county system for county collection purposes but are required to compensate the county when they use the county system on behalf of other taxing districts.

Some school districts recommend that the office of local tax collector be eliminated. They also recommend that school districts be allowed, at their discretion, to collect property taxes or select contractors to collect such taxes on their behalf. One district, however, noted that no changes should take place at this time, adding “let’s work through the EIT [earned income tax] collection changes first before proposing changes to other taxes.”

## **2. Four of Pennsylvania’s Six Surrounding States Have Municipal Property Tax Collectors, Though All Do Not Have Consolidated Collection Across All Taxing Districts**

LB&FC staff reviewed the approaches to current property tax collection in place in surrounding states. We also reviewed the approach used in Illinois, which ranks first among the states in the number of local governments, according to U.S. Census data.

Six of the eight states we reviewed have local elected or appointed municipal collectors collecting municipal property taxes. Such collection is typically consolidated across all taxing districts in three of the six states with municipal-based collectors.

### **Local Government Units in Selected States**

Pennsylvania’s local government unit structure was established by William Penn when he owned all land in the state. Penn’s Charter from the King of England permitted him to divide his land into counties, townships, cities, and boroughs—units of government that existed in England. Townships—the earliest form of organized government in the United States—were first established by Penn in 1683.

As the proprietor of the Commonwealth, Penn nominated county justices to levy taxes and provide for local tax collectors. Such collectors or “receivers of taxes” turned over their collections to Penn’s appointed treasurers, and they in turn handed tax collections to the governor.

Pennsylvania has a strong local government tradition. As shown in Table 17, Pennsylvania has more government units in total than its surrounding states. Table 17 also shows that Pennsylvania is second only to Illinois in the number of municipal and township government units.

Table 17

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**Government Units by Type for Selected States**


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<u>State</u>	<u>Total Government Units</u>	<u>Counties</u>	<u>Municipalities</u>	<u>Towns or Townships</u>	<u>School Districts</u>	<u>Special Districts<sup>a</sup></u>
Pennsylvania ....	4,871	66 <sup>b</sup>	1,016	1,546	515 <sup>c</sup>	1,728
Delaware.....	338	3	57	0	19	259
Illinois.....	6,994	102	1,299	1,432	912	3,249
Maryland.....	256	23	157	0	0	76
New Jersey.....	1,383	21	324	242	549	247
New York.....	3,403	57	618	929	680	1,119
Ohio.....	3,702	88	938	1,308	668	700
West Virginia.....	663	55	232	0	55	321

<sup>a</sup> Special district governments provide specific services not being supplied by existing general-purpose governments. In some states, such government units levy property taxes.

<sup>b</sup> Philadelphia is counted as a municipality in the U.S. Census of Government.

<sup>c</sup> Community colleges in Pennsylvania are counted as governments. The Census data counts community colleges as local government units, because the governing body of each school district or municipality that is a local sponsor may levy an additional tax for community college purposes.

Source: U.S. Census Bureau, 2007 Census of Government

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**Current Property Tax Collection in Selected States**

As shown in Exhibit 7, six of the selected states have current property taxes collected by municipal/township property tax collectors. Such municipal collectors, however, do not regularly collect property taxes for all taxing districts. Illinois, New Jersey, and Pennsylvania typically have property taxes collected at the municipal level for all taxing districts.

Exhibit 7

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**Typical Government Unit(s) Responsible for Property Tax Collection in Selected States**


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<u>State</u>	<u>Counties</u>	<u>Municipalities</u>	<u>School Districts</u>
Pennsylvania .....		X	
Delaware.....	X	X	
Illinois.....		X <sup>a</sup>	
Maryland.....	X	X	
New Jersey.....		X	
New York.....	X	X	X
Ohio.....	X		
West Virginia.....	X		

<sup>a</sup> Except in counties without townships. In such counties, the county is responsible for property tax collection.

Source: Developed by LB&FC staff.

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As shown in Exhibit 7, Delaware and Maryland have both municipal and county tax collectors. In Delaware, county tax collectors are responsible for collecting county and school property taxes. Subsequently, the county provides the school property taxes it collects to the state, which is responsible for distributing them to schools.

In Maryland, counties provide a variety of services, including public education. As shown in Table 17, Maryland does not have separate school district government units. Maryland municipalities have the option of collecting municipal real estate taxes or developing a local ordinance and agreement with the county to collect property taxes on their behalf.

Exhibit 7 also shows that New York effectively permits all local government units to collect their own property taxes. New York, however, encourages taxing districts to enter into agreements for cooperative collection, and, as a result, varying government units may be responsible for collection of property taxes for one or more taxing districts.

Two of the surrounding states have current property taxes collected at the county level. In Ohio, elected county treasurers collect<sup>1</sup> property taxes for all taxing districts (including state and special district government units<sup>2</sup>), and property taxes can be paid in installments.<sup>3</sup> Local collectors are responsible for collecting other local taxes, with exception for taxes collected at the state level, such as the local earned income tax.

All taxing districts that levy property taxes in Ohio share proportionately in the county's property tax collection costs. Ohio is the only selected state in which taxing districts are required to compensate the government unit that collects all

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<sup>1</sup> With the review and approval of the state auditor, a county treasurer may enter into a contract with a bank depository to assist with receipt of property tax payments. The county treasurer's surety bond must cover such bank depository collections, and such collections must be audited.

<sup>2</sup> In Ohio, special district government units such as Joint Ambulance Districts, Joint Fire Districts, Joint Fire and Ambulance Districts, Joint Solid Waste Management Districts, Joint Township Hospital Districts, Park Districts, Port Authorities, Regional Arts and Culture Districts, Regional Transit Authorities, Regional Water and Sewer Districts and Authorities, and Sanitary Districts may levy property taxes.

<sup>3</sup> Taxpayers that elect to pay in installments receive multiple bills.

property taxes for such collection.<sup>4, 5</sup> Such compensation is apportioned across taxing districts based on the amount of revenue received by each taxing district. County treasurers are compensated based on a graduated percent of collections, starting at 2.9947 percent for the first \$100,000 collected and ending with 0.1996 percent for all collections above \$4.1 million.

West Virginia relies on the elected county sheriff to collect all property taxes. The county sheriff issues one bill for all taxing districts,<sup>6</sup> which may be paid in two installments. The county sheriff receives a salary for the various duties performed by the county sheriff. Taxing districts do not compensate the county for property tax collection, however, the sheriff is eligible to receive a percent of collection “bonus,” for amounts collected that are greater than 85 percent of the property taxes due on the tax duplicate. The “bonus,” is capped at \$15,000.

In West Virginia, property taxes collected by the county sheriff are forwarded to the state, which is responsible for distributing property tax revenues across all taxing districts. As in Ohio, other local government taxes (e.g., municipal business, occupation, and hotel taxes) are collected by the local taxing unit or the state.

Ohio and West Virginia are not the only states with property tax bills that cover all such taxes due from the property owner. Illinois and New Jersey, where property taxes are typically collected at the municipal government level for all taxing districts, also have one property tax bill.

In Illinois, the county is responsible for developing local tax rates and assuring that the amount of revenue to be collected does not exceed authorized levies. It is also responsible for issuing a single property tax bill for all taxing districts, which may be paid in two installments. In Illinois the single tax bill may include property

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<sup>4</sup> In Maryland, where municipalities can elect to have the county collect municipal property taxes, the municipality and the county adopt resolutions and develop agreements in which matters such as compensation are addressed. We were advised by Maryland county officials that municipalities typically do not compensate counties for collection of municipal property tax collection. Recently, however, some counties have started to request compensation from municipalities.

<sup>5</sup> Typically, counties that are required to collect property taxes for all taxing districts perform this activity as part of their government function without compensation from other taxing districts. In addition to Ohio and West Virginia, counties collect all taxing district property taxes in 11 states (Arizona, Arkansas, California, Colorado, Idaho, Indiana, Kansas, Montana, New Mexico, North Carolina, and Utah), and receive compensation for such collection from other taxing districts, or the state, in three (Arkansas, Colorado, and Utah). Three states (Georgia, Virginia, and Wisconsin) have in place arrangements similar to Maryland where the county collection of property taxes is not mandatory, but taxing districts may designate the county to collect their property taxes and may compensate the county for such collection through negotiated agreements.

<sup>6</sup> In West Virginia, some special districts may levy property taxes. Such districts include, for example, the Greater Huntington Park and Recreation District and sanitary districts.

taxes for eight or nine taxing districts.<sup>7</sup> Such taxes are collected by appointed township collectors, except in counties without townships,<sup>8</sup> and are distributed by counties across the taxing districts. In Illinois, local collectors are also responsible for both billing and collection of other locally imposed taxes.

New Jersey, where municipal collectors collect property taxes for all taxing districts, issues a single property tax bill.<sup>9</sup> In New Jersey, municipal tax collectors are both elected and appointed. In order to continue in office, New Jersey collectors must be certified by the state and complete approved continuing education to retain such certification. New Jersey municipal treasurers, who receive the revenue collected by the municipal collector, are responsible for distributing property tax revenues due the state and county and school districts based on schedules established in statute.

## **Pennsylvania's Property Tax Collection Compared With Other States**

Pennsylvania's approach to property tax collection is similar to that of Delaware, Illinois, Maryland, New Jersey, and New York in that it has municipal level property tax collectors, and such collectors may be elected or appointed. It is also similar to Illinois and New Jersey where municipal collectors regularly collect property taxes for all taxing districts; but the similarity ends there.

Illinois and New Jersey, as well as Ohio and West Virginia, issue one property tax bill that lists all taxing districts that impose a tax on property. Pennsylvania tax collectors typically issue two property tax bills at two different points in the year—one for county and municipal property taxes and a second for school property taxes.

Pennsylvania also differs from the four states (Illinois, New Jersey, Ohio, and West Virginia) with single property tax bills in that it does not routinely provide for installment payments for all property taxpayers. Pennsylvania school districts are required to provide for property tax installment payments for property owners that qualify for the Homestead exemption, but not others. While some counties and municipalities may permit property tax installment payments, Pennsylvania does not require installment payments for such local taxes.

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<sup>7</sup> In Illinois, special district governments, such as airport authorities, cemetery maintenance districts, certain civic center authorities, conservation districts, county historical museum districts, county water commissions, drainage districts, fire protection districts, hospital districts, mosquito abatement districts, municipal joint action water agencies, museum districts, park districts, public building commissions, public library districts, rescue squad districts, river conservancy districts, sanitary districts, school finance authorities, soil and water conservation districts, solid waste disposal districts, special recreation associations, street lighting districts, surface water protection districts, township hospital boards, transit districts, and water supply districts may levy property taxes.

<sup>8</sup> In such counties, the county is responsible for property tax collection.

<sup>9</sup> In New Jersey, special district governments include fire districts that may levy property taxes.

Pennsylvania is also similar to New Jersey and Ohio in that it promotes training for local tax collectors. It differs from such states, however, in that such training is not required. Pennsylvania also differs from surrounding states (e.g., Maryland, Ohio, West Virginia, and New Jersey) in that it does not receive any state revenue from property taxes and is not involved in direct equalization of local property values or local taxes, and does not distribute property tax revenues across taxing districts within the state.

### **III. Appendices**



# APPENDIX A

PRINTER'S NO. 1693

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## THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# SENATE RESOLUTION

No. 250 Session of  
2010

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INTRODUCED BY EARLL, WOZNIAK, BAKER, FONTANA, ERICKSON, COSTA,  
MENSCH, TOMLINSON, M. WHITE, VANCE, WASHINGTON, FERLO, WAUGH,  
BOSCOLA, WILLIAMS, D. WHITE AND STOUT, FEBRUARY 9, 2010

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REFERRED TO FINANCE, FEBRUARY 9, 2010

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### A RESOLUTION

Directing the Legislative Budget and Finance Committee to conduct a comprehensive study of the current real property tax collection systems in this Commonwealth to determine the impact of the consolidation of those real property tax collection systems, including the costs and benefits associated with consolidation, and to compare them to real property tax collection systems of other states, particularly those states with demographics similar to this Commonwealth.

WHEREAS, The General Assembly recognizes that the current systems of real property tax collection utilized by political subdivisions in this Commonwealth are fragmented and overly complex; and

WHEREAS, The overall cost of real property tax collection throughout this Commonwealth is not fully known; and

WHEREAS, Good government demands fiscal efficiency, responsibility and accountability in all areas of local government; and

WHEREAS, Numerous political subdivisions in this Commonwealth have their own elected or appointed tax collectors that are responsible for the collection of real property taxes; and

WHEREAS, Different rules and requirements are utilized by real property tax collectors in this Commonwealth; and

WHEREAS, The current systems of real property tax collection in this Commonwealth may lack adequate oversight and administrative controls of the governing bodies of the political subdivisions to ensure effectiveness and efficiency; and

## Appendix A (Continued)

WHEREAS, Political subdivisions in this Commonwealth may benefit from the consolidation of real property tax collection, including consolidation of real property tax collection aligned along countywide or other regional boundaries; and

WHEREAS, No comprehensive study has been published to date that examines the systems of real property tax collection currently utilized by political subdivisions in this Commonwealth or provides recommendations as to the benefits and the cost reductions that may be recognized by political subdivisions and taxpayers of this Commonwealth from the consolidation of real property tax collection; therefore be it

RESOLVED, That the Legislative Budget and Finance Committee conduct or contract with an independent contractor to conduct a comprehensive study of the current real property tax collection systems in this Commonwealth and to determine the impact of the consolidation of those real property tax collection systems, including the costs and benefits associated with consolidation to all political subdivisions in this Commonwealth; and be it further

RESOLVED, That the study provide an analysis of the background of the current systems of real property tax collection in this Commonwealth; and be it further

RESOLVED, That the study include an analysis of the real property tax collection in other states, particularly other states with demographics similar to this Commonwealth; and be it further

RESOLVED, That the study of real property tax collection of other states include at least the following:

- (1) what levels of government levy the real property tax;
- (2) who collects the real property tax, whether it is a state, regional or local function and whether it is a government function or contracted out; and
- (3) whether there are uniform procedures throughout the state;

and be it further

RESOLVED, That the study cover the most recently completed fiscal year and provide for the following:

- (1) identify the real property tax rates levied and the total property tax dollars collected by each political subdivision, disaggregated by county, municipality and school district;
- (2) identify the number of properties, lots or parcels that each tax collector is currently responsible for collecting, the real property taxes and the collection fee collected by the tax collector, disaggregated by county, municipality and school district;

## Appendix A (Continued)

(3) compare the current methods and rates of compensation, including any costs underwritten by a political subdivision for its tax collectors and the total number of tax collectors that are paid under each compensation method, disaggregated by county, municipality and school district;

(4) identify the number and locality of each political subdivision that uses an elected tax collector and those political subdivisions that have made other tax collection appointments or arrangements, such as collecting their own real property taxes or using banks due to a vacancy in the elected tax collector office, disaggregated by county;

(5) analyze geographic patterns, efficiencies, safety of assets, liquidity, interest earnings, reporting improvements or other savings, if any, that a political subdivision may have recognized, and identify those political subdivisions that do and do not use an elected tax collector;

(6) analyze and make recommendations, statutory or otherwise, regarding the current systems of real property tax collection that require improvements in oversight, administration, uniformity, enforcement, avoidance of fraud and waste and tax collector accountability after a review of other states' statutes, particularly those states with similar demographics;

(7) identify the aggregated costs, including type and amount, incurred by each political subdivision due to the fragmented systems of real property tax collection in this Commonwealth and provide a Statewide estimate of cost savings, if any, from a consolidation of the real property tax collection systems in this Commonwealth, disaggregated by county; and

(8) at a minimum, provide an individualized sample analysis of at least one county from each classification of county, except for counties of the first class, that will provide the actual cost of the current systems of real property tax collection in that county and an estimate of the cost savings for that county, if any, that would result from real property tax consolidation;

and be it further

RESOLVED, That the Legislative Budget and Finance Committee prepare or contract to prepare a report of its findings to be posted on its Internet website and to be submitted to the Governor, the Finance Committee of the Senate, the Local Government Committee of the Senate, the Finance Committee of the House of Representatives and the Local Government Committee of the House of Representatives no later than one year after the adoption of this resolution.



**Appendix B (Continued)**

<b>Current Real Estate Tax Collecting Responsibilities</b>
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7. Who is responsible for performing the following current county real estate tax collection activities?

Activity	County Tax Collector (or contractor)	Other County Agency (or contractor)
<b>Issues Tax Bills</b>		
<i>Prepares Tax Bills</i>		
<i>Prints Tax Bills</i>		
<i>Mails Tax Bills</i>		
<i>Prepares Interim Bills</i>		
<i>Answers Questions About Tax Bills</i>		
<i>Coordinates With Assessment Office on Returned Bills and Address Changes</i>		
<b>Receives, Records, Documents Tax Payments</b>		
<i>Records Tax Payments</i>		
<i>Issues Paid Receipts</i>		
<i>Deposits Collected Taxes</i>		
<i>Reconciles the Duplicates With Payments Received</i>		
<i>Reconciles the Duplicates With Payments Received From Mortgage Companies</i>		
<i>Identifies Incorrect Payment Amounts or Duplicate Payments</i>		
<i>Initiates Adjustments and Corrections</i>		
<i>Initiates Taxing District Refunds</i>		
<i>Prepares Delinquent Notices</i>		
<b>Payments to Taxing District</b>		
<i>Transfers Paid Taxes to County</i>		
<i>Prepares Monthly Reports</i>		
<i>Prepares List of Exonerations</i>		
<i>Maintains a Record of Unremitted Taxes</i>		
<b>Other</b>		
<i>Stores tax Records</i>		
<i>Audits Tax Collections</i>		
<i>Forwards List of Unpaid Bills for Delinquent Collection</i>		

8. Does your county allow installment payments for current real estate taxes?     Yes     No  
 If Yes, do you collect these installment payments?     Yes     No

**Appendix B (Continued)**

<b>Current Real Estate Tax Collection Costs</b>
---

9. Please identify if the following expenses for current county real estate tax collection (do not include delinquent tax collections) are part of your budget or incurred by someone else. Please include an estimate of the amount of the annual cost for each expense if you know it.

Expense	County Tax Collector	Someone Else (Please Identify)
Salaries		
Benefits		
Surety/Performance Bond		
Preparation of Tax Bills		
Printing of Tax Bills		
Mailing Tax Bills		
Printing of Interim Bills		
Mailing of Interim Bills		
Banking Fees		
Account Reconciliation		
Initiating Adjustments/Corrections to Tax Bills		
Initiating Refunds		
Preparation of Delinquent Notices		
Preparation of Monthly Reports		
Auditing Tax Records		
Office Space		
Supplies		
Postage		
Insurance		
Training/Testing for Tax Collector Qualification Program		
Office Equipment		
Computers		
Software		
Other (please identify)		

10. If the county uses a lock box service for the deposit of current real estate taxes please answer the following:

10a. Where is the lock box physically located? \_\_\_\_\_

**Appendix B (Continued)**

10b. Are there any fees associated with the use of the lock box?    \_\_\_ Yes    \_\_\_ No

If Yes, please identify those fees. \_\_\_\_\_

<b>Advantages and Disadvantages of Present System</b>
---

11. What do you consider to be the primary advantages and disadvantages of Pennsylvania's current real estate tax collection methods?

Advantages: \_\_\_\_\_

Disadvantages: \_\_\_\_\_

12. Would you consider providing current real estate tax collection services for other taxing districts in the future?    \_\_\_ Yes    \_\_\_ No

How would this impact your office and staffing costs? \_\_\_\_\_

13. Please provide any suggestions you may have for improving the efficiency and effectiveness of the local tax collection process in Pennsylvania.

\_\_\_\_\_  
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\_\_\_\_\_

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**(You may attach additional sheets if necessary.)**

Name: \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**The identity of individuals responding to this questionnaire will remain confidential.  
Thank you for your assistance and cooperation with this study.**

# APPENDIX C

Legislative Budget and Finance Committee  
 PO Box 8737  
 Harrisburg PA 17105-8737

Phone (717) 783-1600  
 Fax (717) 787-5487  
 info@lbfc.legis.state.pa.us

## Study of Tax Collection in Pennsylvania (Senate Resolution 250) Questionnaire for Counties Serving as the Appointed Local Tax Collector for Certain Taxing Districts

### County Tax Collection Office

Please identify your county: \_\_\_\_\_

1. Please indicate the number of taxing districts, by type, for which the county collects current real estate taxes.

- 1<sup>st</sup> or 2<sup>nd</sup> Class City       3<sup>rd</sup> Class City  
 1<sup>st</sup> Class Township       2<sup>nd</sup> Class Township  
 Borough       County  
 School District       Other (please describe) \_\_\_\_\_

2. For which taxing districts do you collect current or delinquent real estate taxes?

County		Municipality		School District	
Current	Delinquent	Current	Delinquent	Current	Delinquent

(If you serve as the tax collector for multiple municipalities and/or taxing districts and need more space, please attach additional sheets.)

3. For what reason(s) did the county agree to serve as the appointed collector? (Check all that apply.)

- No candidates for elected tax collector       Removal from office of the elected collector  
 Death of the elected collector       Other (please specify) \_\_\_\_\_  
 \_\_\_\_\_

3a. Is there a formal agreement between the county and the taxing district?  Yes       No  
 If Yes, please describe it or attach a copy. \_\_\_\_\_  
 \_\_\_\_\_

4. Do you collect other taxes in addition to current real estate taxes?  Yes       No  
 If Yes, please identify which taxes \_\_\_\_\_

5. How many current real estate parcels are you responsible for collecting each year? \_\_\_\_\_

6. What are your posted tax collection office hours? \_\_\_\_\_  
 \_\_\_\_\_

7. How are current real estate tax payments received? (Please check all that apply)

- |   |  |
|---|--|
| Mail Payment to:    Tax Collector Office      _____<br>Municipal Office            _____<br>School District Office      _____<br>Local Bank Office            _____<br>Bank Lock Box                _____<br><br>_____ Other (Please explain) _____ | Pay In Person at:    Tax Collector Office      _____<br>Municipal Office            _____<br>School District Office      _____<br>Local Bank Office            _____ |
|---|--|



**Appendix C (Continued)**

8. Do you have staff to assist you in your current real property tax collection activities?

\_\_\_ Yes \_\_\_ No

If Yes, Please indicate by type the number of full- and part-time staff and who employs them.

Type of Staff	County Staff		Other (Please identify)	
	Full-Time	Part-Time	Full-Time	Part-Time
Clerical				
Accounting				
Receptionist				
Information Technology				
Other (Please specify) _____				

9. Have you or your staff completed the DCED Qualified Tax Collector program?

\_\_\_ Yes \_\_\_ No \_\_\_ Some have and some have not.

<b>Compensation for Current Real Property Tax Collection</b>
--

10. What type and amount of compensation do you receive from each taxing district for collecting current real estate taxes? Please report for all that apply.

	County Amount Paid	Municipality Amount Paid	School District Amount Paid
Per Bill Generated			
Per Bill Collected			
Per Cent of Collection			
Other (Please Specify) _____			

(If you serve as the tax collector for multiple municipalities and/or taxing districts and need more space, please attach additional sheets.)

<b>Current Real Property Tax Collecting Responsibilities</b>
--

11. Who is responsible for performing the following current real estate tax collection activities in the taxing districts you collect?

Activity	County (or contractor)	Elected Tax Collector (or contractor)	Municipality (or contractor)	School District (or contractor)
<b>Issues Tax Bills</b>				
Prepares Tax Bills				
Prints Tax Bills				
Mails Tax Bills				
Prepares Interim Bills				
Answers Questions About Tax Bills				
Coordinates With Assessment Office on Returned Bills and Address Changes				
<b>Payments to Taxing District</b>				
Transfers Paid Taxes to Taxing District				
Prepares Monthly Reports				
Prepares List of Exonerations				
Maintains a Record of Unremitted Taxes				

**Appendix C (Continued)**

<b>Activity</b>	<b>County (or contractor)</b>	<b>Elected Tax Collector (or contractor)</b>	<b>Municipality (or contractor)</b>	<b>School District (or contractor)</b>
<b>Receives, Records, Documents Tax Payments</b>				
<i>Records Tax Payments</i>				
<i>Issues Paid Receipts</i>				
<i>Deposits Collected Taxes</i>				
<i>Reconciles the Duplicate With Payments Received</i>				
<i>Reconciles the Duplicate With Payments Received From Mortgage Companies</i>				
<i>Identifies Incorrect Payment Amounts and Duplicate Payments</i>				
<i>Initiates Adjustments and Corrections</i>				
<i>Initiates Taxing District Refunds</i>				
<i>Prepares Delinquent Notices</i>				
<b>Other</b>				
<i>Storing tax records</i>				
<i>Auditing tax collections</i>				
<i>Forwarding list of Unpaid Bills for Delinquent Collection</i>				

**Current Real Estate Tax Collection Costs**

12. Who is responsible for the upfront capital and ongoing operating cost associated with the following local real estate tax collection related activities? Please include the approximate cost for each activity if you know it.

<b>a. Upfront and Capital Costs</b>	<b>County Tax Collector</b>	<b>Local Taxing District</b>	<b>Someone Else (Please Identify)</b>
Providing Office Equipment			
Providing Computers			
Providing Software			
<b>b. Activity – Annual Operating Cost</b>			
Salaries			
Benefits			
Surety/Performance Bond			
Preparing Tax Bills			
Printing Tax Bills			
Mailing Tax Bills			
Printing Interim Bills			
Mailing Interim Bills			
Maintaining a Bank Account for Tax Collections			
Account Reconciliation			
Preparing Monthly Reports			
Initiating Adjustments/Corrections to Tax Bills			
Preparing Delinquent Notices			
Initiating Refunds			
Providing Office Space			

**Appendix C (Continued)**

b. Activity – Annual Operating Cost (Continued)	County Tax Collector	Local Taxing District	Someone Else (Please Identify)
Providing Supplies			
Providing Postage (Other Than Initial and Interim Billings)			
Obtaining Personal and Property Liability Insurance			
Obtaining Theft and Fire Insurance for Tax Collector Office			
Training/Testing for Tax Collector Qualification Program			
Auditing Tax Records			
Other (Please Specify) _____			

13. Have the county commissioners in your county elected to bid for a bond that covers all tax collectors in your county?    \_\_\_ Yes    \_\_\_ No

14. If you or the taxing district(s) you serve use a lock box service(s) for the deposit of current real estate taxes please answer the following.

14a. Where is the lock box physically located? \_\_\_\_\_

14b. Are there any fees associated with the use of the lock box?    \_\_\_ Yes    \_\_\_ No  
If yes, please identify those fees. \_\_\_\_\_

14c. Who pays the lock box fees? \_\_\_\_\_

<b>Advantages and Disadvantages of Present System</b>
---

15. Would you consider providing current real estate tax collection services for other taxing districts in the future?    \_\_\_ Yes    \_\_\_ No

How would this impact your office and staffing costs? \_\_\_\_\_

16. What do you consider to be the primary advantages and disadvantages of Pennsylvania’s current real estate tax collection methods?

Advantages: \_\_\_\_\_  
\_\_\_\_\_

Disadvantages: \_\_\_\_\_  
\_\_\_\_\_

17. Please provide any suggestions you may have for improving the efficiency and effectiveness of the local tax collection process in Pennsylvania.

\_\_\_\_\_  
\_\_\_\_\_

(You may attach additional sheets if necessary.)

Name: \_\_\_\_\_ Telephone \_\_\_\_\_

Email: \_\_\_\_\_

**The identity of individuals responding to this questionnaire will remain confidential.  
Thank you for your assistance and cooperation with this study.**



**Appendix D (Continued)**

10. Do you have staff to assist you in your tax collection activities?  Yes  No  
 If Yes, Please indicate by type the number of staff and who employees them.

Type of Staff	Tax Collector Staff	Municipal Staff	Other Please identify
Clerical			
Accounting			
Receptionist			
Information Technology			
Other (Please specify) _____			

11. Have you or your staff completed the DCED Qualified Tax Collector program?  
 Yes  No  Some have, some have not

12. How are current real estate tax payments received? (Please check all that apply.)

Mail Payment to: Tax Collector Office  Pay In Person at: Tax Collector Office   
 Municipal Office  Municipal Office   
 School District Office  School District Office   
 Local Bank Office  Local Bank Office   
 Bank Lock Box

Other (Please explain) \_\_\_\_\_

13. Is the bank account that you use to deposit collected real estate taxes in  your name as tax collector  taxing district's name(s)  other (please describe) \_\_\_\_\_

<b>Current Real Estate Tax Collector Compensation</b>
---

14. What type and amount of compensation do you receive from each taxing district for collecting current real estate taxes? Please report for all that apply.

Paid Compensation	County <i>Amount Paid</i>	Municipality <i>Amount Paid</i>	School District <i>Amount Paid</i>
Per Bill Generated			
Per Bill Collected			
Percent of Collection			
Regular Salary			
Other (Please Specify) _____			

14a. Do you receive any of the following benefits? Please check all that apply.

Benefits	County	Municipality	School District
SS and Medicare			
Retirement			
Health Care			
Paid Leave			
Other (Please Specify) _____			

15. Please identify any compensation you receive from any taxing district in which you are the elected tax collector, but the taxing district itself performs the tax collection functions.

County Amount Paid	Municipality Amount Paid	School District Amount Paid

15a. Is there a formal contract or agreement between you and the taxing district that establishes this arrangement?  Yes  No If Yes, please describe or attach a copy. \_\_\_\_\_

**Appendix D (Continued)**

**Current Real Estate Tax Collecting Responsibilities**

16. Who is responsible for performing the following current real estate tax collection activities in the taxing districts you collect?

Activity	Elected Tax Collector (or contractor)	Municipality (or contractor)	School District (or contractor)	County (or contractor)
<b>Issues Tax Bills</b>				
<i>Prepares Tax Bills</i>				
<i>Prints Tax Bills</i>				
<i>Mails Tax Bills</i>				
<i>Prepares Interim Bills</i>				
<i>Answers Questions About Tax Bills</i>				
<i>Coordinates With Assessment Office on Returned Bills and Address Changes</i>				
<b>Receives, Records, Documents Tax Payments</b>				
<i>Records Tax Payments</i>				
<i>Issues Paid Receipts</i>				
<i>Deposits Collected Taxes</i>				
<i>Reconciles the Duplicate With Payments Received</i>				
<i>Reconciles the Duplicate With Payments Received From Mortgage Companies</i>				
<i>Identifies Incorrect Payment Amounts and Duplicate Payments</i>				
<i>Initiates Adjustments and Corrections</i>				
<i>Initiates Taxing District Refunds</i>				
<i>Prepares Delinquent Notices</i>				
<b>Payments to Taxing District</b>				
<i>Transfers Paid Taxes to Taxing District</i>				
<i>Prepares Monthly Reports</i>				
<i>Prepares List of Exonerations</i>				
<i>Maintains a Record of Unremitted Taxes</i>				
<b>Other</b>				
<i>Storing Tax Records</i>				
<i>Auditing Tax Collections</i>				
<i>Forwarding List of Unpaid Bills for Delinquent Collection</i>				

**Current Real Estate Tax Collection Costs**

17. Who is responsible for the upfront capital and ongoing operating cost associated with the following local real estate tax collection related activities? Please include the approximate cost for each activity if you know it.

a. Upfront and Capital Costs	Elected Tax Collector	Someone Else (Please Identify)
Providing Office Equipment		
Providing Computers		
Providing Software		

**Appendix D (Continued)**

b. Activity – Annual Operating Cost	Elected Tax Collector	Someone Else (Please Identify)
Obtaining Surety/Performance Bond Insurance		
Preparing Tax Bills		
Printing Tax Bills		
Mailing Tax Bills		
Printing Interim Bills		
Mailing Interim Bills		
Maintaining a Bank Account for Tax Collections		
Account Reconciliation		
Preparing Monthly Reports		
Initiating Adjustments/Corrections to Tax Bills		
Preparing Delinquent Notices		
Initiating Refunds		
Providing Office Space		
Providing Supplies		
Providing Postage (Other Than Initial and Interim Billings)		
Obtaining Personal and Property Liability Insurance		
Obtaining Theft and Fire Insurance for Tax Collector Office		
Training/Testing for Tax Collector Qualification Program		
Auditing Tax Records		
Other (Please Specify) _____		

18. Have the county commissioners in your county elected to bid for a surety/performance bonding that covers all tax collectors for all taxing districts in your county?  Yes  No

If yes, are you covered by that county bond?  Yes  No

19. If you or your taxing district use a bank lock box service for the deposit of current real estate taxes please answer the following.

19a. Where is the lock box physically located? \_\_\_\_\_

19b. Are there any fees associated with the use of the lock box?  Yes  No

If yes, please identify those fees. \_\_\_\_\_

19c. Who pays the lock box fees? \_\_\_\_\_

<b>Advantages and Disadvantages of Present System</b>
---

20. What do you consider to be the primary advantages and disadvantages of Pennsylvania's current real estate tax collection methods?

Advantages: \_\_\_\_\_

Disadvantages: \_\_\_\_\_

21. Please provide any suggestions you may have for improving the efficiency and effectiveness of the local tax collection process in Pennsylvania. \_\_\_\_\_

(You may attach additional sheets if necessary.)

Name \_\_\_\_\_ Telephone \_\_\_\_\_

Email \_\_\_\_\_

**The identity of individuals responding to this questionnaire will remain confidential. Thank you for your assistance and cooperation with this study.**

# APPENDIX E

Legislative Budget and Finance Committee  
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Harrisburg PA 17105-8737

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## Study of Current Real Estate Tax Collection in Pennsylvania (Senate Resolution 250) Questionnaire for School Districts That Collect Local Real Estate Taxes

### Tax Collection Function

Please identify the county(ies) in which the school district is located: \_\_\_\_\_

1. Please indicate the number of taxing districts, by type, for which the school district collects school district current real estate taxes.

___ 1 <sup>st</sup> or 2 <sup>nd</sup> Class City	___ 3 <sup>rd</sup> Class City
___ 1 <sup>st</sup> Class Township	___ 2 <sup>nd</sup> Class Township
___ Borough	___ County
___ School District	___ Other (please describe) _____

2. How was the school district chosen to fulfill the responsibilities of real estate tax collector for these taxing districts?

\_\_\_ Deputized    \_\_\_ Appointed    \_\_\_ Agreement with taxing district  
\_\_\_ Other (please explain) \_\_\_\_\_

2a. Is there a formal contract or agreement between the school district and the tax collector and/or other taxing district that establishes this arrangement?    \_\_\_ Yes    \_\_\_ No    If Yes, please describe or attach a copy. \_\_\_\_\_  
\_\_\_\_\_

3. How long has the school district been collecting current real estate taxes? \_\_\_\_\_

4. Has the school district implemented a plan allowing for installment payments for current real estate taxes?    \_\_\_ Yes    \_\_\_ No

5. Does the school district collect other taxes in addition to current real estate taxes?  
\_\_\_ Yes    \_\_\_ No    If Yes, please identify which other taxes you collect \_\_\_\_\_  
\_\_\_\_\_

6. How many current real estate parcels is the school district currently responsible for collecting?  
\_\_\_\_\_

7. What are your posted tax collection office hours? \_\_\_\_\_  
\_\_\_\_\_

8. How are current real estate tax payments received? (Please check all that apply.)

Mail Payment to:	School District Office	___	Pay In Person at:	School District Office	___
	Local Bank Office	___		Local Bank Office	___
	Bank Lock Box	___			
	___ Other (Please explain) _____				



**Appendix E (Continued)**

9. Do you have staff to assist you in tax collection activities?  Yes  No

If Yes, Please indicate by type the number of staff and who employs them.

Type of Staff	School District Staff		Other (Please also identify entity)	
	Full-Time	Part-Time	Full-Time	Part-Time
Clerical				
Accounting				
Receptionist				
Information Technology				
Other (Please specify) _____				
Other (Please Specify) _____				

10. Have you or your staff involved in tax collection completed the DCED Qualified Tax Collector program?  Yes  No  Some have and some have not

<b>Current Real Estate Tax Collecting Responsibilities</b>
--

11. Who is responsible for performing the following current real estate tax collection activities in the taxing districts collected by the school district?

Activity	School District (or contractor)	Elected Tax Collector (or contractor)	Municipality (or contractor)	County (or contractor)
<b>Issues Tax Bills</b>				
<i>Prepares Tax Bills</i>				
<i>Prints Tax Bills</i>				
<i>Mails Tax Bills</i>				
<i>Prepares Interim Bills</i>				
<i>Answers Questions About Tax Bills</i>				
<i>Coordinates With Assessment Office on Returned Bills and Address Changes</i>				
<b>Receives, Records, Documents Tax Payments</b>				
<i>Records Tax Payments</i>				
<i>Issues Paid Receipts</i>				
<i>Deposits Collected Taxes</i>				
<i>Reconciles the Duplicate With Payments Received</i>				
<i>Reconciles the Duplicate With Payments Received From Mortgage Companies</i>				
<i>Identifies Incorrect Payment Amounts and Duplicate Payments</i>				
<i>Initiates Adjustments and Corrections</i>				
<i>Initiates Taxing District Refunds</i>				
<i>Prepares Delinquent Notices</i>				
<b>Payments to Taxing District</b>				
<i>Transfers Paid Taxes to Taxing District</i>				
<i>Prepares Monthly Reports</i>				
<i>Prepares List of Exonerations</i>				
<i>Maintains a Record of Unremitted Taxes</i>				

## Appendix E (Continued)

<b>Activity</b>	<b>School District (or contractor)</b>	<b>Elected Tax Collector (or contractor)</b>	<b>Municipality (or contractor)</b>	<b>County (or contractor)</b>
<b>Other</b>				
<i>Storing Tax Records</i>				
<i>Auditing Tax Collections</i>				
<i>Forwarding List of Unpaid Bills for Delinquent Collection</i>				

### Current Real Estate Tax Collection Costs

12. Who is responsible for the upfront capital and ongoing operating cost associated with the following local real estate tax collection related activities? Please include the approximate cost for each activity that applies.

<b>a. Activity – Annual Operating Cost</b>	<b>School District</b>	<b>Someone Else (Please Identify)</b>
Surety/Performance Bond		
Compensation for Elected Tax Collector		
Salaries for School District Staff Involved in Tax Collection		
Benefits for School District Staff Involved in Tax Collection		
Printing Tax Bills		
Mailing Tax Bills		
Printing Interim Bills		
Mailing Interim Bills		
Maintaining a Bank Account for Tax Collections		
Account Reconciliation		
Preparing Monthly Reports		
Initiating Adjustments/Corrections to Tax Bills		
Preparing Delinquent Notices		
Initiating Refunds		
Providing Office Space		
Providing Supplies		
Providing Postage (Other Than Initial and Interim Billings)		
Obtaining Personal and Property Liability Insurance		
Obtaining Theft and Fire Insurance for Tax Collector Office		
Training/Testing for Tax Collector Qualification Program		
Auditing Tax Records		
Other (Please Specify)		
Other (Please Specify)		

**Appendix E (Continued)**

b. Upfront and Capital Costs	School District	Someone Else (Please Identify)
Providing Office Equipment		
Providing Computers		
Providing Software		

13. Have the county commissioners in your county elected to bid for a bond that covers all tax collectors for all taxing districts in your county? \_\_\_ Yes \_\_\_ No

If yes, is the school district covered by that county bond? \_\_\_ Yes \_\_\_ No

13a. Has the school district obtained a performance or surety bond covering

(1) the local tax collector? \_\_\_ Yes \_\_\_ No

(2) school district and/or contractor staff who collect taxes? \_\_\_ Yes \_\_\_ No

14. If the school district uses a lock box service for the deposit of current real estate taxes please answer the following.

14a. Where is the lock box physically located? \_\_\_\_\_

14b. Are there any fees associated with the use of the lock box? \_\_\_ Yes \_\_\_ No

If yes, please identify those fees. \_\_\_\_\_

14c. Who pays the lock box fees? \_\_\_\_\_

**Advantages and Disadvantages of Present System**

15. What do you consider to be the primary advantages and disadvantages of Pennsylvania's current real estate tax collection methods?

Advantages: \_\_\_\_\_

\_\_\_\_\_

Disadvantages: \_\_\_\_\_

\_\_\_\_\_

16. Please provide any suggestions you may have for improving the efficiency and effectiveness of the local tax collection process in Pennsylvania.

\_\_\_\_\_

\_\_\_\_\_

-----

**(You may attach additional sheets if necessary.)**

Name: \_\_\_\_\_ School District \_\_\_\_\_

Email: \_\_\_\_\_ Telephone: \_\_\_\_\_

**The identity of individuals responding to this questionnaire will remain confidential.  
Thank you for your assistance and cooperation with this study.**

## APPENDIX F

### Real Estate Tax Revenue

Real property taxes are an important source of revenue for counties, municipalities, and school districts. From 2000 to 2007, local government real property taxes increased from \$10.23 billion to \$14.85 billion. In 2007, as shown in the table below, counties generated about one-third of their total revenues and 97 percent of their tax revenues from real property taxes. As shown in the table, the largest share (71 percent) of real property tax revenues goes to school districts. Counties, including Philadelphia, receive 19 percent of such revenues, and other municipalities 10 percent.

<b>Total Revenues, Total Taxes and Real Estate Taxes Pennsylvania Local Governments, 2007*</b> (\$ in Billions)						
	<u>Total Revenues</u>	<u>Total Taxes</u>	<u>Real Estate Taxes</u>	<u>% of Real Estate Tax Revenues for Local Government</u>	<u>Real Estate Taxes as % of Revenues</u>	<u>Real Estate Taxes as % of Taxes</u>
School Districts <sup>a</sup> ...	\$23.07	\$12.78	\$10.47	70.5%	45.4%	81.9%
Counties .....	7.08	2.51	2.43	16.4	34.3	96.6
Philadelphia.....	8.61	2.81	.40	2.7	4.6	14.2
Municipalities.....	<u>8.82</u>	<u>3.50</u>	<u>1.55</u>	<u>10.4</u>	17.6	44.2
Total .....	\$47.59	\$21.60	\$14.85 <sup>b</sup>	100.0%	31.2%	68.7%

\*2007 is the most recent year for which comprehensive data for all taxing districts is available. More current reports for school districts are available on the PDE web site and more current reports for many counties and municipalities are also available on the DCED web site.

<sup>a</sup> Includes data for Philadelphia.

<sup>b</sup> In FY 2007-08, the state's General Fund collected \$10.9 billion in personal income taxes and \$8.5 billion in all sales and use taxes.

Source: Developed by LB&FC staff from Departments of Community and Economic Development and Pa Department of Education data.

Information on real estate tax revenue for individual school districts is available from annual financial reports provided to the Pennsylvania Department of Education. School districts that are not coterminous with county boundaries are assigned to a single county based on PDE criteria even though some taxable properties in that school district are physically located in a different county. Listings of real estate tax revenue by individual school district are available on PDE's web site at: [http://www.education.state.pa.us/portal/server.pt/community/summaries\\_of\\_annual\\_financial\\_report\\_data/7673](http://www.education.state.pa.us/portal/server.pt/community/summaries_of_annual_financial_report_data/7673)

The following table shows real estate revenue reported by counties to the Department of Community and Economic Development for 2007. This figure includes current year real estate tax collections and may include prior year taxes that were collected in the current year.

Additional information on real estate tax revenue for individual counties and municipalities is available in financial reports provided to DCED. These reports as well as summary revenue information compiled by DCED and property tax rates levied by counties, municipalities and school districts are available on DCED's web site at:

<http://www.newpa.com/get-local-gov-support/municipal-statistics>.

## 2007 County Real Estate Revenue

<u>County</u>	<u>Real Estate Tax Governmental Total</u>	<u>County</u>	<u>Real Estate Tax Governmental Total</u>
Adams .....	\$ 24,238,876	Lackawanna .....	\$ 52,527,624
Allegheny .....	273,781,207	Lancaster .....	94,489,341
Armstrong .....	13,708,042	Lawrence .....	17,741,656
Beaver .....	38,494,475	Lebanon .....	17,709,934
Bedford .....	8,230,634	Lehigh .....	90,778,357
Berks .....	123,844,898	Luzerne .....	75,798,920
Blair .....	19,395,021	Lycoming .....	25,154,366
Bradford .....	10,831,009	McKean .....	7,955,299
Bucks .....	172,902,475	Mercer .....	23,371,875
Butler .....	31,762,875	Mifflin .....	10,262,867
Cambria .....	25,913,276	Monroe .....	30,002,325
Cameron .....	NA <sup>a</sup>	Montgomery .....	162,417,018
Carbon .....	10,431,742	Montour .....	3,321,145
Centre .....	20,060,474	Northampton .....	80,195,233
Chester .....	135,308,144	Northumberland .....	15,637,169
Clarion .....	6,074,915	Perry .....	8,047,085
Clearfield .....	10,413,712	Philadelphia <sup>b</sup> .....	397,542,355
Clinton .....	9,213,830	Pike .....	13,649,396
Columbia .....	7,422,693	Potter .....	3,982,679
Crawford .....	23,484,212	Schuylkill .....	26,905,311
Cumberland .....	374,452,773	Snyder .....	7,187,303
Dauphin .....	94,483,528	Somerset .....	13,587,517
Delaware .....	132,541,187	Sullivan .....	1,863,694
Elk .....	6,097,321	Susquehanna .....	9,777,495
Erie .....	54,402,710	Tioga .....	9,189,029
Fayette .....	15,746,231	Union .....	7,524,466
Forest .....	1,600,177	Venango .....	9,909,136
Franklin .....	26,432,877	Warren .....	8,190,732
Fulton .....	3,552,555	Washington .....	30,647,325
Greene .....	9,987,034	Wayne .....	13,151,766
Huntingdon .....	6,499,537	Westmoreland .....	78,071,141
Indiana .....	11,783,273	Wyoming .....	7,398,371
Jefferson .....	7,239,417	York .....	<u>98,751,116</u>
Juniata .....	4,345,320		
		Total.....	\$2,830,415,496

<sup>a</sup> Data not available.

<sup>b</sup> Philadelphia does report as a county.

Source: Department of Community and Economic Development.