

GUIDELINES
FOR THE ADMINISTRATION
OF THE
LOCAL ECONOMIC REVITALIZATION TAX ASSISTANCE LAW

LOCAL ECONOMIC REVITALIZATION TAX ASSISTANCE ACT (LERTA)

Background

During 1974 the Pa. Dept. of Commerce organized a task force designed to evaluate the State's role in urban economic development and to recommend new or modified programs where needed. The task force report made a series of recommendations for a new, active, and aggressive role in urban economic development for the Commonwealth of Pennsylvania. Once recommendation developed by the task force, with the assistance and advice of the Pa. Council for Urban Economic Development, was the Local Economic Revitalization Tax Assistance Act (LERTA).

A major deterrent to improving the deteriorating business property has been that improvements result in higher property value and therefore, result in higher local property taxes. The higher taxed often discourage business property owners from making improvement in blighted areas. LERTA was designed to allow municipalities to overcome this problem by implementing Article VIII, Section 2(b)(iii) of the Constitutions of Pa. This constitutional provision authorizes the General Assembly to "establish standards and qualifications by which local taxing authorities may make uniform special tax provisions applicable to a taxpayer for a limited period of time to encourage improvement of deteriorating property or areas by an individual, association, or corporation."

Legislation had already been enacted by the General Assembly for residential property, LERTA extended the constitutional exemption to improvements of deteriorating business property.

This act allows local taxing authorities to exempt improvement to business property IF SUCH PROPERTY IS LOCATED IN A DETERIORATING AREA AS DETERMINED BY A MUNICIPAL GOVERNING BODY or is subject to a governmental order requiring the property to be vacated, condemned or demolished by reason on noncompliance with law, ordinance, or regulations. Improvements eligible for tax exemption include, repair, construction, or reconstruction including alteration and additions having the effect of rehabilitating a structure so that it become habitable or acquires higher standards of safety, health, economic use or amenity, or is brought into compliance with governing laws, ordinances, or regulations.

Any county, city, borough, incorporated town, township, institutional district, or school district could elect to participate in this program. Tax exemptions may be based on actual improvement costs or uniform maximum cost set by municipal governing bodies for a period of time not to exceed 10 years.

LERTA offers a potentially viable and effective tool for local governments to revitalize economically deteriorated areas and to increase job opportunities, as well as increasing the tax revenue needed to fund local governmental services.

GENERAL PROVISIONS

PURPOSE

The purpose of this program is to enable local taxing authorities to exempt improvements to deteriorated business property from property tax increase for a limited period of time.

AUTHORITY

The Act authorized local taxing authorities to exempt improvement to certain deteriorated industrial, commercial and other business property thereby implementing Article VIII. Section 2(b)(iii) of the Constitution of Pennsylvania.

DEFINITIONS

Act – LERTA

Deteriorated Area – An area, the boundaries of which are affixed by a municipal governing body or bodies, in which improvements to deteriorated property are eligible for tax exemptions

Deteriorated Property – Any industrial, commercial, or other business property owned by an individual, association or corporation, and located in a deteriorating area, as herein after provided, or any such property which has been the subject of an order by a government agency requiring the unit to be vacated, condemned or demolished by reason of noncompliance with laws, ordinance or regulations.

Improvement – Repair, construction or reconstruction, including alterations and additions, having the effect of rehabilitating a deteriorated property so that it becomes habitable or attains higher standards of safety, health, economic use or amenity, or is brought into compliance with laws, ordinances, or regulations governing such standards. Ordinary upkeep and maintenance shall not be deemed as improvement.

Local Taxing Authority- A county, city borough, incorporated town, township, institution district, or school district having authority to levy real estate property taxes.

Municipal Governing Body – A city, borough, township, or incorporated town.

Assessment Agency – Board of Assessment and revisions of taxes or other appropriate assessment agency.

MUNICIPAL GOVERNING BODY PROCEDURES

DETERIORATED AREA

Municipal governing bodies are authorized to affix the boundaries of a deteriorated area or areas, whole or partially located within their jurisdiction

PUBLIC HEARING

At least one public hearing shall be held by the municipal governing body for the purpose of determining deteriorated area boundaries. At the public hearing the local taxing authorities, planning commission or redevelopment authority and other public and private agencies and individuals, knowledgeable and interested in the improvement of deteriorated areas shall be given the opportunity to present their recommendations concerning the location of boundaries of a deteriorated area or areas.

CRITERIA

Municipal governing bodies shall take into account the following criteria when determining the boundaries of a deteriorated area or areas.

1. unsafe, unsanitary and overcrowded buildings
2. vacant, overgrown and unsightly lots of ground
3. a disproportionate number of tax delinquent properties
4. defective design or arrangement of building, street or lot layouts
5. economically and social undesirable land uses
6. high incidence of persistent, unemployment or underemployment
7. high incidence of dependence upon public assistance
8. high incidence of overcrowded, unsanitary or inadequate housing
9. high incidence of crime and delinquency
10. high incidence of rejection for selective service
11. high incidence of disease disability
12. high incidence of infant mortality
13. high incidence of school dropouts or other evidence of low educational attainment
14. other generally accepted indicators of widespread social problems or poverty conditions

UNIFORM MAXIMUM EXEMPTIONS

Municipal governing bodies are authorized to establish a maximum cost per unit to be exempted. Such maximum cost shall uniformly apply to all eligible deteriorated property within their jurisdiction.. If no maximum cost is established, tax exemption may be granted on the assessment attributable to the actual cost of improvement, regardless of the dollar amount.

ORDINANCE

Municipal governing bodies may adopt an ordinance designating the boundaries of deteriorated area or areas, and the maximum costs of improvements allowed for exemption purposes, if any.

LOCAL TAXING AUTHORITY PROCEDURE

ORDINANCE OR RESOLUTION ADOPTION

Each local taxing authority may by ordinance or resolution, exempt from real property taxation the assessed valuation of improvements to deteriorated properties in accordance with the established provisions and limitations

The ordinance or resolution shall specify a description of each deteriorated area as determined by the municipal governing body , as well s the cost of improvement per unit to be exempted and the schedule of taxes exempted.

UNIFORM MAXIMUM EXEMPTIONS

Local taxing authority granting a tax exemption pursuant to the provisions of the Act may provide for tax exemptions on the assessment attributable to the actual cost of improvements or up to any maximum cost uniformly established by the municipal governing body. Such maximum cost shall uniformly apply to all eligible deteriorated property within the local taxing authority jurisdiction.

EXEMPTION SCHEDULE

Whether or not the assessment eligible for exemption is based upon actual cost or a maximum cost, the actual amount of taxes exempted shall be in accordance with the schedule of taxes exempted established by a local taxing authority subject to the following limitations.

1. the length of the schedule of taxes exempted shall not exceed ten years
2. the schedule of taxes exempted shall stipulate the portion of improvements to be exempted each year
3. the exemption from taxes shall be limited to the additional assessment valuation attributable to the actual costs of improvements to deteriorated property or not in excess of the maximum cost per unit established by a municipal governing body.

EXEMPTION UPON PROPERTY

The exemption from taxes authorized by the act shall be upon the property exempted and shall not terminate upon the sale or exchange of the property

APPLICATION FORM

Each local taxing authority should adopt an exemption request form on which eligible persons can apply for tax exemption. A copy of each completed exemption request shall be forwarded to the assessment agency.

TAXPAYER PROCEDURE

OBTAINING EXEMPTION

Any person desiring tax exemption pursuant to ordinances or resolutions adopted pursuant to the Act, shall notify each local taxing authority granting such exemption in writing on a form provided by it submitted at the time he secures the building permit, or if no building permit or other notification of improvements is required, at the time he commences construction

IMPROVEMENT COMPLETION

Eligible taxpayers should notify the assessment agency upon completion of the improvements

RESASSESSMENT NOTIFICATION

After completing improvements, taxpayer(s) shall receive notice of the reassessment from the assessment agency and the assessment eligible for exemption

APPEALS

Appeals from the reassessment and the amounts eligible for exemption may be taken by the taxpayer as provided by law.

ASSESSMENT AGENCY PROCEDURE

EXEMPTION REQUEST

A copy of the exemption request shall be forwarded to the assessment agency by the local taxing authority

ASSESSMENT

The assessment agency shall, after completion of the improvement, assess separately the improvement and calculate the amounts of the assessment eligible for tax exemption in accordance with the limits established by the local taxing authorities and notify the taxpayer and the local taxing authorities of the reassessment and amounts of the assessment eligible for exemption.

APPEALS

Appeals from the reassessment and the amounts eligible for the exemption may be taken by the taxpayer or the local taxing authorities as provided by law.

SUBSEQUENT AMENDMENTS

The cost of improvement to be exempted and the schedule of taxes exempted existing at the time of the initial request for tax exemption shall be applicable to that exemption request, and subsequent amendment to the ordinance, if any, shall not apply to requests initiated prior to their adoption.