

AN ACT

1 Amending the act of December 31, 1965 (P.L.1257, No.511),
2 entitled "An act empowering cities of the second class,
3 cities of the second class A, cities of the third class,
4 boroughs, towns, townships of the first class, townships of
5 the second class, school districts of the second class,
6 school districts of the third class and school districts of
7 the fourth class including independent school districts, to
8 levy, assess, collect or to provide for the levying,
9 assessment and collection of certain taxes subject to maximum
10 limitations for general revenue purposes; authorizing the
11 establishment of bureaus and the appointment and compensation
12 of officers, agencies and employes to assess and collect such
13 taxes; providing for joint collection of certain taxes,
14 prescribing certain definitions and other provisions for
15 taxes levied and assessed upon earned income, providing for
16 annual audits and for collection of delinquent taxes, and
17 permitting and requiring penalties to be imposed and
18 enforced, including penalties for disclosure of confidential
19 information, providing an appeal from the ordinance or
20 resolution levying such taxes to the court of quarter
21 sessions and to the Supreme Court and Superior Court," in
22 local taxes, further providing for definitions, for payroll
23 tax and for payment of tax to other political subdivisions or
24 states as credit or deduction and withholding tax; in
25 consolidated collection of local income taxes, further
26 providing for definitions, for declaration and payment of
27 income taxes, for tax collection committees, for powers and
28 duties of department, for powers and duties of tax officer
29 and for withholding and remittance; and, in collection of
30 delinquent taxes, further providing for penalties and for
31 costs of collection of delinquent per capita, occupation,
32 occupational privilege, emergency and municipal services,
33 local services and income taxes.

1 The General Assembly of the Commonwealth of Pennsylvania
2 hereby enacts as follows:

3 Section 1. Section 301(a) of the act of December 31, 1965
4 (P.L.1257, No.511), known as The Local Tax Enabling Act, is
5 amended by adding definitions to read:

6 Section 301. Definitions.--(a) The following words and
7 phrases when used in this chapter shall have the meanings given
8 to them in this section unless the context clearly indicates
9 otherwise:

10 "Contingent fee audit" means an audit of a taxpayer's books
11 and records for which the collection fee is based on a
12 percentage of tax assessed or collected, or both.

13 * * *

14 "Private collection agency" means a business entity or person
15 appointed to audit taxpayers and collect delinquent taxes.

16 * * *

17 Section 2. Sections 303(g) and 317 of the act, amended July
18 2, 2008 (P.L.197, No.32), are amended to read:

19 Section 303. Payroll Tax.--* * *

20 (g) A city of the second class may bring suit for the
21 recovery of taxes due and unpaid under this section. Any suit
22 brought to recover the tax imposed by this section shall be
23 commenced within three years after such tax is due or within
24 three years after the declaration or return has been filed,
25 whichever is later: Provided, however, That this limitation
26 shall not prevent the institution of a suit for the collection
27 of any tax due or determined to be due in the following cases:

28 (1) Where no declaration or return was filed by any person
29 although a declaration or return was required to be filed by him
30 under provisions of this section, there shall be no limitation.

1 (2) Where an examination of the declaration or return filed
2 by any person or of other evidence relating to such declaration
3 or return in the possession of the city of the second class
4 reveals a fraudulent evasion of taxes, there shall be no
5 limitation.

6 (3) In the case of substantial understatement of tax
7 liability of twenty-five percent or more and no fraud, suit
8 shall be begun within six years.

9 (4) This section shall not be construed to limit the
10 governing body from recovering delinquent taxes by any other
11 means provided by law, with the exception of contingent fee
12 audits by a private collection agency, which shall be
13 prohibited.

14 * * *

15 Section 317. Payment of Tax to Other Political Subdivisions
16 or States as Credit or Deduction; Withholding Tax.--(a) Payment
17 of any tax to any political subdivision pursuant to an ordinance
18 or resolution passed or adopted prior to the effective date of
19 this act shall be credited to and allowed as a deduction from
20 the liability of taxpayers for any like tax respectively on
21 salaries, wages, commissions, other compensation or on net
22 profits of businesses, professions or other activities and for
23 any income tax imposed by any other political subdivision of
24 this Commonwealth under the authority of this chapter.

25 (b) Payment of any tax on salaries, wages, commissions,
26 other compensation or on net profits of business, professions or
27 other activities to a political subdivision by residents thereof
28 pursuant to an ordinance or resolution passed or adopted under
29 the authority of this chapter, including any change in rates
30 thereto made by any other State law or any other earned income

1 or net profits tax assessed under any other State law, shall be
2 credited to and allowed as a deduction from the liability of
3 such persons for any other like tax respectively on salaries,
4 wages, commissions, other compensation or on net profits of
5 businesses, professions or other activities imposed by any other
6 political subdivision of this Commonwealth under the authority
7 of this chapter.

8 (c) Payment of any tax on income to any political
9 subdivision by residents thereof pursuant to an ordinance or
10 resolution passed or adopted under the authority of this
11 chapter, including any change in rates thereto made by any other
12 State law or any other earned income or net profits tax assessed
13 under any other State law, shall, to the extent that such income
14 includes salaries, wages, commissions, other compensation or net
15 profits of businesses, professions or other activities, but in
16 such proportion as hereinafter set forth, be credited to and
17 allowed as a deduction from the liability of such persons for
18 any other tax on salaries, wages, commissions, other
19 compensation or on net profits of businesses, professions, or
20 other activities imposed by any other political subdivision of
21 this Commonwealth under the authority of this chapter.

22 (d) Payment of any tax on income to any state or to any
23 political subdivision thereof by residents thereof, pursuant to
24 any State or local law, may, at the discretion of the
25 Pennsylvania political subdivision imposing such tax, to the
26 extent that such income includes salaries, wages, commissions,
27 or other compensation or net profits of businesses, professions
28 or other activities but in such proportions as hereinafter set
29 forth, be credited to and allowed as a deduction from the
30 liability of such person for any other tax on salaries, wages,

1 commissions, other compensation or net profits of businesses,
2 professions or other activities imposed by any political
3 subdivision of this Commonwealth under the authority of this
4 chapter, including any change in rates thereto made by any other
5 State law or any other earned income or net profits tax assessed
6 under any other State law, if residents of the political
7 subdivision in Pennsylvania receive credits and deductions of a
8 similar kind to a like degree from the tax on income imposed by
9 the other state or political subdivision thereof.

10 (e) Payment of any tax on income to any State other than
11 Pennsylvania or to any political subdivision located outside the
12 boundaries of this Commonwealth, by residents of a political
13 subdivision located in Pennsylvania shall, to the extent that
14 such income includes salaries, wages, commissions, or other
15 compensation or net profits of businesses, professions or other
16 activities but in such proportions as hereinafter set forth, be
17 credited to and allowed as a deduction from the liability of
18 such person for any other tax on salaries, wages, commissions,
19 other compensation or net profits of businesses, professions or
20 other activities imposed by any political subdivision of this
21 Commonwealth under the authority of this chapter[.], including
22 any change in rates thereto made by any other State law or any
23 other earned income or net profits tax assessed under any other
24 State law.

25 (f) Where a credit or a deduction is allowable in any of the
26 several cases hereinabove provided, it shall be allowed in
27 proportion to the concurrent periods for which taxes are imposed
28 by the other state or respective political subdivisions, but not
29 in excess of the amount previously paid for a concurrent period.

30 (g) No credit or deduction shall be allowed against any tax

1 on earned income imposed under authority of this chapter to the
2 extent of the amount of credit or deduction taken for the same
3 period by the taxpayer against any income tax imposed by the
4 Commonwealth of Pennsylvania under section 314 of the act of
5 March 4, 1971 (P.L.6, No.2) known as the "Tax Reform Code of
6 1971," on account of taxes imposed on income by other states or
7 by their political subdivisions.

8 Section 3. The definitions of "nonresident," "nonresident
9 tax" and "taxpayer" in section 501 of the act, added July 2,
10 2008 (P.L.197, No.32), are amended to read:

11 Section 501. Definitions.

12 The following words and phrases when used in this chapter
13 shall have the meanings given to them in this section unless the
14 context clearly indicates otherwise:

15 * * *

16 "Nonresident." A person or business domiciled outside the
17 political subdivision levying the tax and performing services
18 within the political subdivision levying the tax for at least 90
19 or more consecutive days.

20 "Nonresident tax." An income tax levied by a municipality on
21 a nonresident who has performed services within the political
22 subdivision levying the tax for at least 90 or more consecutive
23 days.

24 * * *

25 "Taxpayer." A person or business required under this act to
26 file a return of an income tax or to pay an income tax. The term
27 does not include a person or business with no taxable income;
28 such person or business may not be required to file a return of
29 income or to pay an income tax under this act.

30 * * *

1 Section 4. Section 502(c) of the act is amended by adding a
2 paragraph to read:

3 Section 502. Declaration and payment of income taxes.

4 * * *

5 (c) Declaration and payment.--Except as provided in
6 subsection (a)(2), taxpayers shall declare and pay income taxes
7 as follows:

8 * * *

9 (4) Every taxpayer subject to the declaration and
10 payment provisions under this section shall be deemed to have
11 met the requirements and therefore not be subject to a
12 penalty so long as one of the following safe harbor
13 exceptions is met:

14 (i) Make four equal, timely estimated payments equal
15 to 100% of the prior year's tax less any earned income
16 tax withheld for the current year.

17 (ii) Make four equal, timely estimated payments
18 equal to 90% of the current year's tax less any earned
19 income tax withheld for the current year.

20 Section 5. Section 505(a.1)(7) and (h)(1) and (2) of the
21 act, added July 2, 2008 (P.L.197, No.32), are amended to read:

22 Section 505. Tax collection committees.

23 * * *

24 (a.1) Duties.--A tax collection committee has the following
25 duties:

26 * * *

27 (7) To adopt, amend and repeal policies and procedures
28 consistent with the regulations under section 508 for the
29 administration of income taxes within the tax collection
30 district. The procedures shall supersede any contrary

1 resolutions or ordinances adopted by a political subdivision
2 and no additional forms, policies or procedures may be
3 adopted other than those promulgated by the department. This
4 authority shall not be construed to permit a tax collection
5 committee to change the rate or subject of any tax.

6 * * *

7 (h) Audits of taxes received and disbursed.--

8 (1) By the end of each calendar year, the tax collection
9 committee shall provide for at least one examination for each
10 calendar year of the books, accounts, financial statements,
11 compliance reports and records of the tax officer by a
12 certified public accountant or public accountant approved by
13 the tax collection committee. The examination shall be
14 conducted on a calendar year basis. An examination conducted
15 on any other basis shall not be accepted by the department
16 and failure to comply with this requirement shall be
17 considered noncompliance with the act resulting in the
18 imposition of penalties under section 510. The examination
19 shall include an audit of all records relating to the cash
20 basis receipt and disbursement of all public money by the tax
21 officer, a reconciliation of the monthly reports required by
22 section 509(b), an analysis of the bond amount under section
23 509(d) and an analysis of the collection fees charged to the
24 tax collection committee. In the case of a private agency,
25 the examination shall not include payroll and other
26 proprietary information. The examination shall be conducted
27 according to generally accepted governmental auditing
28 standards.

29 (2) The certified public accountant or public accountant
30 shall issue a report, on a calendar year basis and in a

1 format prescribed by the department, to the tax collection
2 committee, which shall include an auditor's opinion letter, a
3 financial statement for the year ending December 31, a
4 reconciliation of the monthly reports required by section
5 509(b) with the receipts and disbursements on a calendar year
6 basis, a summary of collection fees charged to the tax
7 collection committee on a calendar year basis, a report on
8 the tax officer's compliance with this act, a list of any
9 findings of noncompliance with this act and a copy of a
10 management letter if one is issued by the auditor. If there
11 are findings of noncompliance, a copy of the report shall be
12 filed with the Department of the Auditor General and the
13 department. A copy of the report shall be filed with all
14 political subdivisions within the tax collection district and
15 the department on or before September 1 of the succeeding
16 year. The department may make available on its Internet
17 website summary data from the reports filed under this
18 subsection. The department may reject any report which is not
19 in the proper format and does not meet the requirements of
20 this paragraph. Failure to correct the submission within 30
21 days of the rejection shall constitute noncompliance with the
22 act and result in the imposition of penalties under section
23 510.

24 * * *

25 Section 6. Section 508 of the act is amended by adding a
26 subsection to read:

27 Section 508. Powers and duties of the department.

28 * * *

29 (g) Oversight.--The department shall oversee all tax
30 collection committees, tax collectors and tax collection

1 offices. In exercising this duty the department shall:

2 (1) Provide the public with a method to report tax
3 collection issues.

4 (2) Enforce the fines and penalties promulgated under
5 section 510.

6 (3) Ensure that all ordinances, rules, regulations and
7 forms adopted in the collection of the earned income and net
8 profits taxes are consistent with those promulgated by the
9 department.

10 Section 7. Sections 509(b), 512(3) and (7) and 706 of the
11 act, added July 2, 2008 (P.L.197, No.32), are amended to read:

12 Section 509. Powers and duties of tax officer.

13 * * *

14 (b) Monthly reports.--

15 (1) The tax officer shall, within 20 days after the end
16 of each month, provide a written report, on forms prescribed
17 by the department, to the secretary of the tax collection
18 committee and to the secretary of each political subdivision
19 in the tax collection district for which taxes were collected
20 during the previous month.

21 (2) The report shall include a breakdown of all income
22 taxes, income generated from investments under subsection (a)
23 (6), penalties, costs and other money received, collected,
24 expended and distributed for each political subdivision
25 served by the tax officer and of all money distributed to tax
26 officers for other tax collection districts.

27 (3) The report shall also include a calendar year-to-
28 date total column of all the items enumerated in paragraph

29 (2).

30 (4) In addition to the duty imposed under paragraph (1),

1 a copy of the December monthly report shall be filed with the
2 department.

3 * * *

4 Section 512. Withholding and remittance.

5 For taxable years commencing on and after January 1, 2012, or
6 earlier taxable years if specified by a tax collection district,
7 income taxes shall be withheld, remitted and reported as
8 follows:

9 * * *

10 (3) Every employer having an office, factory, workshop,
11 branch, warehouse or other place of business within a tax
12 collection district that employs one or more persons, other
13 than domestic servants, for a salary, wage, commission or
14 other compensation, shall, at the time of payment, deduct
15 from the compensation due each employee employed at such
16 place of business the greater of the employee's resident tax
17 or the employee's nonresident tax as released in the official
18 register under section 511. In the case of employees with
19 temporary job assignments, the employer shall withhold and
20 remit the following taxes:

21 (i) Employees working for less than 90 consecutive
22 days at a job location, the greater of the employee's
23 resident tax or the employee's nonresident tax based on
24 the location of the permanent home office of the
25 employer.

26 (ii) Employees working for 90 or more consecutive
27 days at a job location, the greater of the employee's
28 resident tax or the employee's nonresident tax based on
29 the job location.

30 (iii) Employees working in the City of Philadelphia

1 shall be exempt from the provisions of this section and
2 the act of August 5, 1932 (Sp.Sess., P.L.45, No.45),
3 referred to as the Sterling Act.

4 * * *

5 (7) On or before February 28 of the succeeding year,
6 every employer shall file with the tax officer where income
7 taxes have been deducted and remitted pursuant to paragraph
8 (3):

9 (i) An annual return showing, for the period
10 beginning January 1 of the current year and ending
11 December 31 of the current year, the total amount of
12 compensation paid, the total amount of income tax
13 deducted, the total amount of income tax paid to the tax
14 officer and any other information prescribed by the
15 department.

16 (ii) An individual withholding statement, which may
17 be integrated with the Federal Wage and Tax Statement
18 (Form W-2), for each employee employed during all or any
19 part of the period beginning January 1 of the current
20 year and ending December 31 of the current year, setting
21 forth the address and Social Security number, the amount
22 of compensation paid to the employee during the period,
23 the amount of income tax deducted, [the amount of income
24 tax paid to the tax officer,] the numerical code
25 prescribed by the department representing the [tax
26 collection district where the payments required by
27 paragraphs (4) and (5) were remitted] political
28 subdivision of the employee's work location, and, in the
29 case where an employer has made an election under
30 paragraph (5) to file with a single tax collector, the

1 two-digit code representing the tax collection district
2 to whose tax collector the withheld taxes were remitted
3 in the format of xxxxxx-xx and any other information
4 required by the department. Every employer shall furnish
5 one copy of the individual withholding statement to the
6 employee for whom it is filed.

7 * * *

8 Section 706. Penalties.--(a) Except as otherwise provided
9 in the case of any tax levied and assessed upon income, any such
10 political subdivision shall have power to prescribe and enforce
11 reasonable penalties for the nonpayment, within the time fixed
12 for their payment, of taxes imposed under authority of this act
13 [and for the violations of the provisions of ordinances or
14 resolutions passed under authority of this act].

15 (b) If for any reason any tax levied and assessed upon
16 income by any such political subdivision is not paid when due,
17 interest and penalties as provided in section 509(i) shall be
18 added and collected. When suit is brought for the recovery of
19 any such tax, the person liable therefor shall, in addition, be
20 liable for the costs of collection and the interest and
21 penalties herein imposed.

22 (c) In addition to any other power provided by this act, a
23 tax collector may abate any penalty imposed under any provision
24 of this act.

25 Section 8. Section 707 of the act is amended by adding a
26 subsection to read:

27 Section 707. Costs of Collection of Delinquent Per Capita,
28 Occupation, Occupational Privilege, Emergency and Municipal
29 Services, Local Services and Income Taxes.--* * *

30 (d) A contingent fee audit may not be conducted in the

1 collection of delinquent taxes.

2 Section 9. This act shall take effect in 60 days.