Act 32, Earned Income Tax Reform Implementation

Written Testimony
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Act 32, enacted on July 2, 2008, amends the Local Tax Enabling Act, Act 511 of 1965, to consolidate the collection of Earned Income Tax (EIT) primarily on a countywide basis.

The Act is a result of a report published in 2004 by the Department of Community and Economic Development (DCED) which was the result of a three year study that documented the fragmentation, complexity and inefficiency of the existing earned income tax collection system.

Under the current EIT system, 560 taxing authorities collect nearly $1.9 billion in annual revenue for more than 2,900 municipalities and school districts. Pennsylvania presently has more taxing jurisdictions levying a local income tax than all other states combined. Due to inefficiencies in this system, it has been estimated that as much as $237 million is lost annually.

Additionally, the current system creates a burden on employers who must determine where to remit employee taxes which leads to an increased cost of conducting business in the Commonwealth. The administration of this tax is fragmented, confusing and often inequitable to taxpayers.

The reduction of collectors from 560 to 69, under Act 32, will result in a streamlined collection system and tax revenues transferred more efficiently and expediently. Standardized forms and procedures required by the legislation will add to consistent and uniform collection.

Finally, enacted tracking, auditing and oversight requirements will provide much needed accountability and add financial safeguards, restoring integrity and transparency to the system.

In an effort to provide assistance to local government officials and help disseminate the duties and responsibilities associated with the implementation of Act 32, DCED was tasked under this law with offering technical assistance, distributing information, preparing implementation materials and providing continued support. This process has been done in conjunction with all key municipal and school district stakeholders and representation from all four legislative caucuses.

A list of a few key assistance efforts and implementation tools include:

1

- Establishment of an Act 32, EIT page on the Department's website (www.newPA.com) offering the following:
  - Act 32 History and Background
  - Summary of EIT Reform and Consolidation
  - Benefits of EIT for Local Governments and Businesses
  - Analyses and Recommendations
  - Act 32 Timetable, Key Implementation Deadlines

- Publish Information Relating to the 69 Tax Collection Districts in PA Bulletin
  - Maps Identifying County Boundaries
  - Maps Identifying School District Boundaries

- WEBINAR for County Officials, Providing Information and Guidance for TCC Set-Up Meeting

- Conducted a Series of Twenty-Four (24) Workshops Statewide to Present Information Regarding Act 32 Implementation

- Prepared Weighted Vote Information
  - Interactive Map with TCD Lists and Weighted Vote
  - Interactive Spreadsheet to Calculate Votes at Initial Set-Up Meeting

- Published TCC Meeting Set-Up Guidelines and Delegate Appointment Resolution

- Prepared and Published "EIT Best Practices Report" Which Includes:
  - Operational Procedures
  - Model Bylaws
  - Information Technology (IT) Report
  - IT Request for Proposal
  - Tax Officer Request for Proposal
  - Model Agreements
  - Draft of Standard EIT Forms
  - Partial List of Preliminary Regulations

- Posting of Tax Collection Committee Officer List and Contact Information

- Act 32 Expense Reimbursement (Grant) Program
  - Step-by-Step Application Guide

- WEBINAR to Present Information on "Best Practices Report" and Provide Implementation Update

To date, I am pleased to report that all DCED milestones required under Act 32 have been accomplished and we are on schedule for full transition and implementation.

I am willing to answer any questions or address concerns you may have at this time.