

# Real Estate Tax delinquency continued to grow in FY21

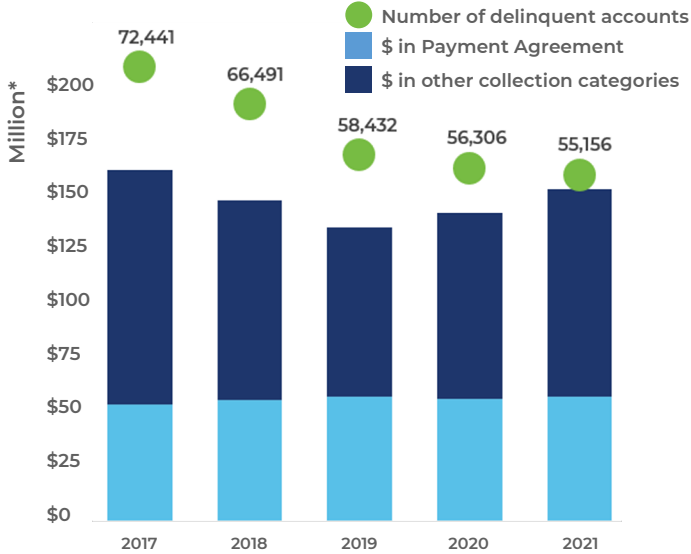
Pandemic-related disruptions continue to affect the amount of delinquent Real Estate Tax in Philadelphia -

- In March 2020, Revenue suspended most enforcement activities due to the COVID-19 pandemic.
- In FY21, we developed a modified collection strategy keeping taxpayers' financial needs in mind. As part of

this strategy, we resumed early intervention enforcement tactics in FY21, such as frequent billing, that helps taxpayers keep their debt manageable.

- But with many enforcement tools paused, such as Sheriff Sales, taxpayers were not spurred to action to resolve delinquent accounts.

## How are our collection efforts going?



**Increase in active principal from 2020 to 2021**

In FY21, Revenue resumed collection strategies that help taxpayers manage their debt by alerting them about the amount they owe and how to resolve it. Some of these strategies include:

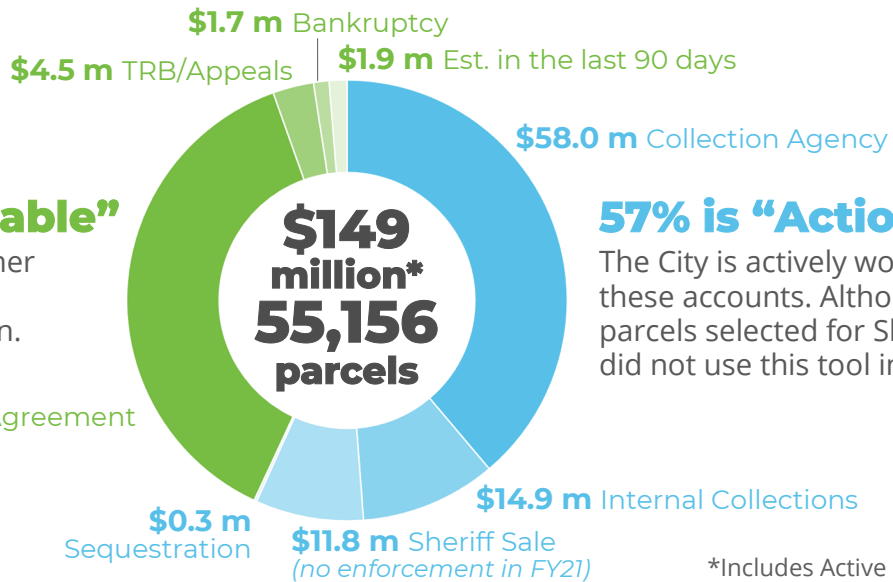
- **Pre-placement letter campaign:** Additional noticing to alert taxpayers that their delinquent accounts are at risk of being sent to a collection agency.
- **Placement of overdue accounts with collection firms:** By contacting accounts that are overdue but not yet delinquent, we help taxpayers resolve a smaller total debt.

\*Includes Active Periods only

## How do we collect delinquent balances?

### 43% is "Non-actionable"

These accounts require no further action on the part of the City or the City is barred from collection.



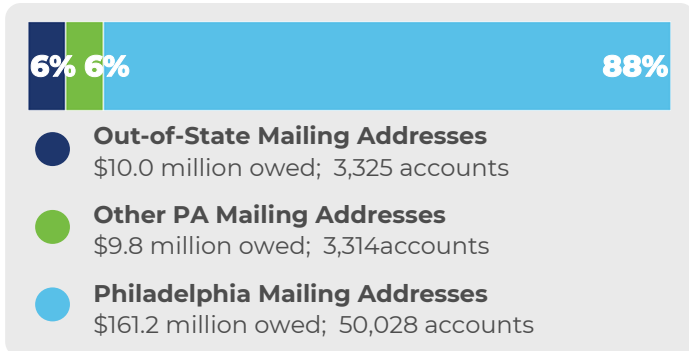
### 57% is "Actionable"

The City is actively working to collect these accounts. Although we include parcels selected for Sheriff Sale, we did not use this tool in FY21.

\*Includes Active Periods only

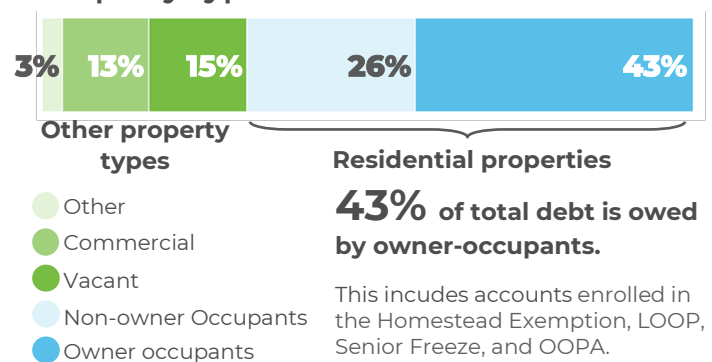
## Who is delinquent?\*

### Owner Location



\*Includes Active and Inactive Periods

### Property type



### Residential properties

**43% of total debt is owed by owner-occupants.**

This includes accounts enrolled in the Homestead Exemption, LOOP, Senior Freeze, and OOPA.

## What collection strategies have worked?



**Owner-occupied payment agreements (OOPA)** help homeowners pay past debt. Very low-income homeowners can qualify for a \$0-month payment agreement. **In CY20 -**

**11,701** delinquent accounts were enrolled in an OOPA, representing **38%** of total Real Estate Tax debt.

The share of delinquent accounts in an OOPA grew from **11%** in CY16 to **16%** in CY20; representing

**~ 2,000** additional property owners protected from foreclosure.



**Sequestration** is a legal process by which a “sequestrator” is appointed by the court to manage a property until debts to the City are paid off. From FY14 to FY21, the City collected over \$115 million in Real Estate Tax debt from almost 16,000 delinquent accounts.



**Consolidated actions** allow the City to pursue a single case against landlords combining tax, water, and L&I debt. From FY19 to FY21, the City collected over \$1.2 million in total debt, about 37% of which is in Real Estate Tax.

## The numbers by City Council district\*

Council District	Number of Delinquent Accounts	Total Principal Due	Average Principal Balance	Average Principal Balance Change from 2020	Percent of Accounts in a Payment Agreement	Number of Owner-Occupied Accounts
1	3,753	\$16,575,963	\$4,417	↑17%	23%	1,257
2	5,006	\$17,919,387	\$3,580	↑15%	26%	1,699
3	8,215	\$24,535,688	\$2,987	↑5%	27%	3,082
4	5,782	\$20,022,855	\$3,463	↑7%	27%	2,237
5	9,883	\$23,554,939	\$2,383	↑7%	18%	2,254
6	1,842	\$7,507,158	\$4,076	↑8%	25%	851
7	8,167	\$16,398,064	\$2,008	↑4%	20%	2,122
8	8,998	\$31,311,647	\$3,480	↑3%	27%	3,230
9	3,512	\$15,131,466	\$4,309	↑4%	36%	2,005
10	1,103	\$5,595,069	\$5,073	↑10%	22%	596
Undefined	406	\$2,547,736	\$6,275		0%	0

\* Includes Active and Inactive Periods

## What are Revenue's next collection strategies?

### In Fiscal Year 2022, the City will:

- Launch phase 1 of our new tax system. This system will allow taxpayers to easily apply for assistance and streamline our delinquent tax collections. In November 2021, taxpayers will use the Tax Center to file and pay business taxes. Real Estate tax will be added in FY23.
- Pursue specific projects to collect debt from chronically delinquent accounts.
- Resume successful tax collection strategies, keeping taxpayers' limitations in mind.

### Notes about this data:

This report uses data current through June 2021. Amounts in this report refer to principal due for active and inactive periods. Active periods refers to periods after January 1, 2011. Older debts, including interest, penalties, and other fees are much less likely to be collected and are often reduced or waived if and when payment occurs. Presenting the active principal delinquency reflects reasonable expectations for collection.

Active delinquent balances also include properties that are currently under appeal. These accounts may have adjustments to principal balance at a later date.

