

Act 32 Preamble

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) on a countywide basis.

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

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

Additionally, the current system creates a burden on employers that leads to an increase in the cost of conducting business within the Commonwealth. The administration of the tax is fragmented, confusing and often unfair to taxpayers.

By reducing the number of collectors from 560 to 69, the local tax collection system will be streamlined and more efficient. Overhead will be reduced and tax revenues will be transferred more efficiently and expediently. Uniform forms and procedures required by the legislation will add to consistent and uniform collection.

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