



pennsylvania

GOVERNOR'S CENTER FOR
LOCAL GOVERNMENT SERVICES

Earned Income Tax Consolidation System Best Practices Report

December 31, 2009

> ready > set > succeed



Commonwealth of Pennsylvania
Edward G. Rendell, Governor
www.state.pa.us

Department of Community
& Economic Development
George E. Cornelius, Secretary

newPA.com

Act 32, EIT Advisory Committee Acknowledgement

The Department of Community and Economic Development and staff of Governor's Center for Local Government Services would like to acknowledge and express sincere gratitude to the members of the Act 32, EIT Advisory Committee for their expertise, involvement and participation with the implementation of Act 32 of 2008 in order to achieve the Act's goal to reform the local earned income tax collection system within the Commonwealth. Over the last year GCLGS has worked with the EIT Advisory Committee and its several sub committees to develop a number of documents to assist the work of the Tax Collection Committees and their municipal and school district representatives in the transition to the new EIT collection system.

Once implemented, this key piece of legislation will result in a more efficient and coordination collection of local earned income taxes and aid in improved distribution and collection.

The past and future efforts and commitment of all those involved, is instrumental to this coordinated endeavor.

Earned Income Tax Advisory Committee Members

Mary Abbott	PA Earned Income Tax Officer Association
Dave Barrie	PA State Association of Township Commissioners
Jason Brehouse	PA Senate
Peter Calcara	PA Institute of Certified Public Accountants
John Callahan	PA Chamber of Business and Industry
Dave Caplan, CPA	PA Institute of Certified Public Accountants
Daniel Clark	Pugliese Associates
Holly Fishel	PA State Association of Township Supervisors
Cherie Freeh, CPA	Pa Institute of Certified Public Accountants
David Gordon	Berkheimer Tax Administrator
David Hazlett	Carroll Valley Borough, Adams County/PA State Association of Boroughs
Doug Hill	County Commissioners Association of PA
Gary Hinkson	City of Hermitage/PA League of Cities and Municipalities
Lester Houck	Salisbury Township, Lancaster County/PA State Association of Township Supervisors
Lois Kashner	York-Adams County Tax Bureau
Mary Kehm	PA Society of Public Accountants
Patti McNamara	Berkheimer Tax Administrator
Chase E. Schaszberger	PA House of Representatives
Amy Sturges	PA League of Cities & Municipalities and PA State Association of Township Commissioners
Edward Troxell	PA State Association of Boroughs
Beth Winters	PA School Boards Association
Richard Vensel	South Middleton School District/PA Association of School Business Officials
Robert Villella	Central Tax Bureau of PA

Table of Contents

Introduction and Summary

Operational Procedures

Model Bylaws

Information Technology Report

Section I Act 32 Requirements

- A. Scope of Document
- B. Act 32 Requirements
- C. Glossary

Section II Final Report on EIT Collection Practices

- A. Scope of Document
- B. Report Summary
- C. Act 32 Requirements
- D. Best Practices
- E. Glossary

Section III EIT Collection System Best Practices

- A. Scope of Document
- B. Best Practices
- C. Glossary

Section IV Sample Work Statement

- A. Scope of Document
- B. Work Statement
- C. Glossary

Information Technology Request for Proposal

Tax Officer Request for Proposal

Model Agreements

Earned Income Tax Collection Forms

Regulations

Introduction

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

The Governor's Center for Local Government Services (GCLGS) within the Department of Community and Economic Development (DCED) is charged with working with county, municipal and school district officials to implement the provisions of this new law. The Act provides for a three year transition period with all aspects of the law to be implemented by January 1, 2012.

Act 32 requires DCED to study the existing local earned income tax collection methods and practices within the Commonwealth including the practices and methods of current intergovernmental collection bureaus established by one or more political subdivisions as well as third party collectors, for the purpose of identifying and comparing those practices, methods, structures, procedures, regulations, software, information systems, governance alternatives, risk management strategies and other characteristics that appear to promote the greatest likelihood of effectiveness, cost efficiency, loss prevention and willing intergovernmental cooperation. This report represents the results of that study. It is intended to provide resources, best practices and templates for the Tax Collection Committees to use in the implementation of the Act.

Background

Act 32 is a result of a 2004 report issued by the Department of Community and Economic Development (DCED) – a multi-year study that documented the fragmentation, complexity and inefficiency of the earned income collection system.

DCED's study found that under the current EIT collection system, 560 taxing authorities collect nearly \$1.9 billion in annual revenue for more than 2,900 local taxing jurisdictions. Due to inefficiencies in the 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.

The consolidated EIT system will replace the existing tax collection system, currently administered by municipalities and school districts, with county-wide earned income Tax Collection Districts (TCD) with one per county and with Allegheny County divided into four districts. Each TCD will be governed by a Tax Collection Committee (TCC), each of which is required to select one Tax Officer who is charged with the administration of the EIT collection system for each Tax Collection District (TCD).

Act 32 will result in improvements that will positively impact the three stakeholders in the EIT system, the business community who is required to withhold and remit the tax, the taxpayer who must fulfill their payment of the tax and municipalities and school districts who derive significant revenue from the tax.

EIT consolidation will enhance Pennsylvania's business climate by providing a streamlined tax collection system that will reduce administrative costs and confusion for Pennsylvania businesses. A streamlined, uniform and accountable system will allow businesses and taxpayers to easily fulfill their tax obligations and to feel confident that tax dollars are going to their rightful destinations.

Consolidation will capture lost tax revenue for municipalities and school districts through standardized collection practices, coordination, reporting and accountability among and between jurisdictions and collectors. The Act will also require uniform withholding, remittance, distribution and reporting and consistency in the administration of the tax. It will establish uniform statewide rules and regulations and provide for strengthened accountability, oversight and enforcement of the system.

The Act will streamline the flow of tax monies; simplify withholding and distribution; and allow local governments and tax officers to track every local tax dollar from the time the tax is withheld until it is received by the appropriate taxing jurisdiction. With countywide tax collection districts, tax monies will be transferred among fewer collectors, thus reducing the probability that revenue will be lost.

Uniform withholding will capture virtually all taxes imposed on employees in Pennsylvania reducing the need for tax officers to find and bill taxpayers quarterly or at the end of the year. Uniform withholding will achieve the goal of a zero-local-income tax liability for employees at the end of the year and improve cash-flow for local governments during the year.

Accountability and Oversight will also be strengthened under the Act. Tracking, auditing and oversight of taxes will provide accountability and the financial safeguards needed to restore integrity and transparency to the system. Tax Officers are required to keep records of every dollar received and distributed, and submit monthly reports accounting for each dollar or face fines. The annual audit includes a reconciliation of monthly reports and the receipt and disbursement of all taxes monies as well as findings of noncompliance. Bond amounts are tied to the annual audit. Distributions are based on actual collections, not estimates as currently occurs. Tax collection committees are required to appoint appeals boards to hear appeals of collector determinations.

Accomplishments To Date

Since the passage of Act 32, the Center has undertaken a number of activities in its role to facilitate the implementation of the new system. An Implementation Committee of Center staff was established to guide the transition process. In order to provide input in the development of the various documents to be used to establish the consolidated system, the Center also established an EIT Advisory Committee comprised of key stakeholders representing school districts, local governments, non-profit and third party tax collection agencies, CPAs and legislative officials. The Advisory Committee first met in January 2009. Since the initial meeting, bimonthly meetings have continued and members have provided support, feedback and helped to further disseminate information on the Act.

As part of the implementation activities, the Center has established an Act 32 page on its website. This page serves as the main reference for all of the information DCED has published on the Act. It currently includes a list of frequently asked questions, a timetable of key implementation deadlines, the identification of the Tax Collection Districts, the Weighted Vote calculation, sample by-laws and other relevant documents to be used by the Tax Collection Committees and others engaged in the implementation of the Act.

The Center has conducted informational sessions across the Commonwealth to disseminate information for public officials relating to their duties under Act 32. The Center provided training sessions in May and June of 2009 in 22 locations across the Commonwealth through the Pennsylvania Local Government Training Partnership. It also conducted a webinar for County officials that focused on their responsibilities in convening the first meeting of the Tax Collection Committees.

The first duty for the Center to accomplish was to create the Tax Collection Districts (TCD) and identify the TCD for each school district and municipality. This task was completed and published in the Pennsylvania Bulletin by January 28, 2009 as provided for in the Act. The Act required that the boundaries of the TCDs provide that all school districts remain whole. The list of the TCDs and an accompanying map were published by the required date and are available on the Act 32 website.

Each municipality and school district levying the earned income tax was required to appoint a delegate to serve on the TCC, the governing body of each TCD no later than September 15, 2009. The first meeting of each TCC was to be held on or before November 15, 2009. The first meeting was convened by the Chair of County Commissioners/County Executive of the county where the district is located. At that first meeting, the committee was responsible for choosing officers using the weighted vote formula which was calculated by the Center. The weighed voted was based 50% on EIT revenue and 50% on the population of each school district and municipality within the district. Committees could continue to use the weighted vote formula to proceed with any actions taken in the future or they can change the vote to another agreed upon formula.

The Center has developed the structure for the various forms that will be needed for the consolidated system. These will be published for use by all TCCs as part of the Act's goal of achieving consistency in the administration of the collection system. Forms identified in this study include: individual tax remittance forms, employer information/reporting forms and taxpayer residency certification. In conjunction with the need for standardized forms, the Center is developing codes to be used by the Tax Officer to remit tax funds electronically. These codes will numerically represent each TCD, each school district and each municipality so that funds can be distributed between TCDs and from TCDs to member school districts and municipalities.

The Center is also developing an audit format for the annual audit required to be completed for the Tax Officer each year by a certified public accountant. The audit report will be filed with each tax collection committee and the political subdivisions within the TCD by September 1 of each year.

Act 32 requires mandatory training and education for tax officers on an annual basis. The Center is required to adopt regulations, guidelines and procedures which establish the qualifications and requirements a Tax Officer must meet. A Tax Officer would be deemed qualified if he or she passes the certification exam developed by the Center. Tax Officers must be certified prior to being appointed by a TCC and must also maintain their certification through the completion of continuing education courses.

Although Act 32 did not provide specific funding to facilitate implementation of the new system, DCED agreed to prioritize funding under its Shared Municipal Services Program to the degree it is available to assist with start-up costs of establishing the Tax Collection Districts.

Earned Income Tax Consolidation System Best Practices Report

Operational Procedures

> ready > set > succeed



Operational Procedures for the Implementation of Act 32 Earned Income Tax Collection

Procedures are based upon guidelines established with the model bylaws.

Formulation of the Governing Body: The Governing Body of the Tax Collection Committee (TCC) shall be called the Board of Delegates hereafter referred to as the Board. The Board shall consist of voting delegates appointed by the school districts and the municipalities (Taxing Authority) within the Tax Collection District. Pursuant to Act 32 of 2008 (53 P.S. § 6924.101 et. Seq. (2008)) and the bylaws adopted by this Board, the Board shall have the full power and authority to act as the governing body of the TCC.

Delegate Responsibility: Each Taxing Authority that imposed an income tax prior to July 1, 2009, shall appoint one voting delegate, an alternate delegate and if desired a second alternate delegate. In the absence of the voting delegate, the first alternate delegate will be considered the voting delegate. In the absence of both the voting delegate and the first alternate delegate, the second alternate delegate will be considered the voting delegate if one has been so selected. All delegates serve at the pleasure of and may be removed at any time by the governing body of the appointing Taxing Authority.

Voting Procedures: Actions by the TCC shall be conducted by majority of the weighted vote (initially provided by the Department of Community and Economic Development (DCED) and published on the DCED website) of the delegates present unless otherwise established in the bylaws. A quorum must be present at the time of the vote. The Tax Collection Committee shall recalculate the weighting of the votes of the delegates no later than July 1, 2010 and on July 1 every year thereafter based on the below formula unless an alternate voting procedure has been enacted by the TCC. The weight of the vote of a delegate appointed to represent more than one taxing authority shall be the sum of each weight assigned to the vote of each taxing authority delegate. Unless an alternate formula has been enacted, the TCC shall re-calculate the weighted vote based on the following formula:

1. 50% of the weight for each delegate vote will be allocated according to proportional population of each taxing authority in proportion to the total of the Tax Collection District, as determined by the most recent Federal decennial census data; and
2. 50% of the weight for each delegate vote will be allocated in direct proportion to the income tax revenues collected for each Taxing Authority based on each Taxing Authority's most recent annual financial report submitted to DCED or the Department of Education.

Any delegate appointed to represent more than one Taxing Authority shall have a weighted vote equal to the sum of the respective weighted vote of each Taxing Authority that the delegate represents.

All actions taken by the Board shall be by majority vote of those delegates present, providing a quorum is present at the time of voting. In counting delegate votes, each delegate shall have a vote based on each Taxing Authority's weighted vote.

Quorum Establishment: The Tax Collection Committee shall establish a quorum by the presence of a majority of the voting delegates of the entire TCC. For purposes of calculating a quorum, a delegate representing more than one taxing authority shall be counted as one delegate for each Taxing Authority the delegate represents.

Meetings: Meetings of the Board shall be held on such dates as shall be established by the Board but no less often than quarterly. Meetings of the Board shall be subject to the Sunshine Act (65 Pa.C.S.A. § 701 et seq.) Special meetings may be called by the Chairperson. The Secretary shall maintain the minutes of the meetings of the Board.

Meeting Notices: The Secretary of the TCC shall provide notice to all voting and nonvoting delegates and officers of all meetings of the Board. If a delegate is unable to be present, either in person or by other legal means at a Board meeting, it is the responsibility of the delegate to advise the Tax Authority's alternate delegate(s). The TCC shall provide such notice at least twenty-four (24) hours in advance of any regular or special committee meeting. A meeting notice shall at a minimum specify the date, time, and address of the meeting. For all public meetings the Secretary shall also give public notice of the meeting in accordance with the Sunshine Act.

To provide a meeting notice the Secretary shall notify the Delegate, Officer, or Committee Member by first class or express mail. The notice may also be sent by fax or email transmission.

Powers and Duties of the Tax Collection Committee Board

The Board in performing its duties will rely substantially on by-laws, policies and procedures of the TCC and information provided by the Chairperson, Vice Chairperson, Secretary, Assistant Secretary and Treasurer. The Board shall have responsibility and authority with respect to the TCC operations, finances, oversight, and other Tax Collection Committee affairs.

The duties of the Board shall include receiving and reviewing information provided by the, Chairperson, Secretary, and others in order to keep fully informed as to the TCC operations, finances, oversight and other affairs.

Board Authority: All powers of the TCC shall be exercised by and under the authority of the Board. The business and affairs of the TCC shall be managed under the direction of the Board. The Board shall have the authority to act on the following:

- a. Adoption, amendment, repeal of policies, procedures, bylaws or resolutions.
- b. Approval to take joint action with one or more other Tax Collection Committee or to form a Multi-County Tax Collection Committee.
- c. Approval to acquire, lease, rent, or dispose of real or personal property.
- d. Election of TCC officers.
- e. Appointment and removal of Solicitor, Auditor, Open Records Officer, Depository(ies) and Tax Appeal Board members.
- f. Approval of the TCC Budget.
- g. Approval to create a Tax Collection Bureau within the Tax Collection District and/or to dissolve said Bureau.
- h. Approval of the requests by political subdivisions for the TCC to collect any taxes and fees other than income taxes.
- i. Appointment of the Tax Officer and approval or termination of the tax collection agreement with the Tax Officer.

- j. Approval to open, close, or relocate the TCC office.
- k. Approval of all TCC Expenditures.
- l. Initiation and settlement of legal proceedings.
- m. Approval to borrow money, accept grants, incur indebtedness, and issue notes, debentures, and other obligations to evidence borrowing.
- n. Establish the compensation of and personnel policies for TCC employees and the Executive Director to the extent provided for in the budget.
- o. Determine the allocation of costs for the operation of the TCC on an annual basis.
- p. Any other issues or matters that come before the Board pursuant to the authority provided under Act 32.

The Board shall hold an annual organizational meeting during the month of January of each year. Said meeting shall be advertised pursuant to the Sunshine Law. At the annual organizational meeting the Board shall elect officers, review the Tax Officer's performance bond, and act on any necessary Board Appointments. This would include appointment of the Solicitor, Auditor, Open Records Officer, members of the Tax Appeals Board, and one or more banks to serve as the primary depositor for the TCC.

The Tax Collection Committee shall provide for at least one examination for each calendar year of the books, accounts, financial statements, and compliance reports of the Tax Officer. This audit shall be performed by a Certified Public Accountant approved by the Tax Collection Committee. The examination shall include an audit of all records relating to cash basis receipt and disbursement of all public money by the Tax Officer. A reconciliation of the monthly reports is required. Also, an analysis of the bond amount and the collection fees charged to the Tax Collection Committee shall be performed. The examination shall be conducted under the "Generally Accepted Governmental Auditing Standards."

Powers and Duties of the Officers of the Tax Collection Committee

The Board shall elect the following officers: Chairperson, Vice Chairperson and Secretary. The election of an Assistant Secretary, Treasurer and any other officer as provided by the bylaws is permitted and at the discretion of the Board. Beginning January 1, 2010 and every year thereafter, each officer shall hold office for a term of one (1) year starting January 1 and until a successor has been elected. If a vacancy occurs the position may be filled sooner. Any officer may be removed from the Board at any time with or without cause upon majority vote of the Board.

Powers and Duties of the Chairperson: The Chairperson shall be a voting delegate and shall preside at all Board meetings. The Chair in consultation with the Secretary shall develop an agenda, and perform other duties as assigned by the Board.

Powers and Duties of the Vice-Chairman:

The Vice Chairperson shall be a voting delegate and shall perform duties as designated by the Board. The Vice Chairperson will serve in the absence of the Chair.

Powers and Duties of the Secretary/Assistant Secretary:

The Secretary of the Board shall keep a record of all votes and other actions taken by the TCC.

The Secretary may or may not be a voting delegate and shall maintain the minutes and records of the Board and provide notices to each delegate and alternate delegate to the Tax Collection Committee of all meetings of the Board. Within thirty days after the election of any officer, the Secretary shall notify DCED of the name and contact information of each officer.

The Board may elect an Assistant Secretary who shall serve in the absence of the Secretary.

Powers and Duties of the Treasurer:

The Treasurer may or may not be a voting delegate. The Treasurer shall have the care and custody of all operational monies belonging the Tax Collection Committee, shall cause such monies to be deposited into such financial institutions and accounts as designated by the Board, shall make a report of the Tax Collection Committee's finances at each regular Board meeting, shall assist in the preparation of the budget and shall make financial information available to the Board, the Officers and committees and shall exercise duties incident to the office of the Treasurer. The Board shall require the Treasurer to have a bond in an appropriate amount as determined by the Board. The cost of the Treasurer's Bond will be assumed by the TCC. The Treasurer shall Chair the Finance Committee should such committee be formed.

Powers and Duties of other Board Officers or Related Appointments

The Board may appoint officers in addition to those prescribed in the law. Any additional officer may or may not be voting delegates, and shall perform duties as assigned.

Solicitor:

The Board may appoint a Solicitor to advise the Tax Collection Committee regarding any legal issues that may arise. The Solicitor may be present at all regular business meetings of the Board and may be present at other meetings of the Board and its committees upon request with proper notice given. The Solicitor shall not be a delegate.

Appointment of Open Records Officer:

The Board shall appoint an Open Records Officer. The Open Records Officer shall consult with the Solicitor as needed and ensure that the Tax Collection Committee complies with the Right to Know Law, 65 P.S. 67.101 et seq. The Open Records Officer shall receive Right to Know requests submitted to the TCC; they shall direct the request to the appropriate person within the TCC or within another agency, track the TCC's progress in responding to requests and issue an interim and final response to requests.

Auditor:

The auditor shall be a Certified Public Accountant and shall be responsible for the performance of the annual audit of the Tax Officer and the annual audit of the TCC. The auditor shall not be a delegate.

The auditor shall issue a report, in a format prescribed by the DCED, to the TCC, which shall include an auditor's opinion letter, a financial statement, a reconciliation of the monthly reports which will include receipts and disbursements.

A summary of collection fees charged to the TCC should also be provided. This will include a report on the Tax Officers compliance with the Act. Any issues relating to non-compliance with the act should be included within the management letter. If there are findings of noncompliance, a copy of the report shall be filed with the Department of the Auditor General and the DCED. A copy of the auditor's report shall be filed with all political subdivisions within the Tax Collection District and the DCED on or before September 1 or the succeeding year.

Tax Officer:

The Board shall appoint a Tax Officer for the assessment, collection, and administration of earned income taxes levied, imposed, and collected in fiscal years beginning no sooner than January 1, 2011 and no later than January 1, 2012. Prior to initiating any official duties, the Tax Officer shall give and acknowledge a bond to the TCC consistent with the provisions of 53 P.S. § 6924.509 (d) and any regulations or guidelines published by the Department of Community and Economic Development.

The Tax Officer shall meet the following requirements:

Persons and entities or maintaining appointment as tax officers shall successfully complete mandatory education as a prerequisite for appointment and for continuing said appointment, not less than annually. Educational requirements shall be based on a thorough understanding of Act 32, and the earned income tax collection process in Pennsylvania.

The TCC may establish additional qualifications and requirements for a Tax Officer.

The Tax Officer shall collect, reconcile, administer, and enforce earned income taxes imposed on residents and nonresidents of each political subdivision included in the Tax Collection District.

The Tax Officer shall receive, process and distributes earned income taxes withheld by employers within the Tax Collection District and enforces said withholding procedures as provided by law.

The Tax Officer shall distribute income taxes to political subdivisions within the Tax Collection District and to the Tax Officers of other Tax Collection Districts.

The Tax Officer shall invest all income taxes that are in their custody in authorized investments, subject to the approval of the TCC. The Tax Officer shall only utilize "authorized investments e.g. Short-Term Obligations of the United States of America, savings and money market accounts, investment pools and fully collateralized repurchase agreements.

Furnish monthly reports within twenty (20) days after the end of each month, on forms prescribed by the DCED, to the Secretary of the TCC and the Secretary of each Taxing Authority within the Tax Collection District. The report shall include a break-down of all income taxes collected for the period, investment income and other revenues .

Tax Officer Bond:

Prior to any engagement the Tax Officer shall provide to the Chairman of the Tax Collection Committee a bond in an amount to be determined by the TCC and regulations established by the DCED. The Tax Collection Committee shall be responsible for fiscal controls, insurance and other risk management and loss prevention measures used by the tax collection district, to secure the financial responsibility of the Tax Officer.

Each bond shall be joint and several, with one or more surety companies authorized to do business in the Commonwealth and licensed by the Pennsylvania Insurance Department.

Each bond should be conditioned upon the completion of all of the following by the Tax Officer's employees and appointees:

- i. Faithful execution of all duties required by the Tax Officer
- ii. Just and faithful accounting and payment over all moneys paid to the Tax Officer
- iii. The delivery of all tax records or other official items held in right as the Tax Officer to his/her successor.

Each bond shall be taken in the name of the Tax Collection District and shall be for the use of the Tax Collection District and any other political subdivision or tax collection district for which income taxes shall be collected or distributed in case of a breach of any conditions of the bond by the acts or neglect of the principal on the bond.

Each bond shall contain the name of the surety company bound by the bond.

The Tax Collection Committee shall designate a custodian of the bond. The Tax Officer shall file copies of all bonds in effect with each political subdivision in the Tax Collection District.

Tax Officer Records:

It shall be the duty of the Tax Officer to keep a record showing the amount of income taxes received from each taxpayer, or Tax Officer, the date of receipt, and the amount and date of all moneys received or distributed. All tax records shall be the property of the political subdivision and the tax collection district in which the taxes were collected. The Tax Collection District and Tax Officer shall retain all tax records as directed by the TCC and, when applicable, in accordance with retention and disposition schedules established by the Local Government Records Committee of the Pennsylvania Historic and Museum Commission. Tax records may be retained electronically as permitted by law.

Employer and Taxpayer Audits:

To verify the accuracy of any income tax declaration or return, or, if no declaration or return was filed, to ascertain the income tax due, the Tax Officers and the Tax Officers designated employees may examine or audit the records of an employer, a taxpayer and/or a person whom the Tax Officer reasonably believes to be an employer or taxpayer.

Each Tax Collection District may enter into an agreement with the Department of Revenue to verify addresses and related income tax information in its custody.

Powers and Duties of Committees

The Board may appoint standing and special committees as deemed necessary.

Committee meetings shall be held on dates and at times established by the respective committee. Special committee meetings shall be called upon as requests are received from any officer or committee member and upon approval of the Chair of the Committee.

Quorum of a committee shall be established by the presence of a majority of all committee members or prescribed by the TCC.

Committee members appointed by the Board shall have and may exercise all powers and authority granted by resolution of the Board. The various committees shall coordinate their activities. Committee recommendations that involve the expenditure of funds shall be transmitted to the Board for its consideration and action.

Appointment of Executive Director and/or Management or Steering Committee

The Board may appoint an Executive Director to run the daily operations of the TCC. The Executive Director shall report to and performs tasks as directed by the Board.

The Board may appoint a Management Committee or other Steering Committee e.g. Administration, Finance, and Taxation. The purpose of these Committee(s) is to assist the Board in its oversight of TCC operations.

Powers and duties for the Executive Director and/or Management or Steering Committee:

1. Gather information relevant to Board decisions and present the findings and make recommendations based upon those findings to the Board.
2. Select other TCC employees to the extent provided within the budget.

3. Recommendation a slate of officer nominees and other appointments.
4. Recommend employee or Tax Officer Insurance Bond or theft protection insurance amounts.
5. Recommend contracts.
6. Recommend the amendment of the budget by the designation of monies budgeted in one expenditure category to be transferred to another expenditure category when it is determined the funds budgeted in the first category will not be needed.
7. Recommend new accounts or signature authority with respect to accounts established at any bank or other financial institution previously approved by the Board.
8. Monitor TCC insurance to verify insurance and bonding requirements are fulfilled.
9. Establish the scope of the audit of the Tax Officer and the TCC's financial statements performed by the TCC auditor.
10. Under the direction of the Solicitor, ensure compliance with applicable laws and regulations.
11. Coordinate the transition from the former tax collectors based upon applicable laws and regulations.
12. Monitor TCC finances and ensure TCC funds are being spent as delineated in the budget.
13. Calculate and present to the Board TCC expense allocation for each Taxing Authority.
14. Recommend amendments to the tax collection agreement that do not materially favor one tax authority over another.
15. Recommend the Department of Revenue Information Exchange Agreement.
16. Recommend regulations, policies, and procedures for tax administration.
17. Oversee the Tax Appeal Board's operation.
18. Coordinate the TCC involvement in the DCED mediation process as necessary or appropriate.
19. Manage all other aspects of the daily operations of the TCC as assigned by the Board.

Fiscal Procedures

The Board shall establish a manner and extent of financing of the TCC consistent with the law.

1. The TCC shall operate on a January 1- December 31 fiscal year. The TCC should present a proposed operating budget which should be distributed to the delegates and taxing authorities at least sixty days prior to the end of the fiscal year. Subsequent to the public meetings of the board the Budget shall be adopted no later than December 31. A copy of the budget shall be transmitted to each delegate, officer, committee member, and Taxing Authority within ten (10) days of its adoption.
2. The TCC shall determine the allocation of costs for the operation of the TCC on an annual basis. Said allocation shall be weighted in direct proportion to the income tax revenues collected in each participating Taxing Authority based upon the Taxing Authority's most recent annual audit report or according to an allocation schedule as designated by the Board.
3. An insurance bond shall be obtained for each Tax Officer and Treasurer. In addition to the insurance bond for the Tax Officer and Treasurer, the Board may require a bond in an appropriate amount set by the Board which cost shall be assumed by the Board for each person with signature authority on any of the accounts of the TCC.

Adding a Tax Authority

A political subdivision within a Tax Collection District that elects to impose an income tax for the first time shall provide a certified copy of the duly enacted ordinance imposing the income tax along with any additional documentation required by the TCC. Once the TCC confirms the Taxing Authority has provided the documentation necessary for the collection of taxes, the new Taxing Authority's delegate may participate as a voting delegate of the Board in accordance with the bylaws.

Tax Appeals Board

The Tax Appeals Board shall be comprised of a minimum of three members and two alternates. All Tax Appeals Board members shall be voting delegates of the TCC. The Tax Appeals Board or the Joint Tax Appeals Board shall hear the appeals of a determination of a Tax Officer relating to the assessment, collection, refund, withholding, remittance, or distribution of income taxes. An appeal may be filed with a taxpayer, employer, political subdivision, or another tax collection district. A panel of three members shall hear and decide each appeal. If a regular member is unavailable to participate in the appeal, one of the alternate members shall participate in place of the regular member. Members of the Tax Appeals Board shall not be the Tax Officer or an employee, agent, advisor, or consultant of the Tax Officer of the TCC or any other TCC that is a member of the Joint Tax Appeals Board.

The TCC may join with other TCC's to form a Joint Tax Appeal Board. All appeals shall be conducted in a manner consistent with 52 PA C.S. 8431, Local Taxpayers Bill of Rights Law. A member of the Tax Appeals Board may be removed by the Board at anytime with or without cause. The Tax Appeals Board may consult with the TCC Solicitor regarding any legal issues that may arise.

Earned Income Tax Consolidation System Best Practices Report

Model Bylaws

> ready > set > succeed



Acknowledgement

DCED would like to thank:

Bylaws and Regulations Subcommittee

Pennsylvania Association of School Business Officials

Law Offices of Kegel Kelin Almy & Grimm LLP

for their time and assistance in the content of these model bylaws.

Model Bylaws

ARTICLE I. Board of Delegates

Section 1. Governing Body. The governing body of the _____ County Tax Collection Committee (the “TCC”) shall be called the Board of Delegates (the “Board”). The Board shall consist of voting delegates appointed by the school districts and municipalities (the “Taxing Authorities”) within the _____ Tax Collection District (the “TCD”). Subject to these By-Laws and Act 32 of 2008 (53 P.S. § 6924.101 *et seq.* (2008)), the Board shall have full power and authority to act as the governing body of the TCC.

Section 2. Delegates. Each Taxing Authority that imposed an income tax prior to July 1, 2009, shall appoint one voting delegate, an alternate delegate and, if desired, a second alternate delegate. In the absence of the voting delegate, the first alternate delegate will be considered the voting delegate. In the absence of both the voting delegate and the first alternate delegate, the second alternate delegate will be considered the voting delegate. All delegates serve at the pleasure of and may be removed at any time by the governing body of the Taxing Authority that appointed the delegate.

Comment: Because of the complexity inherent in the law, it might be difficult to administer a TCC without some changes to the bylaws as permitted in 53 P.S. § 6924.505(f). The Board may consider some of the following options to facilitate the operation of the TCC: 1) changing or eliminating the weighted vote; 2) reducing the number of delegates 3) utilizing a Management Committee; and/or 4) retaining an Executive Director. Option 1 follows the standard weighted vote whereas Option 2 provides one equally weighted vote for each taxing authority. There are alternatives that may fit the makeup of your TCC better than these options, but it would be best to address voting in Section 3.

[*Option 1* **Section 3. Voting.** All actions taken by the Board shall be by majority of the weighted vote of those delegates present, provided a quorum is present at the time of voting. The Department of Community and Economic Development (“DCED”) will calculate the weight of each delegate’s vote pursuant to 53 P.S. § 6924.505(c)(3) and publish the results in the Local Tax Register. Pursuant to such section, the TCC shall recalculate the weighting of the votes of the delegates on July 1, 2010 and on July 1 every year thereafter based on the appropriate parameters. The weight of the vote of a delegate appointed to represent more than one taxing authority shall be the sum of each weight assigned to the vote of each taxing authority delegate.]

[**Option 2 Section 3. Voting.** All actions taken by the Board shall be by majority vote of those delegates present, providing a quorum is present at the time of voting. In counting delegate votes, each delegate shall have one equally weighted vote for each taxing authority the delegate represents.]

Section 4. Quorum. Quorum shall be established by the presence of a majority of the voting delegates of the TCC. For purposes of calculating quorum, a delegate representing more than one taxing authority shall represent an amount in correlation to the number of taxing authorities the delegate represents.

Section 5. Meetings. Meetings of the Board shall be held on such dates as shall be established by the Board but no less often than quarterly. Public meetings of the Board shall be subject to the Sunshine Act (65 Pa.C.S.A. § 701 *et seq.*). Special meetings may be called by the Chairperson [or the Management Committee]. The Secretary shall maintain the minutes of the meetings of the Board.

Comment on Section 5: A TCC may want to make it possible for a delegate or committee member to participate in a meeting by conference call. While DCED believes such a provision may be useful, it should be limited to specific circumstances in order to promote an organized meeting environment.

Section 6. Board Duties. The duties of the board shall include the following:

- a. The Board shall receive and review information provided by the Secretary, Chairperson and others in order to keep fully informed as to TCC business, operations and other affairs.
- b. The Board shall keep records of all votes and other actions taken by the TCC.
- c. The Board shall appoint and oversee a Tax Officer. In addition, the Board shall set the compensation of the Tax Officer and shall require, hold, set and review the Tax Officer's bond.
- d. The Board shall establish the manner and extent of financing of the tax collection committee.
- e. The Board shall adopt, amend and repeal bylaws, resolutions, policies and procedures for the administration of the collection of taxes within the tax collection district.
- f. At each regular Board meeting, the Secretary shall present a report to the Board of all TCC expenditures paid or incurred during the calendar year quarter preceding the month in which the meeting is held.

- g. Although the Board in performing its duties will rely substantially on information from and decisions by the Secretary, Chairperson and others, the Board shall have ultimate responsibility and authority with respect to TCC business, financial oversight and other TCC affairs.
- h. The Board will always have the right to direct TCC action on any matter by policy, resolution, directive or other measure, including a direction that reverses prior action of any committee or officer. Any reversal of a prior action shall not negate any contract rights acquired by a third party pursuant to a contract properly approved before the Board action reversing the prior decision.

Comment on Section 7: While a Board may delegate much of the day to day activities of the TCC, this section should be used to list those decisions which it does not want to delegate.

Section 7. Retention of Board Authority. Except as otherwise provided in these bylaws, all powers of the TCC shall be exercised by or under authority of the Board, and the business and affairs of the TCC shall be managed under direction of the Board. The Board may delegate authority for actions to committees, officers and others. However, without regard to any prior delegation of authority only the Board shall have authority to act on, any of the following:

- a. Adoption, amendment or repeal of [policies,] [procedures,] bylaws or resolutions.
- b. Approval to merge or take joint action with one or more other TCCs to form a multi-county TCC.
- c. Approval to acquire, lease, rent or dispose of real or personal property.
- d. Appointment of additional officers.
- e. Approval of the TCC annual budget.
- f. Appointment or removal of TCC officers.
- g. Appointment of the TCC solicitor, TCC auditor, TCC insurance agent and Tax Appeal Board Members.
- h. Approval to create a bureau to collect taxes within the TCD, or to dissolve any such bureau.
- i. Approval of requests by political subdivisions for the TCC to collect any tax other than income tax.
- j. Appointment of the Tax Officer and approval or termination of the tax collection agreement with the Tax Officer.
- k. Approval to open, relocate or close any office.
- l. Ratification of all TCC expenditures.

- m. Initiation of lawsuits.
- n. Transfer of funds between or among TCCs.
- o. Approval to borrow money, accept grants, incur indebtedness and issue notes, debentures and other obligations to evidence borrowing.
- p. Any other issue or matter as to which the Board in the future adopts a resolution reserving the authority to act on the issue or matter.
- q. See Appendix A for examples of additional items.

Comment on Section 8: In addition, some decisions are so important, so fundamental to the way the Board operates that the Board should consider bylaws which require a supermajority vote in limited circumstances. The law does not require Boards to do so, but DCED believes such a provision would be valuable in preventing mistakes that could have a lasting effect and may be difficult to reverse.

Section 8. Vote Required for Certain Decisions. Notwithstanding any other provision of these bylaws, action taken by the Board on the following issues or matters shall be by roll call vote and shall require the affirmative vote of a two-thirds (2/3) super-majority of all the delegate votes present: (1) amendment of these bylaws. (2) Approval to merge or take joint action with one or more other TCCs to form a multi-county TCC. (3) Approval to purchase or sell real estate. (4) Appointment of additional officers (5) Approval to incur debt in excess of \$_____.

ARTICLE II. Officers, Agents and Employees

Comment: The law does not require a Treasurer to be elected but, considering the financial nature of the Board's mission, a Treasurer may be an essential part to an efficiently run TCC.

Section 1. Officers. The Board will have and shall elect the following officers: Chairperson, Vice-Chairperson, Secretary, [Treasurer] and any other officers as provided by these bylaws (the "Officers"). Different officers may be held by the same person if determined appropriate by the Board. Beginning on January 1, 2011 and every year thereafter, each officer shall hold office for a term of one (1) year starting January 1 and until a successor has been elected, or earlier if a vacancy occurs. Any Officer may be removed by the Board at any time, with or without cause.

Section 2. Annual Meeting. In the year after the first meeting and every year thereafter, the Board shall designate one of its regular meetings as its annual organization meeting. At the annual organization meeting,

the Board shall elect officers, review the tax officer's performance, and as necessary the Board may appoint a solicitor, a certified public accountant or public accountant to perform an annual audit of the tax collection activities of the Tax Officer and the financial activities of the TCC, the members of the Tax Appeal Board, and one or more banks to serve as the primary depository for the TCC.

Section 3. The Chairperson. The Chairperson shall be a voting delegate. The Chairperson shall preside at Board meetings, set Board meeting agendas, and perform other duties as designated by the Board.

Section 4. The Vice-Chairperson. The Vice-Chairperson shall be a voting delegate and shall perform duties as designated by the Board. In the event of the Chairperson's absence or unavailability, the Vice-Chairperson shall perform the duties of the Chairperson at that meeting only.

Section 5. The Secretary. The Secretary may or may not be a voting delegate. The Secretary shall maintain the minutes and records of the Board and provide notices to each delegate and alternate appointed to the TCC. If the Secretary is not in attendance at a meeting, the Chairperson shall designate one of the delegates in attendance to act as Secretary for purposes of that meeting only. Within thirty (30) days after the election of any officer, the Secretary shall notify DCED of the name and address of each officer.

[**Section 6. The Treasurer.** The Treasurer may or may not be a voting delegate. The Treasurer shall have the care and custody of all operational monies belonging to the TCC, shall cause such monies to be deposited into such financial institutions and accounts as designated by the Board, shall make a report of TCC finances at each Board meeting, shall assist in the preparation of the budget and shall make financial information available to the Board, the Officers, the committees and shall exercise all duties incident to the office of the Treasurer. The Board may require the Treasurer to have a bond in an appropriate amount as determined by the Board. The cost of the Treasurer's bond will be assumed by the TCC.]

Section 7. Additional Officers. The Board may appoint officers in addition to the Chairperson, Vice Chairperson, Secretary and Treasurer. Any additional officer may or may not be a voting delegate, shall not preside at meetings unless both the Chairperson and Vice-Chairperson are absent or unavailable, and shall perform duties as designated by the Board.

Section 8. Tax Officer. The Board shall appoint a Tax Officer for the assessment, collection and administration of income taxes levied, imposed and collected in fiscal years beginning on and after January 1, 2012. Prior to initiating any official duties, the Tax Officer shall give and acknowledge a bond to the TCC consistent with the provisions of 53 P.S. § 6924.509(d) and any regulations or guidelines published by DCED.

Comment on Section 9: The law does not require each TCC to appoint a Solicitor, but, considering the complexity of the issues that will face the Board from the very beginning, DCED strongly recommends appointing a solicitor.

Section 9. Solicitor. The Board [shall] [may] appoint a Solicitor to advise the TCC regarding any legal issues that may arise. [The Solicitor [shall] [may] be present at all regular meetings of the Board and [shall][may] be present at other meetings of the Board, Management Committee, Executive Director and Tax Appeal Board upon request with proper notice given.]

Section 10. Open Records Officer. The Board shall appoint an Open Records Officer. The Open Records Officer shall consult with the Solicitor as needed and ensure that the TCC is compliant with The Right to Know Law, 65 P.S. § 67.101 *et seq.* The Open Records Officer shall receive Right to Know requests submitted to the TCC, direct the requests to the appropriate person within the TCC or within another agency, track the TCC's progress in responding to requests and issue interim and final responses to requests.

[**Section 11. Executive Director.** The Board may appoint an Executive Director to manage the daily operations of the TCC. The Executive Director shall report directly to and perform tasks as directed by the [Management Committee] [Board]. Subject to these bylaws, the Executive Director shall have the following powers and duties:

a . See Appendix A for examples of powers and duties that could be given to an Executive Director.]

ARTICLE III. Notice

Section 1. Required Notices. The TCC shall give notice to all voting and nonvoting delegates and officers of all meetings of the Board. The TCC shall give such notice at least 5 business days in advance of any regular or special Board meeting. If a delegate is unable to be present, either in person or via electronic means, at a Board meeting, it is the responsibility of the delegate to advise the taxing authority's alternate delegates. The TCC shall give notice to all committee members of all meetings of committees of the Board. The TCC shall give such notice at least 24 hours in advance of any regular or special committee meeting. Any person shall have the right to waive required notice. A meeting notice shall at minimum specify the date, time and address of the meeting. For a public meeting, the Secretary shall also give public notice of the meeting in accordance with the Pennsylvania Sunshine Act.

Section 2. Manner of Giving Notice to Delegates, Officers or Committee Members. Any notice or document required to be given to a delegate, officer or committee member shall be given to the person either by hand delivery, or by sending a copy thereof as follows:

- a. Written notice may be given by first class or express mail, postage prepaid or other courier service with charges prepaid, to the person's postal address supplied by the person to the Board for the purpose of notice. Notice given in this manner shall be deemed given to the person when deposited in the U.S. mail or with a courier service for delivery to the person.
- b. Alternatively, written notice may be given by facsimile transmission, e-mail or other electronic communication to the person's facsimile number or address for e-mail or other communication supplied by the person to the Board for the purpose of notice. Notice given in this manner shall be deemed given to the person when confirmed by a matching transmission receipt from a facsimile or a matching read receipt from the email recipient.
- c. Alternatively, notice of a meeting required to be given to a delegate, officer or committee member may be given by telephone. Notice given in this manner shall be deemed to be given to the person when a telephone conversation occurs with the person, or when a voice mail is left on a recording at a telephone number supplied by the person to the Board for the purpose of notice.

Section 3. Manner of Giving Notice to Taxing Authorities. Any notice or document required to be given directly to a Taxing Authority shall be given either by hand delivery, or by sending a copy thereof as follows:

- a. Written notice may be given by first class or express mail, postage prepaid or other courier service with charges prepaid, to the taxing authority postal address either supplied to the Board by the Taxing Authority or appearing on the Taxing Authority website which has been updated in the past year. Notice given in this manner shall be deemed given to the Taxing Authority when hand delivered or deposited in the U.S. mail or with a courier service for delivery to the Taxing Authority.
- b. Alternatively, written notice may be given by facsimile transmission, e-mail or other electronic communication to the Taxing Authority facsimile number or address for e-mail or other communication supplied to the Board by such Taxing Authority or appearing on the Taxing Authority website which has been updated in the past year. Notice given in this manner shall be deemed given to the Taxing Authority when confirmed by a matching transmission receipt from a facsimile or a matching read receipt from the email recipient.

Section 4. Manner of Giving Notice to DCED. Any notice or document required to be given to DCED may be given by first class or express mail, postage prepaid, or other courier service with charges prepaid, to DCED's official address. Notice may also be given to DCED in any other manner established by DCED. Notice shall be deemed given to DCED when deposited in the U.S. mail or with a courier service for delivery to DCED.

ARTICLE IV. Committees

Comment: DCED suggests the Board establish committees based upon the TCC's specific needs. For example, a Nominating Committee charged with establishing nominating policies and officer term limits may help a TCC maintain a healthy turnover of officers. As another example, an Audit Committee charged with reviewing the annual audits and the auditing procedures and made up of individuals independent of the TCC may encourage more effective oversight and monitoring.

Section 1. Committees. The Board may designate committees as needed. The members of such committees shall be appointed by the Chairperson, subject to the approval of the Board.

Section 2. Committee Meetings. Committee meetings shall be held on dates and at times established by the respective committee. Special committee meetings shall be called upon request received from any officer or committee member and upon approval of the Chair of the committee.

Section 3. Quorum and Voting. Quorum of a committee shall be established by the presence of a majority of all committee members. Except as otherwise provided by these bylaws, all action taken by a committee shall be by majority vote of all committee members present.

Section 4. Committee Powers and Duties. Subject to these bylaws, any committee appointed by the Board shall have and may exercise all powers and authority granted by resolution of the Board.

Section 5. Coordination. The various committees shall coordinate their activities. Any recommendation, which shall require the expenditure of funds not provided in the budget shall first be transmitted in writing to the [Management Committee for its consideration and recommendation to the Board] [Board].

[**Section 6. Advisory.** The Executive Director shall serve as an Advisory Member of each committee but shall not have any vote on any committee action.]

[**Section 7. Management Committee.** The Board shall appoint a Management Committee that shall consist of the Board Chairperson, Vice Chairperson, and five (5) additional voting delegates appointed by the Board. The purpose of the Management Committee is to assist in the oversight of TCC management and in exercising certain specific powers. Subject to these bylaws, the Management Committee shall have the following powers and duties:

- a. See Appendix A for examples of powers and duties that could be given to a Management Committee.]

ARTICLE V. Finances

Section 1. Fiscal Year. The TCC fiscal year shall begin on _____ and end on _____.

Section 2. The Budget. The proposed budget for the operation of the TCC shall be distributed by the Chairperson to the delegates and taxing authorities at least sixty (60) days prior to meeting scheduled for the adoption of the Budget. If no budget is adopted at that meeting, the Board shall set another meeting within ten (10) days of the annual organization meeting for the purpose of adopting a budget. A budget for the forthcoming fiscal year shall be adopted fifteen (15) days before the end of the current TCC fiscal year. A copy of the budget shall be transmitted to each delegate, officer, committee member and Taxing Authority within ten (10) days of its adoption.

Section 3. Allocation of Costs. The net expenses of the TCC shall be allocated among the taxing authorities for which the TCC collects taxes. All such expenses shall be weighted in direct proportion to the income tax revenues collected in each participating taxing authority based upon the TCC's most recent annual audit report.

Section 4. Bonds. In addition to the bonds for the Tax Officer, Treasurer and others, the Board may require a bond in an appropriate amount set by the Board which cost shall be assumed by the Board for each person with signature authority on any of the accounts of the TCC.

ARTICLE VI. Miscellaneous

Section 1. Adding a Taxing Authority. If, after June 30, 2009, a taxing authority imposes an income tax for the first time, the taxing authority shall provide all documentation necessary for the collection of taxes to the TCC as determined by the TCC. Once the TCC confirms the taxing authority has provided the documentation necessary for the collection of taxes, the taxing authority's delegate may elect to participate on the Board as a voting delegate in accordance with these bylaws.

Section 2. Tax Appeal Board. The Tax Appeal Board or the Joint Tax Appeal Board shall hear the appeals of a determination of the Tax Officer relating to the assessment, collection, refund, withholding, remittance or distribution of income taxes. An appeal may be filed by a taxpayer, employer, political subdivision or another tax collection district. All Tax Appeal Board members shall be voting delegates. The Tax Appeal Board shall be comprised of three (3) regular members and two (2) alternate members appointed by the Board. A panel of three (3) members shall hear and decide each appeal. If a regular member is unavailable to participate in the appeal, one of the alternate members shall participate in place of the regular member. The members of the Tax Appeal Board shall not be the Tax Officer or an employee, agent, advisor or consultant of the Tax Officer of the TCC or any other TCC that is a member of the Joint Tax Appeal Board. The TCC may join with other tax collection committees to form a Joint Tax Appeal Board. All appeals shall be conducted in a manner consistent with 53 Pa.C.S. § 8431 *et seq.* A member of the Tax Appeal Board may be removed by the Board at any time, with or without cause. The Tax Appeal Board may consult with the TCC Solicitor regarding any legal issues that may arise.

Section 3. Amending the Bylaws. The Board shall provide a copy of each proposed amendment to all delegates and taxing authorities thirty (30) business days before the Board meeting at which it will be presented for adoption.

Section 4. Gender. All references to the male and use of the male pronoun in these bylaws shall be considered to be references to the female and use of the female pronoun where applicable.

Comment: Listed below are examples of the powers and duties that a TCC may delegate to a Management Committee (Art. IV Section 7) or Executive Director (Art. II Section 11). If the TCC does not desire to delegate a power or duty to the Management Committee or Executive Director, it is recommended that the TCC reserve it for the Board in Article I Section 7.

APPENDIX A - Powers and Duties

1. Gather information relevant to Board [or Management Committee] decisions, present the findings to the Board [or Management Committee] and make recommendations based upon those findings.
2. [Recommendation] [Approval] of the compensation of the Executive Director [or any other employee or position].
3. Set the compensation of TCC employees other than the Executive Director to the extent provided for in the budget.
4. [With the approval of the Management Committee,] select other TCC employees to the extent provided for in the budget.
5. Direct actions by the Executive Director.
6. Recommendation of slate of officer nominees and other appointments.
7. [Recommendation] [Approval] of TCC positions other than the Executive Director.
8. [Recommendation] [Approval] of TCC expense allocation among the Taxing Authorities.
9. [Recommendation] [Approval] of employee or Tax Officer bond or theft protection insurance amounts.
10. Enter into contracts as necessary.
11. [Recommendation] [Approval] of any contract not reserved for Board action.
12. [Recommendation] [Approval] to amend the budget by transferring amounts budgeted in one expenditure category to another expenditure category when it is determined the the funds budgeted in the first category will not be needed.
13. [Recommendation] [Approval] of new accounts or signature authority with respect to accounts established at any bank or other financial institution previously approved by the Board.
14. [Recommendation] [Approval] of credit cards to be used for payment of TCC expenses through any bank or other financial institution previously approved by the Board.
15. Obtain and monitor TCC insurance from the TCC insurance agent.
16. Establish the scope of the audit of the Tax Officer and TCC's financial statements performed by the TCC auditor.
17. Assist in the development of contracts and requests for proposals.
18. Under the direction of the Solicitor, ensure compliance with applicable laws and regulations.

19. Coordinate the transition from the former tax collectors to the Tax Officer including but not limited to meeting the requirements imposed on the TCC by Act 32 of 2008.
20. Monitor TCC finances and ensure TCC funds are being spent as delineated in the budget.
21. Calculation and presentation of TCC expense allocation among the Taxing Authorities.
22. [Recommendation] [Approval] of amendments to the tax collection agreement that do not materially favor one taxing authority over another.
23. [Recommendation] [Approval] of the Department of Revenue Information Exchange Agreement.
24. Adoption of regulations, policies and procedures for tax administration.
25. Oversee the Tax Appeal Board's operations.
26. Coordinate the TCC involvement in the DCED mediation process as necessary or appropriate.
27. Furnish all information required by DCED for the DCED tax register.
28. Manage all other aspects of the daily operations of the TCC.
29. Defend the TCC in all courts and respond to legal claims, inquiries and complaints.

Earned Income Tax Consolidation System Best Practices Report

Information Technology Report

> ready > set > succeed



Table of Contents

Section I	Act 32 Requirements	1
A.	Scope of Document	1
B.	Act 32 Requirements	1
C.	Glossary	2
Section II	Final Report on EIT Collection Practices	5
A.	Scope of Document	5
B.	Report Summary	5
C.	Act 32 Requirements	7
D.	Best Practices	8
E.	Glossary	28
Section III	EIT Collection System Best Practices	30
A.	Scope of Document	30
B.	Best Practices	31
C.	Glossary	50
Section IV	Sample Work Statement	52
A.	Scope of Document	52
B.	Work Statement	52
C.	Glossary	62

Section I – Act 32 Requirements

A. Scope of Document

This document lists all of the requirements in Act 32 that pertain to an EIT collection system. By definition, such requirements must be considered best practices for an EIT collection system.

Requirements that do not pertain to an EIT collection system are not listed.

B. Act 32 Requirements

The following table contains the requirements in Act 32 that pertain to an EIT collection system. The table assigns each requirement a unique ID #, describes the requirement and references where in Act 32 the requirement appears.

Req. #	Description	Reference
1	Businesses with multiple locations across the state will be permitted to remit to the county where they are headquartered. If businesses elect to use this option, they must remit withholdings and employee wage taxes detail electronically on a monthly basis.	Section 511
2	If an out of state business does not have a headquarters in Pennsylvania, that business can pick the tax collection district to which it remits withholding and employee wage taxes detail electronically on a monthly basis.	Determination by DCED Legal
3	Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Requirement #1.	Section 511
4	Tax officers are required to remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions.	Section 513
5	Tax officers must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution.	Section 513
6	Employers and tax officers must use the PSD and TCD codes prescribed by the DCED.	Section 513
7	Tax officers must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's.	Section 509

Req. #	Description	Reference
8	Tax officers must keep records of every dollar received and distributed, and submit monthly reports accounting for each dollar.	Section 509
9	The TCC must provide for an annual audit by the end of the calendar year of the Tax Officer. The audit is to include all the books, accounts, financial statements, compliance reports and records. The audit report must be issued in a standardized format developed by the DCED and filed with the Department and all PSDs within the TCD by September 1 of the succeeding year.	Section 505 h
10	In calculating EIT, net losses from one of a taxpayer's business may be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income.	Section 502

C. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, however, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

Section II – Final Report on EIT Collection Practices

A. Scope of Document

This document is the Ajilon Project Team's final report to the Department of Community and Economic Development (DCED) on Earned Income Tax Collection Systems in the Commonwealth of Pennsylvania.

This document contains the following sections:

- **Section 2 – Report Summary.**
- **Section 3 – Act 32 Requirements.** This section lists all of the requirements in Act 32 that pertain to an EIT collection system. By definition, such requirements must be considered best practices for an EIT collection system. Requirements that do not pertain to an EIT collection system are not listed.
- **Section 4 – Best Practices.** This section presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED). The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop sample work statements for any proposed Act 32 EIT collection system.

B. Report Summary

This report is the result of a study commissioned by the Department of Community and Economic Development (DCED) to review Earned Income Tax Collection Systems in the Commonwealth of Pennsylvania.

1. Background

Act 32 of 2008, the Earned Income Tax Collection System legislation, provides for the consolidation of the collection system for the Earned Income Tax into 69 Tax Collection Districts by January 2012. DCED has a number of significant responsibilities to perform under Act 32 to ensure a smooth transition to the new system. One of the most significant is the completion of a study of the current EIT system to identify best practices especially in inter-municipal collection systems that can be used as a model for others.

The EIT study is to be completed by December 2009 and distributed to each of the 69 Tax Collection Committees (TCC). Study elements include identifying, collecting and comparing practices, methods, structures, procedures, regulations, software, info systems, governance alternatives, risk management strategies and other characteristics that appear to promote the greatest likelihood of effectiveness, cost efficiency, loss prevention and intergovernmental cooperation.

Ajilon Consulting was charged with the task of completing the study of the information technology element of the above more comprehensive study. This involved a review of existing earned income tax collection software, a review of system requirements of Act 32, an assessment of best practices in information technology related to the EIT collection process, the development of system requirements and a request for proposal for use in the acquisition of software systems for EIT administration. The engagement also reviewed and reported on the feasibility of contracting on a statewide basis for the development and procurement of appropriate software systems that can be adopted and purchased by the TCCs.

Ajilon performed the work under the direction of staff from the Governor's Center for Local Government Services in DCED and met with and obtained input from the EIT Advisory Committee established by DCED and from selected EIT collection offices identified by DCED.

All work under this engagement was completed in the required timeframe.

The following describes Ajilon's understanding of the DCED EIT Collection System study requirements:

- **Contract Award:** The study commenced on August 17, 2009 and was completed on time.
- **The Work:** The review, collection and documentation of the above stated deliverables were published in multiple MS Word documents.
- **Infrastructure:** DCED provided access to DCED leadership for the purposes of interviewing and provided onsite space for the project team to meet and work with DCED and project members. Offsite space at Ajilon's local district office was used by the Ajilon team members when not onsite at DCED. Visits to several of the designated EIT collection offices as noted on the contact list also required offsite work.

This report provides the details regarding two of the deliverables that were requested by DCED:

- **Act 32 Requirements – Section 3** of this document.
- **Best Practices – Section 4** of this document.

C. Act 32 Requirements

The following table contains the requirements in Act 32 that pertain to an EIT collection system. The table assigns each requirement a unique ID #, describes the requirement and references where in Act 32 the requirement appears.

Req. #	Description	Reference
1	Businesses with multiple locations across the state will be permitted to remit to the county where they are headquartered. If businesses elect to use this option, they must remit withholdings and employee wage taxes detail electronically on a monthly basis.	Section 511
2	If an out of state business does not have a headquarters in Pennsylvania, that business can pick the tax collection district to which it remits withholding and employee wage taxes detail electronically on a monthly basis.	Determination by DCED Legal
3	Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Requirement #1.	Section 511
4	Tax officers are required to remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions.	Section 513
5	Tax officers must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution.	Section 513
6	Employers and tax officers must use the PSD and TCD codes prescribed by the DCED.	Section 513
7	Tax officers must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's.	Section 509
8	Tax officers must keep records of every dollar received and distributed, and submit monthly reports accounting for each dollar.	Section 509
9	The TCC must provide for an annual audit by the end of the calendar year of the Tax Officer. The audit is to include all the books, accounts, financial statements, compliance reports and records. The audit report must be issued in a standardized format developed by the DCED and filed with the Department and all PSDs within the TCD by September 1 of the succeeding year.	Section 505 h
10	In calculating EIT, net losses from one of a taxpayer's business may be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income.	Section 502

D. Best Practices

This section presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED).

The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop a Request for Proposal (RFP) for the Act 32 EIT collection system.

The best practices are listed in Section 2. They are then further broken down, by area, into the following subsections:

- **Act 32** – Best practices that are required by Act 32. These best practices will also appear where appropriate in the other subsections. These practices are derived from Act 32 requirements detailed in *Act 32 EIT Collection Project Document 1: Act 32 Requirements*.
- **Identification** – Best practices for identifying employers, employees and the self employed.
- **Collection** – Best practices for collecting EIT funds.
- **Transfers** – Best practices for transferring EIT funds to the appropriate political subdivisions.
- **Hardware** – Computer hardware recommendations.
- **Software** – Computer software recommendations.
- **Reports** – Best practices for report generation.
- **Auditing** – Best practices for auditing procedures.
- **Disaster Recovery** – Best practices for a disaster recovery plan.

In each subsection the best practices are compared to the existing systems of the taxing authorities interviewed for the Act 32 EIT Collection Project Document 2: Survey of Current EIT Collection Practices. A determination is made if the current systems conform to the defined best practices, and if not, whether they will be upgraded in the future to conform to those best practices. The following coding system is used:

- **Yes** – The system adheres to the Best Practice.
- **No** – The system does not adhere to the Best Practice.
- **Under Development** – The system does not adhere to the Best Practice, but the tax collection agency is actively working on an upgrade that will bring the system into adherence
- **Future Enhancement** – The requirements for the Best Practice have not yet been defined.
- **NA** – The Best Practice is not applicable to the system in question (i.e., site security for a vendor that does not host the system).
- **Not Determined** – Not enough information was provided to determine if the tax collection agency adheres to the Best Practice.

The tax collection agencies included in the document are:

- Berkheimer Tax Administrator
- Centax
- City of Hermitage/Mega Software Services
- Logi-Tek Solutions
- State College Area EIT Office/RBA Professional Data Systems, Inc.
- West Shore Tax Bureau/BIG – Business Information Group

1. Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	Identification	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal Statistics database.
3	Identification	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	Identification	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	Collection	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
9	Collection	The system must be able to accept electronic fund transfers via standard EFT methods.
10	Collection	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	Collection	The system must provide online filing for employers.
12	Collection	The system must provide online filing for taxpayers.
13	Collection	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	Collection	The system must be able to collect the LST (Local Services Tax) as a separate tax.
16	Collection	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	Collection	The system must track EIT and LST exemptions.
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	Transfer	The system must handle all fund transfers electronically.
21	Transfer	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	Transfer	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.
23	Hardware	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
24	Hardware	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Hardware	Printer minimum configuration must be Laser jet printers.
26	Hardware	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.
27	Software	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Software	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Software	Minimum software security: User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Software	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.
31	Software	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Software	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	Software	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.
34	Software	Servers must have a redundant update process.
35	Software	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	Software	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	Software	System must have a PDF viewer capability.
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	Report	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	Report	The system must generate forms for employer and taxpayer returns.
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	Audit	The system must provide an audit trail for every transaction.
44	Audit	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).
45	Disaster Recovery	The system must have a disaster recovery plan which is audited and tested annually.
46	Disaster Recovery	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	Disaster Recovery	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

2. Act 32 Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.

Tax Collection Agency	Best Practice #1	Best Practice #5	Best Practice #6	Best Practice #7
Berkheimer Tax Administrator	Future Enhancement	Yes	Future Enhancement	Yes
Centax	Future Enhancement	Yes	Future Enhancement	Under Development
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	Yes
Logi-Tek Solutions	Future Enhancement	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Future Enhancement	Yes

2. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).

Tax Collection Agency	Best Practice #14	Best Practice #18	Best Practice #19
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes
Centax	Yes	Future Enhancement	Yes
City of Hermitage/ Mega Software Services	No	Future Enhancement	Yes
Logi-Tek Solutions	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes

2. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #42
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

3. Identification Best Practices

Best Practice ID #	Description of Best Practice
1	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal statistics database.
3	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.

Tax Collection Agency	Best Practice #1	Best Practice #2	Best Practice #3	Best Practice #4
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	No	No	No
Logi-Tek Solutions	Future Enhancement	No	Not Determined	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	No	Yes	Yes

4. Collection Best Practices

Best Practice ID #	Description of Best Practice
5	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

Tax Collection Agency	Best Practice #5	Best Practice #6	Best Practice #7	Best Practice #8
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes	Yes
Centax	Yes	Future Enhancement	Under Development	Under Development
City of Hermitage/ Mega Software Services	Yes	No	Yes	No
Logi-Tek Solutions	Yes	Future Enhancement	Yes	No
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes	Under Development

4. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
9	The system must be able to accept electronic fund transfers via standard EFT methods.
10	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	The system must provide online filing for employers.
12	The system must provide online filing for taxpayers.
13	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.

Tax Collection Agency	Best Practice #9	Best Practice #10	Best Practice #11	Best Practice #12	Best Practice #13
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes	Yes
Centax	Yes	No	Under Development	Under Development	Yes
City of Hermitage/ Mega Software Services	No	No	No	No	Yes
Logi-Tek Solutions	No	No	No	No	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Under Development	Under Development	Under Development	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Under Development	Yes

4. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
14	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	The system must be able to collect the LST (Local Service Tax) as a separate tax.
16	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	The system must track EIT and LST exemptions.

Tax Collection Agency	Best Practice #14	Best Practice #15	Best Practice #16	Best Practice #17
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	Yes	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

5. Transfer Best Practices

Best Practice ID #	Description of Best Practice
18	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	The system must handle all fund transfers electronically.
21	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

Tax Collection Agency	Best Practice #18	Best Practice #19	Best Practice #20	Best Practice #21	Best Practice #22
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	No	No
Logi-Tek Solutions	Future Enhancement	Yes	Not Determined	Yes	Not Determined
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Under Development	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Yes	Yes	Yes

6. Hardware Best Practices

Best Practice ID #	Description of Best Practice
23	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PC's and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
24	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Printer minimum configuration must be Laser jet printers.
26	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.

Tax Collection Agency	Best Practice #23	Best Practice #24	Best Practice #25	Best Practice #26
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes	Yes
Logi-Tek Solutions	Yes	No	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices

Best Practice ID #	Description of Best Practice
27	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Minimum software security – The User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.

Tax Collection Agency	Best Practice #27	Best Practice #28	Best Practice #29	Best Practice #30
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	No	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
31	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images and application components.
34	Servers must have a redundant update process.

Tax Collection Agency	Best Practice #31	Best Practice #32	Best Practice #33	Best Practice #34
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Not Determined
City of Hermitage/ Mega Software Services	Yes	No	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
35	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	System must have a PDF viewer capability.

Tax Collection Agency	Best Practice #35	Best Practice #36	Best Practice #37
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

8. Report Best Practices

Best Practice ID #	Description of Best Practice
38	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	The system must generate forms for employer and taxpayer returns.

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #40	Best Practice #41
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

9. Audit Best Practices

Best Practice ID #	Description of Best Practice
42	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	The system must provide an audit trail for every transaction.
44	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

Tax Collection Agency	Best Practice #42	Best Practice #43	Best Practice #44
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

10. Disaster Recovery Best Practices

Best Practice ID #	Description of Best Practice
45	The system must have a disaster recovery plan which is audited and tested annually.
46	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

Tax Collection Agency	Best Practice #45	Best Practice #46	Best Practice #47
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Under Development	Yes	No
City of Hermitage/ Mega Software Services	No	No	No
Logi-Tek Solutions	Yes	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

E. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

Section III – EIT Collection System Best Practices

A. Scope of Document

This document presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED).

The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop sample work statements for any proposed Act 32 EIT collection system.

The best practices are listed in Section 2. They are then further broken down, by area, into the following subsections:

1. **Act 32** – Best practices that are required by Act 32. These best practices will also appear where appropriate in the other subsections. These practices are derived from Act 32 requirements detailed in *Act 32 EIT Collection Project Document 1: Act 32 Requirements*.
2. **Identification** – Best practices for identifying employers, employees and the self employed.
3. **Collection** – Best practices for collecting EIT funds.
4. **Transfers** – Best practices for transferring EIT funds to the appropriate political subdivisions.
5. **Hardware** – Computer hardware recommendations.
6. **Software** – Computer software recommendations.
7. **Reports** – Best practices for report generation.
8. **Auditing** – Best practices for auditing procedures.
9. **Disaster Recovery** – Best practices for a disaster recovery plan.

In each subsection the best practices are compared to the existing systems of the taxing authorities interviewed for the *Act 32 EIT Collection Project Document 2: Survey of Current EIT Collection Practices*. A determination is made if the current systems conform to the defined best practices, and if not, whether they will be upgraded in the future to conform to those best practices. The following coding system is used:

- **Yes** – The system adheres to the Best Practice.
- **No** – The system does not adhere to the Best Practice.
- **Under Development** – The system does not adhere to the Best Practice, but the tax collection agency is actively working on an upgrade that will bring the system into adherence
- **Future Enhancement** – The requirements for the Best Practice have not yet been defined.
- **NA** – The Best Practice is not applicable to the system in question (i.e., site security for a vendor that does not host the system).
- **Not Determined** – Not enough information was provided to determine if the tax collection agency adheres to the Best Practice.

The tax collection agencies included in the document are:

- Berkheimer Tax Administrator
- Centax
- City of Hermitage/Mega Software Services
- Logi-Tek Solutions
- State College Area EIT Office/RBA Professional Data Systems, Inc.
- West Shore Tax Bureau/BIG – Business Information Group

B. Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	Identification	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal Statistics database.
3	Identification	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	Identification	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	Collection	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

B. Best Practices (cont'd)

Best Practice ID #	Area	Description of Best Practice
9	Collection	The system must be able to accept electronic fund transfers via standard EFT methods.
10	Collection	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	Collection	The system must provide online filing for employers.
12	Collection	The system must provide online filing for taxpayers.
13	Collection	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	Collection	The system must be able to collect the LST (Local Services Tax) as a separate tax.
16	Collection	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	Collection	The system must track EIT and LST exemptions.
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	Transfer	The system must handle all fund transfers electronically.
21	Transfer	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	Transfer	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.
23	Hardware	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.

B. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
24	Hardware	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Hardware	Printer minimum configuration must be Laser jet printers.
26	Hardware	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.
27	Software	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Software	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Software	Minimum software security: User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Software	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.
31	Software	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Software	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	Software	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.
34	Software	Servers must have a redundant update process.
35	Software	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	Software	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	Software	System must have a PDF viewer capability.
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).

B. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	Report	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	Report	The system must generate forms for employer and taxpayer returns.
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	Audit	The system must provide an audit trail for every transaction.
44	Audit	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).
45	Disaster Recovery	The system must have a disaster recovery plan which is audited and tested annually.
46	Disaster Recovery	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	Disaster Recovery	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

1. Act 32 Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.

Tax Collection Agency	Best Practice #1	Best Practice #5	Best Practice #6	Best Practice #7
Berkheimer Tax Administrator	Future Enhancement	Yes	Future Enhancement	Yes
Centax	Future Enhancement	Yes	Future Enhancement	Under Development
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	Yes
Logi-Tek Solutions	Future Enhancement	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Future Enhancement	Yes

1. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).

Tax Collection Agency	Best Practice #14	Best Practice #18	Best Practice #19
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes
Centax	Yes	Future Enhancement	Yes
City of Hermitage/ Mega Software Services	No	Future Enhancement	Yes
Logi-Tek Solutions	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes

1. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #42
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

2. Identification Best Practices

Best Practice ID #	Description of Best Practice
1	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal statistics database.
3	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.

Tax Collection Agency	Best Practice #1	Best Practice #2	Best Practice #3	Best Practice #4
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	No	No	No
Logi-Tek Solutions	Future Enhancement	No	Not Determined	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	No	Yes	Yes

3. Collection Best Practices

Best Practice ID #	Description of Best Practice
5	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

Tax Collection Agency	Best Practice #5	Best Practice #6	Best Practice #7	Best Practice #8
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes	Yes
Centax	Yes	Future Enhancement	Under Development	Under Development
City of Hermitage/ Mega Software Services	Yes	No	Yes	No
Logi-Tek Solutions	Yes	Future Enhancement	Yes	No
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes	Under Development

3. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
9	The system must be able to accept electronic fund transfers via standard EFT methods.
10	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	The system must provide online filing for employers.
12	The system must provide online filing for taxpayers.
13	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.

Tax Collection Agency	Best Practice #9	Best Practice #10	Best Practice #11	Best Practice #12	Best Practice #13
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes	Yes
Centax	Yes	No	Under Development	Under Development	Yes
City of Hermitage/ Mega Software Services	No	No	No	No	Yes
Logi-Tek Solutions	No	No	No	No	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Under Development	Under Development	Under Development	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Under Development	Yes

3. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
14	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	The system must be able to collect the LST (Local Service Tax) as a separate tax.
16	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	The system must track EIT and LST exemptions.

Tax Collection Agency	Best Practice #14	Best Practice #15	Best Practice #16	Best Practice #17
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	Yes	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

4. Transfer Best Practices

Best Practice ID #	Description of Best Practice
18	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	The system must handle all fund transfers electronically.
21	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

Tax Collection Agency	Best Practice #18	Best Practice #19	Best Practice #20	Best Practice #21	Best Practice #22
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	No	No
Logi-Tek Solutions	Future Enhancement	Yes	Not Determined	Yes	Not Determined
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Under Development	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Yes	Yes	Yes

5. Hardware Best Practices

Best Practice ID #	Description of Best Practice
23	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PC's and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
24	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Printer minimum configuration must be Laser jet printers.
26	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.

Tax Collection Agency	Best Practice #23	Best Practice #24	Best Practice #25	Best Practice #26
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes	Yes
Logi-Tek Solutions	Yes	No	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

6. Software Best Practices

Best Practice ID #	Description of Best Practice
27	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Minimum software security – The User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.

Tax Collection Agency	Best Practice #27	Best Practice #28	Best Practice #29	Best Practice #30
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	No	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

6. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
31	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images and application components.
34	Servers must have a redundant update process.

Tax Collection Agency	Best Practice #31	Best Practice #32	Best Practice #33	Best Practice #34
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Not Determined
City of Hermitage/ Mega Software Services	Yes	No	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

6. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
35	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	System must have a PDF viewer capability.

Tax Collection Agency	Best Practice #35	Best Practice #36	Best Practice #37
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

7. Report Best Practices

Best Practice ID #	Description of Best Practice
38	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	The system must generate forms for employer and taxpayer returns.

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #40	Best Practice #41
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

8. Audit Best Practices

Best Practice ID #	Description of Best Practice
42	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	The system must provide an audit trail for every transaction.
44	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

Tax Collection Agency	Best Practice #42	Best Practice #43	Best Practice #44
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

9. Disaster Recovery Best Practices

Best Practice ID #	Description of Best Practice
45	The system must have a disaster recovery plan which is audited and tested annually.
46	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

Tax Collection Agency	Best Practice #45	Best Practice #46	Best Practice #47
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Under Development	Yes	No
City of Hermitage/ Mega Software Services	No	No	No
Logi-Tek Solutions	Yes	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

C. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

Section IV – Sample Work Statement

A. Scope of Document

This document presents sample work statements for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These sample work statements were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED).

The sample work statements were derived from the list of best practices developed by the Ajilon Project Team, and can be found in Act 32 EIT Collection Project Document 3, EIT Collection System Best Practices.

The sample work statements are listed in Section 2. They are then further broken down, by area, into the following subsections:

- Hardware
- Software
- Processing
- Reports
- Auditing
- Disaster Recovery

B. Work Statement

1. Requirements

a. Hardware

The hardware requirements for a TCD EIT Collection System are as follow:

1. Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
2. Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
3. Printer minimum - Laser jet printers.

b. Software

The software requirements for a TCD EIT Collection System are as follow:

1. Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
2. Minimum server software configuration is Windows / UNIX / LINUX server.
3. Minimum software security – User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.

4. Workstations (including PCs and laptops) must have their own firewalls.
5. Workstation must have the appropriate encryption.
6. Commercial grade anti-virus software must be placed on all servers and all workstations.
7. Commercial grade anti-spyware software must be placed on all servers and all workstations.
8. At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.
9. Servers should have a redundant update process.
10. System must be well-integrated, with extensive drilldown capability and ease of navigation.
11. System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
12. System must have a PDF viewer capability.

c. **Processing**

The processing requirements for a TCD EIT Collection System are as follow:

1. The system must use the PSD and TCD codes prescribed by the DCED.
2. The system must access the DCED MunStat database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED MunStat database.
3. The system must be able to identify employer's errors in employee withholding information, including wrong PSD's and tax rates. The system must be able to correct the error and inform the employer of the error.
4. The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5. The system must handle monthly electronic files from employers containing withholding and employee wage details.
6. The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details. Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any PSD in the state.
7. The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.
8. The system must be able to accept electronic fund transfers via standard EFT methods.
9. The system must have full ACH (Automated Clearing House) and credit card capabilities.
10. The system must provide online filing for employers.
11. The system must provide online filing for taxpayers.
12. The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.

13. The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income.
14. The system must be able to collect the LST (Local Services Tax) as a separate tax.
15. The system should have the capacity to collect other taxes aside from the EIT and LST.
16. The system must track EIT and LST exemptions.
17. The system must remit all withholdings to the taxing jurisdictions no later than 60 days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than 30 days after receipt. The TCC can require more frequent distributions.
18. The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution.
19. The system must handle all fund transfers electronically.
20. The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
21. The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

d. **Reporting**

The reporting requirements for a TCD EIT Collection System are as follow:

1. The system must, within 20 days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's.
2. The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar.
3. The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
4. The system should generate forms for employer and taxpayer returns.

e. **Auditing**

The auditing requirements for a TCD EIT Collection System are as follow:

1. The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer.
2. The system must provide an audit trail for every transaction.
3. The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

f. **Site Security**

The site security requirements for a TCD EIT Collection System are as follow:

1. Lockable server room with fire and water protection.
2. Router with firewalls on broadband connection to the Internet.
3. Site security must be compliant with the SAS 70 Type II audit. If not, a waiver must be obtained from the DCED

g. **Disaster Recovery**

The disaster recovery requirements for a TCD EIT Collection System are as follow:

1. The system must have a disaster recovery plan which is audited and tested annually.
2. Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
3. The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. A test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

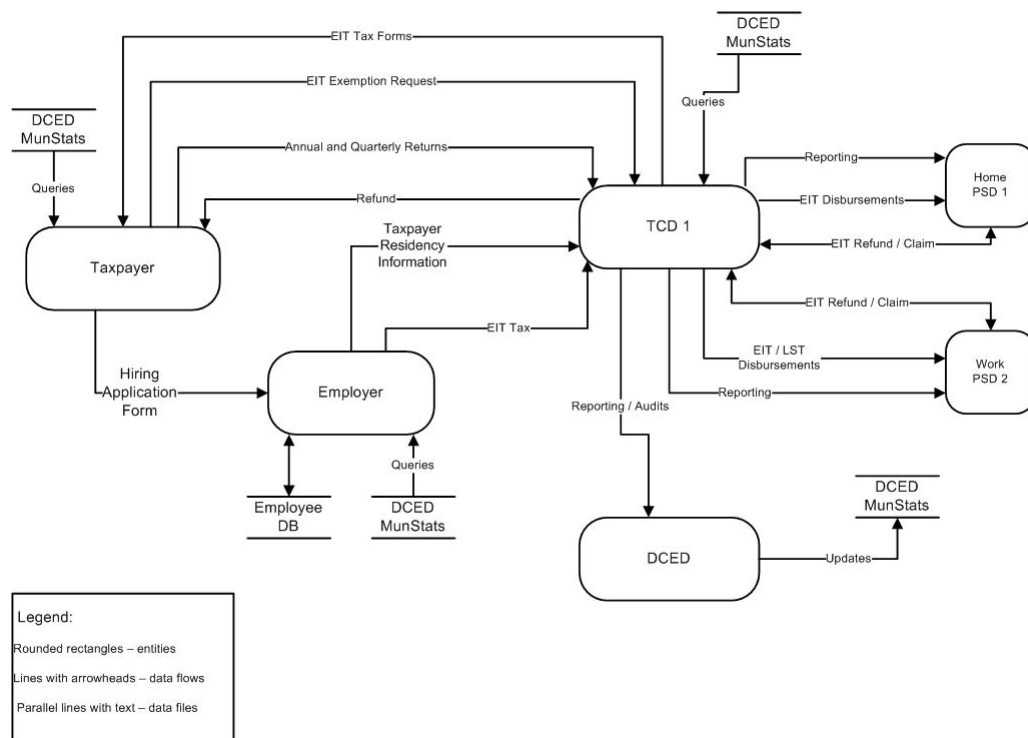
2. **System Flow Diagrams**

The following diagrams depict two versions of the typical system flow of the TCD EIT Collection System. Additionally, each diagram is followed by definitions for the flows and entities on the chart.

The first diagram is when the taxpayer lives and works in the same TCD.

This document will provide detailed information concerning the following Data Flow Chart called “Taxpayer and Employer in the Same TCD”. The chart is intended to represent typical processes that would occur when a taxpayer lives and works in the same TCD. There is one TCD pictured and two PSDs that are labeled a home PSD and a Work PSD. A detailed explanation of each flow follows this chart.

Taxpayer and Employer In Same TCD



There is a Legend box on each chart that provides a brief understanding of the objects on the chart. A more detailed explanation follows below.

The rounded rectangles represent entities that are the source or final disposition of the data flows. Entities on the chart are:

- tax payers
- employers in and out of state
- tax collection districts
- home and work political subdivisions

The lines with either one or two arrowheads represent the path upon which data (forms, electronic files or reports) flow from one entity to another such as:

- a tax return from a taxpayer with or without a check enclosed,
- a tax form being mailed to a taxpayer,
- refund checks to taxpayers,
- reports from a Tax Collection District (TCD) to another TCD or the Department of Community and Economic Development (DCED) or a Political Subdivision (PSD)
- withholdings from employers
- disbursements to PSDs
- queries (internet access to files published by the DCED)

The parallel lines with text represent data files that contain data maintained by an entity such as:

- Employee database maintained and updated by employers and is the source of the information reported to the TCDs periodically
- DCED Municipal Statistics (MunStats) database

The chart is not intended to show every interaction that takes place between the entities but rather the most important ones which can provide an understanding of the major functions and relationships between the entities on the chart. The direction of the arrowheads indicates the direction of the data.

Taxpayer Flows

Queries – A taxpayer can utilize the DCED MunStats Database to look up their tax rates for where they live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of Earned Income Tax or refund request for overpayment of Earned Income Tax. This can be an annual return for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings by an employer or due to credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

Employer Flows

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSD and the date of the withholding.

Queries – An employer can utilize the DCED MunStats Database to look up tax rates for where their employees live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

Employee DB – A file maintained by an employer containing data for each employee (taxpayer) with name, address, tax rate, records of withholdings, compensation, etc.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

DCED Flows

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

Updates – Periodic updates of the tax rates for each PSD in the Commonwealth. The updates are posted twice annually to the DCED MunStats DB for all to reference. The updates are received periodically from the TCDs or PSDs.

Home PSD Flows

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

Work PSD Flows

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Work PSD.

TCD (1) Flows

Queries – A TCD would utilize the DCED MunStats Database to look up tax rates for taxpayers that were part of employer EIT Tax distributions. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of or refund request for overpayment of Earned Income Tax. This can be an annual for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings or credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSD and the date of the withholding.

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

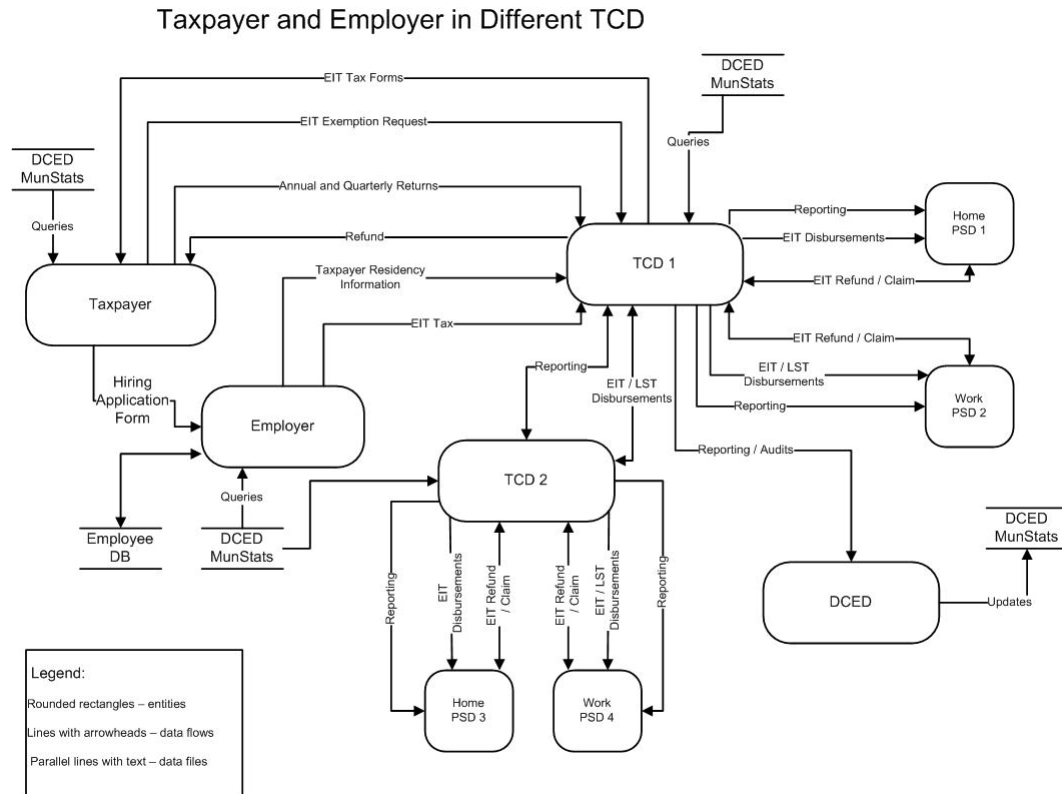
EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

The second diagram is when the taxpayer lives in one TCD and works in a different TCD.

This document will provide more detailed information about the Visio Data Flow Chart called “Taxpayer and Employer in Different TCDs”. This chart is intended to represent the typical processes that would occur when a taxpayer lives and works in two different TCDs. There are two TCDs pictured (TCD 1 and TCD 2) and four PSDs that are labeled Home PSD1 and Home PSD 3 and Work PSD 2 and Work PSD 4. A detailed explanation of each flow follows this chart.



There is a Legend box on each chart that provides a brief understanding of the objects on the chart. A more detailed explanation follows below.

The rounded rectangles represent entities that are the source or final disposition of the data flows. Entities on the chart are:

- tax payers
- employers in and out of state
- tax collection districts
- home and work political subdivisions

The lines with either one or two arrowheads represent the path upon which data (forms, electronic files or reports) flow from one entity to another such as:

- a tax return from a taxpayer with or without a check enclosed,
- a tax form being mailed to a taxpayer,
- refund checks to taxpayers,
- reports from a Tax Collection District (TCD) to another TCD or the Department of Community and Economic Development (DCED) or a Political Subdivision (PSD)
- withholdings from employers
- disbursements to PSDs
- queries (internet access to files published by the DCED)

The parallel lines with text represent data files that contain data maintained by an entity such as:

- Employee database maintained and updated by employers and is the source of the information reported to the TCDs periodically
- DCED Municipal Statistics (MunStats) database

The chart is not intended to show every interaction that takes place between the entities but rather the most important ones which can provide an understanding of the major functions and relationships between the entities on the chart. The direction of the arrowheads indicates the direction of the data.

Taxpayer Flows

Queries – A taxpayer can utilize the DCED MunStats Database to look up their tax rates for where they live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of or refund request for overpayment of Earned Income Tax. This can be an annual for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings or credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

Employer Flows

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSDs and the date of the withholding.

Queries – An employer can utilize the DCED MunStats Database to look up tax rates for where their employees live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

Employee DB – A file maintained by an employer containing data for each employee (taxpayer) with name, address, tax rate, records of withholdings, compensation, etc.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

DCED Flows

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

Updates – Periodic updates of the tax rates for each PSD in the Commonwealth. The updates are posted twice annually to the DCED MunStats DB for all to reference. The updates are received periodically from the TCDs or PSDs.

Home (1 and 3) PSD Flows

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

Work PSD (2 and 4) Flows

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Work PSD.

TCD (1 and 2) Flows – In this case, there are two TCDs involved. The taxpayer works in TCD 1 but lives in TCD 2. The employer sends the withholdings to TCD 1. TCD 1 knows that the taxpayer lives in TCD 2 so a disbursement along with appropriate reporting is provided to TCD 2.

Queries – A TCD would utilize the DCED MunStats Database to look up tax rates for taxpayers that were part of employer EIT Tax distributions. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of or refund request for overpayment of Earned Income Tax. This can be an annual for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings or credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSD and the date of the withholding.

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

C. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, however, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

Earned Income Tax Consolidation System Best Practices Report

Information Technology Request for Proposal

> ready > set > succeed



Information Technology Request for Proposal

*The following document is intended to provide a template
to use for the acquisition of an Information Technology System
that will meet the requirements of Act 32.*

*It includes the recommended process for acquisition
of such services along with system requirements.*

*Entities using the RFP should modify the RFP to include
specific information on the Issuing Entity and
any unique requirements that that go beyond
the requirements of Act 32 that the Issurer desires to include.*

REQUEST FOR PROPOSALS
FOR
ACQUISITION OF SOFTWARE SYSTEMS FOR EARNED INCOME TAX
ADMINISTRATION

ISSUING OFFICE

ENTITY NAME
INFORMATION TECHNOLOGY

RFP NUMBER

XXXX-XX

DATE OF ISSUANCE

XXXX

**REQUEST FOR PROPOSALS
FOR**

XXXX-XX

TABLE OF CONTENTS

CALENDAR OF EVENTS	[page]
Part I—GENERAL INFORMATION	[page]
Part II—PROPOSAL REQUIREMENTS	[page]
Part III—CRITERIA FOR SELECTION	[page]
Part IV—WORK STATEMENT	[page]

APPENDIX A, STANDARD CONTRACT TERMS AND CONDITIONS

APPENDIX B, PROPOSAL COVER SHEET

**APPENDIX C, ACT 32 EIT COLLECTION PROJECT DOCUMENT 4, SAMPLE
WORK STATEMENT**

**APPENDIX D, ACT 32 EIT COLLECTION PROJECT DOCUMENT 2, FINAL REPORT
ON EIT COLLECTION PRACTICES**

CALENDAR OF EVENTS

The **ISSUING ENTITY** will make every effort to adhere to the following schedule:

Activity	Responsibility	Date
Deadline to submit Questions via email to _____ [email address] .	Potential Offerors	
[Optional] Pre-proposal Conference—Location.	Issuing Office/Potential Offerors	
Answers to Potential Offeror questions posted to the ????? no later than this date.	Issuing Office	
Please monitor website for all communications regarding the RFP.	Potential Offerors	
Sealed proposal must be received by the Issuing Office at [indicate address] by close of business.	Offerors	

PART I

GENERAL INFORMATION

I-1. Purpose. This request for proposals (RFP) provides to those interested in submitting proposals for the subject procurement (“Offerors”) sufficient information to enable them to prepare and submit proposals for the **ISSUING ENTITY** to satisfy a need for **ACQUISITION OF SOFTWARE SYSTEMS FOR EARNED INCOME TAX ADMINISTRATION** (“Project”).

I-2. Issuing Office. The **XXXXXX** (“Issuing Office”) has issued this RFP on behalf of the **ISSUING ENTITY**. The sole point of contact in the **ISSUING ENTITY** for this RFP shall be **[insert name, address, and e-mail address of the Issuing Officer]**, the Issuing Officer for this RFP. Please refer all inquiries to the Issuing Officer.

I-3. Scope. This RFP contains instructions governing the requested proposals, including the requirements for the information and material to be included; a description of the service to be provided; requirements which Offerors must meet to be eligible for consideration; general evaluation criteria; and other requirements specific to this RFP.

I-4. Problem Statement. The purpose of this RFP is to acquire Earned Income Tax Collection and Administration services that conform to Act 32 Requirements and can be used in the **ISSUING ENTITY**. Additional detail is provided in **Part IV** of this RFP.

I-5. Type of Contract. It is proposed that if the Issuing Office enters into a contract as a result of this RFP, it will be a **[Indicate the type of contract. Refer to Part I, Chapter 8, Department of General Services Field Procurement Handbook for examples]** contract containing the Standard Contract Terms and Conditions as shown in **Appendix A** and available at **[insert link to ?????? website for the specific terms and conditions form to be used for this contract]**. The Issuing Office, in its sole discretion, may undertake negotiations with Offerors whose proposals, in the judgment of the Issuing Office, show them to be qualified, responsible and capable of performing the Project.

I-6. Rejection of Proposals. The Issuing Office reserves the right, in its sole and complete discretion, to reject any proposal received as a result of this RFP.

I-7. Incurring Costs. The Issuing Office is not liable for any costs the Offeror incurs in preparation and submission of its proposal, in participating in the RFP process or in anticipation of award of the contract.

I-8. [Optional] Pre-proposal Conference. **[NOTE: This is optional—if the agency chooses not to hold a conference, substitute the following language for this section: “There will be no pre-proposal conference for this RFP. If there are any questions, please forward them to the Issuing Officer in accordance with Section I-9.”]** The Issuing Office will hold a pre-proposal conference as specified in the Calendar of Events. The purpose of this conference is to provide opportunity for clarification of the RFP. Offerors should forward all questions to

the Issuing Office in accordance with **Part I, Section I-9** to ensure adequate time for analysis before the Issuing Office provides an answer. Offerors may also ask questions at the conference. In view of the limited facilities available for the conference, Offerors should limit their representation to two individuals per Offeror. The pre-proposal conference is for information only. Any answers furnished during the conference will not be official until they have been verified, in writing, by the Issuing Office. All questions and written answers will be posted on the **?????** website as an addendum to, and shall become part of, this RFP. Attendance at the Pre-proposal Conference is **indicate whether optional or mandatory (to require mandatory attendance sufficient justification must be provided to the agency head). If the agency wants a mandatory pre-proposal conference, include: "Failure to attend the pre-proposal conference shall disqualify an Offeror from consideration for the contract to be awarded from this RFP, and its proposal will be returned unopened."**].

I-9. Questions & Answers. If an Offeror has any questions regarding this RFP, the Offeror must submit the questions by email (**with the subject line "RFP XXXX-XX Question"**) to the Issuing Officer named in **Part I, Section I-2** of the RFP. If the Offeror has questions, they must be submitted via email **no later than** the date indicated on the Calendar of Events. The Offeror shall not attempt to contact the Issuing Officer by any other means. The Issuing Officer shall post the answers to the questions on the **?????** website by the date stated on the Calendar of Events.

All questions and responses as posted on the **?????** website are considered as an addendum to, and part of, this RFP in accordance with RFP **Part I, Section I-10**. Each Offeror shall be responsible to monitor the **?????** website for new or revised RFP information. The Issuing Office shall not be bound by any verbal information nor shall it be bound by any written information that is not either contained within the RFP or formally issued as an addendum by the Issuing Office. The Issuing Office does not consider questions to be a protest of the specifications or of the solicitation. The required protest process for **ISSUING ENTITY** procurements is described on the **?????** website.

I-10. Addenda to the RFP. If the Issuing Office deems it necessary to revise any part of this RFP before the proposal response date, the Issuing Office will post an addendum to the **?????** website at <http://www.???web.>. It is the Offeror's responsibility to periodically check the website for any new information or addenda to the RFP. Answers to the questions asked during the Questions & Answers period also will be posted to the website as an addendum to the RFP.

I-11. Response Date. To be considered for selection, hard copies of proposals must arrive at the Issuing Office on or before the time and date specified in the RFP Calendar of Events. The Issuing Office will **not** accept proposals via email or facsimile transmission. Offerors who send proposals by mail or other delivery service should allow sufficient delivery time to ensure timely receipt of their proposals. If, due to inclement weather, natural disaster, or any other cause, the **ISSUING ENTITY** office location to which proposals are to be returned is closed on the proposal response date, the deadline for submission will be automatically extended until the next **ISSUING ENTITY** business day on which the office is open, unless the Issuing Office otherwise notifies Offerors. The hour for submission of proposals shall remain the same. The Issuing Office will reject, unopened, any late proposals.

I-12. Proposals. To be considered, Offerors should submit a complete response to this RFP to the Issuing Office, using the form at provided in **Part II**, providing **[insert number of copies] paper copies of the Technical Submittal and one (1) paper copy of the Cost Submittal.** In addition to the paper copies of the proposal, Offerors shall submit **[insert number of copies] complete and exact** copies of the entire proposal (Technical and Cost, along with all requested documents) on CD-ROM or Flash drive in Microsoft Office or Microsoft Office-compatible format. The electronic copy must be a mirror image of the paper copy and any spreadsheets must be in Microsoft Excel. The Offerors may not lock or protect any cells or tabs. Offerors should ensure that there is no costing information in the technical submittal. Offerors should not reiterate technical information in the cost submittal. The CD or Flash drive should clearly identify the Offeror and include the name and version number of the virus scanning software that was used to scan the CD or Flash drive before it was submitted. The Offeror shall make no other distribution of its proposal to any other Offeror or **ISSUING ENTITY** official or **ISSUING ENTITY** consultant. Each proposal page should be numbered for ease of reference. An official authorized to bind the Offeror to its provisions must sign the proposal. If the official signs the Proposal Cover Sheet (Appendix D to this RFP) and the Proposal Cover Sheet is attached to the Offeror's proposal, the requirement will be met. For this RFP, the proposal must remain valid for 120 days or until a contract is fully executed. If the Issuing Office selects the Offeror's proposal for award, the contents of the selected Offeror's proposal will become, except to the extent the contents are changed through Best and Final Offers or negotiations, contractual obligations.

Each Offeror submitting a proposal specifically waives any right to withdraw or modify it, except that the Offeror may withdraw its proposal by written notice received at the Issuing Office's address for proposal delivery prior to the exact hour and date specified for proposal receipt. An Offeror or its authorized representative may withdraw its proposal in person prior to the exact hour and date set for proposal receipt, provided the withdrawing person provides appropriate identification and signs a receipt for the proposal. An Offeror may modify its submitted proposal prior to the exact hour and date set for proposal receipt only by submitting a new sealed proposal or sealed modification which complies with the RFP requirements.

I-13. Economy of Preparation. Offerors should prepare proposals simply and economically, providing a straightforward, concise description of the Offeror's ability to meet the requirements of the RFP. **[Issuing Office may include limit on the number of pages of the proposal.]**

I-14. Alternate Proposals. The Issuing Office has identified the basic approach to meeting its requirements, allowing Offerors to be creative and propose their best solution to meeting these requirements. The Issuing Office will not accept alternate proposals.

I-15. Discussions for Clarification. Offerors may be required to make an oral or written clarification of their proposals to the Issuing Office to ensure thorough mutual understanding and Offeror responsiveness to the solicitation requirements. The Issuing Office will initiate requests for clarification.

I-16. Prime Contractor Responsibilities. The contract will require the selected Offeror to assume responsibility for all services offered in its proposal whether it produces them itself or by subcontract. The Issuing Office will consider the selected Offeror to be the sole point of contact with regard to contractual matters.

I-17. Proposal Contents.

a. Confidential Information. The ISSUING ENTITY is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of Offerors' submissions in order to evaluate proposals submitted in response to this RFP. Accordingly, except as provided herein, Offerors should not label proposal submissions as confidential or proprietary or trade secret protected. Any Offeror who determines that it must divulge such information as part of its proposal must submit the signed written statement described in subsection c. below and must additionally provide a redacted version of its proposal, which removes only the confidential proprietary information and trade secrets, for required public disclosure purposes.

b. ISSUING ENTITY Use. All material submitted with the proposal shall be considered the property of the ISSUING ENTITY and may be returned only at the Issuing Office's option. The ISSUING ENTITY has the right to use any or all ideas not protected by intellectual property rights that are presented in any proposal regardless of whether the proposal becomes part of a contract. Notwithstanding any Offeror copyright designations contained on proposals, the ISSUING ENTITY shall have the right to make copies and distribute proposals internally and to comply with public record or other disclosure requirements under the provisions of any Commonwealth or United States statute or regulation, or rule or order of any court of competent jurisdiction.

c. Public Disclosure. After the award of a contract pursuant to this RFP, all proposal submissions are subject to disclosure in response to a request for public records made under the Pennsylvania Right-to-Know-Law, 65 P.S. § 67.101, et seq. If a proposal submission contains confidential proprietary information or trade secrets, a signed written statement to this effect must be provided with the submission in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests. Financial capability information submitted in response to Part II, Section II-7 of this RFP is exempt from public records disclosure under 65 P.S. § 67.708(b)(26).

I-18. Best and Final Offers. While not required, the Issuing Office reserves the right to conduct discussions with Offerors for the purpose of obtaining "best and final offers." To obtain best and final offers from Offerors, the Issuing Office may do one or more of the following:

- i) Schedule oral presentations;
- ii) Request revised proposals; and
- iii) Enter into pre-selection negotiations, including the use of an online auction.

The Issuing Office will limit it any discussions to responsible Offerors (those that have submitted responsive proposals and possess the capability to fully perform the contract requirements in all respects and the integrity and reliability to assure good faith performance) whose proposals the Issuing Office has determined to be reasonably susceptible of being selected for award. The Criteria for Selection found in **Part III, Section III-4**, shall also be used to evaluate the best and final offers. Price reductions offered through any reverse online auction shall have no effect upon the Offeror's Technical Submittal. Dollar commitments to Disadvantaged Businesses and Enterprise Zone Small Businesses can be reduced only in the same percentage as the percent reduction in the total price offered through negotiations, including the online auction.

I-19. News Releases. Offerors shall not issue news releases, Internet postings, advertisements or any other public communications pertaining to this Project without prior written approval of the Issuing Office, and then only in coordination with the Issuing Office.

I-20. Restriction of Contact. From the issue date of this RFP until the Issuing Office selects a proposal for award, the Issuing Officer is the sole point of contact concerning this RFP. Any violation of this condition may be cause for the Issuing Office to reject the offending Offeror's proposal. If the Issuing Office later discovers that the Offeror has engaged in any violations of this condition, the Issuing Office may reject the offending Offeror's proposal or rescind its contract award. Offerors must agree not to distribute any part of their proposals beyond the Issuing Office. An Offeror who shares information contained in its proposal with other **ISSUING ENTITY** personnel and/or competing Offeror personnel may be disqualified.

I-21. Debriefing Conferences. Offerors whose proposals are not selected will be notified of the name of the selected Offeror and given the opportunity to be debriefed. The Issuing Office will schedule the time and location of the debriefing. The debriefing will not compare the Offeror with other Offerors, other than the position of the Offeror's proposal in relation to all other Offeror proposals. An Offeror's exercise of the opportunity to be debriefed does not constitute the filing of a protest.

I-22. Issuing Office Participation. Offerors shall provide all services, supplies, facilities, and other support necessary to complete the identified work, except as otherwise provided in this **Part I, Section I-24**. **[Indicate the number and type of Issuing Office personnel to be assigned to this effort, and specify the function to be performed (e.g., project officer, programmers, clerical support or training). Also, indicate whether or not the Issuing Office will provide office space, reproduction facilities or other logistical support.]**

I-23. Term of Contract. The term of the contract will commence on the Effective Date and will end **[insert timeframe, either number of days or a fixed termination date]**. The Issuing Office will fix the Effective Date after the contract has been fully executed by the selected Offeror and by the **ISSUING ENTITY** and all approvals required by **ISSUING ENTITY** contracting procedures have been obtained. The selected Offeror shall not start the performance of any work prior to the Effective Date of the contract and the **ISSUING ENTITY** shall not be liable to pay the selected Offeror for any service or work performed or expenses incurred before the Effective Date of the contract.

I-24. Offeror's Representations and Authorizations. By submitting its proposal, each Offeror understands, represents, and acknowledges that:

- a. All of the Offeror's information and representations in the proposal are material and important, and the Issuing Office may rely upon the contents of the proposal in awarding the contract(s). The **ISSUING ENTITY** shall treat any misstatement, omission or misrepresentation as fraudulent concealment of the true facts relating to the Proposal submission, punishable pursuant to 18 Pa. C.S. § 4904.
- b. The Offeror has arrived at the price(s) and amounts in its proposal independently and without consultation, communication, or agreement with any other Offeror or potential offeror.
- c. The Offeror has not disclosed the price(s), the amount of the proposal, nor the approximate price(s) or amount(s) of its proposal to any other firm or person who is an Offeror or potential offeror for this RFP, and the Offeror shall not disclose any of these items on or before the proposal submission deadline specified in the Calendar of Events of this RFP.
- d. The Offeror has not attempted, nor will it attempt, to induce any firm or person to refrain from submitting a proposal on this contract, or to submit a proposal higher than this proposal, or to submit any intentionally high or noncompetitive proposal or other form of complementary proposal.
- e. The Offeror makes its proposal in good faith and not pursuant to any agreement or discussion with, or inducement from, any firm or person to submit it a complementary or other noncompetitive proposal.
- f. To the best knowledge of the person signing the proposal for the Offeror, the Offeror, its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last **four** years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding or proposing on any public contract, except as the Offeror has disclosed in its proposal.
- g. To the best of the knowledge of the person signing the proposal for the Offeror and except as the Offeror has otherwise disclosed in its proposal, the Offeror has no outstanding, delinquent obligations to the **ISSUING ENTITY** including, but not limited to, any state tax liability not being contested on appeal or other obligation of the Offeror that is owed to the **ISSUING ENTITY**.
- h. The Offeror is not currently under suspension or debarment by the Commonwealth, any other state or the federal government, and if the Offeror

cannot so certify, then it shall submit along with its proposal a written explanation of why it cannot make such certification.

- i. The Offeror has not made, under separate contract with the Issuing Office, any recommendations to the Issuing Office concerning the need for the services described in its proposal or the specifications for the services described in the proposal.
- j. Each Offeror, by submitting its proposal, authorizes Commonwealth agencies to release to the Commonwealth information concerning the Offeror's Pennsylvania taxes, unemployment compensation and workers' compensation liabilities.
- k. Until the selected Offeror receives a fully executed and approved written contract from the Issuing Office, there is no legal and valid contract, in law or in equity, and the Offeror shall not begin to perform.

I-25. Notification of Selection. The Issuing Office will notify the selected Offeror in writing of its selection for negotiation after the Issuing Office has determined, taking into consideration all of the evaluation factors, the proposal that is the most advantageous to the Issuing Office.

I-26. RFP Protest Procedure. The RFP Protest Procedure is on the <http://www.???web> website at <http://www.???web>. A protest by a party not submitting a proposal must be filed within **seven** days after the protesting party knew or should have known of the facts giving rise to the protest, but no later than the proposal submission deadline specified in the Calendar of Events of the RFP. Offerors may file a protest within **seven** days after the protesting Offeror knew or should have known of the facts giving rise to the protest, but in no event may an Offeror file a protest later than **seven** days after the date the notice of award of the contract is posted on the <http://www.???web> website. The date of filing is the date of receipt of the protest. A protest must be filed in writing with the Issuing Office.

I-27. Use of Electronic Versions of this RFP. This RFP is being made available by electronic means. If an Offeror electronically accepts the RFP, the Offeror acknowledges and accepts full responsibility to insure that no changes are made to the RFP. In the event of a conflict between a version of the RFP in the Offeror's possession and the Issuing Office's version of the RFP, the Issuing Office's version shall govern.

PART II

PROPOSAL REQUIREMENTS

Offerors must submit their proposals in the format, including headings descriptions, outlined below. To be considered, the proposal must respond to all requirements in this part of the RFP. Offerors should provide any other information thought to be relevant, but not applicable to the enumerated categories, as an appendix to the Proposal. All cost data relating to this proposal should be kept separate from and not included in the Technical Submittal. Each Proposal shall consist of the following **insert number of copies** separately sealed submittals:

- a. Technical Submittal, which shall be a response to RFP **Part II, Sections II-1 through II-8**;
- b. Cost Submittal, in response to RFP **Part II, Section II-10**.

The Issuing Office reserves the right to request additional information which, in the Issuing Office's opinion, is necessary to assure that the Offeror's competence, number of qualified employees, business organization, and financial resources are adequate to perform according to the RFP.

The Issuing Office may make investigations as deemed necessary to determine the ability of the Offeror to perform the Project, and the Offeror shall furnish to the Issuing Office all requested information and data. The Issuing Office reserves the right to reject any proposal if the evidence submitted by, or investigation of, such Offeror fails to satisfy the Issuing Office that such Offeror is properly qualified to carry out the obligations of the RFP and to complete the Project as specified.

II-1. Statement of the Problem. State in succinct terms your understanding of the problem presented or the service required by this RFP.

II-2. Management Summary. Include a narrative description of the proposed effort and a list of the items to be delivered or services to be provided.

II-3. Work Plan. Describe in narrative form your technical plan for accomplishing the work. Use the task descriptions in **Part IV** of this RFP as your reference point. Modifications of the task descriptions are permitted; however, reasons for changes should be fully explained. Indicate the number of person hours allocated to each task. Include a Program Evaluation and Review Technique (PERT) or similar type display, time related, showing each event. If more than one approach is apparent, comment on why you chose this approach.

II-4. Prior Experience. Include experience in Tax Collection Systems and specifically Earned Income Tax Collection and Administration systems. Experience shown should be work done by individuals who will be assigned to this project as well as that of your company. Studies or projects referred to must be identified and the name of the customer shown, including the

name, address, and telephone number of the responsible official of the customer, company, or agency who may be contacted.

II-5. Personnel. Include the number of executive and professional personnel, analysts, auditors, researchers, programmers, consultants, etc., who will be engaged in the work. Show where these personnel will be physically located during the time they are engaged in the Project. For key personnel **[The agency should define the types of employees it considers to be key]**, include the employee's name and, through a resume or similar document, the Project personnel's education and experience in Tax Collection Systems and specifically Earned Income Tax Collection and Administration systems. Indicate the responsibilities each individual will have in this Project and how long each has been with your company. Identify by name any subcontractors you intend to use and the services they will perform.

II-6. Training. If appropriate, indicate recommended training of agency personnel. Include the agency personnel to be trained, the number to be trained, duration of the program, place of training, curricula, training materials to be used, number and frequency of sessions, and number and level of instructors.

II-7. Financial Capability. Describe your company's financial stability and economic capability to perform the contract requirements. Financial documents such as audited financial statements or recent tax returns will be acceptable to the Commonwealth.

II-8. Objections and Additions to Standard Contract Terms and Conditions. The Offeror will identify which, if any, of the terms and conditions (contained in **Appendix ?**) it would like to negotiate and what additional terms and conditions the Offeror would like to add to the standard contract terms and conditions. The Offeror's failure to make a submission under this paragraph will result in its waiving its right to do so later, but the Issuing Office may consider late objections and requests for additions if to do so, in the Issuing Office's sole discretion, would be in the best interest of the **ISSUING ENTITY**. The Issuing Office may, in its sole discretion, accept or reject any requested changes to the standard contract terms and conditions. The Offeror shall not request changes to the other provisions of the RFP, nor shall the Offeror request to completely substitute its own terms and conditions for **Appendix ?**. All terms and conditions must appear in one integrated contract. The Issuing Office will not accept references to the Offeror's, or any other, online guides or online terms and conditions contained in any proposal.

Regardless of any objections set out in its proposal, the Offeror must submit its proposal, including the cost proposal, on the basis of the terms and conditions set out in **Appendix ?**. The Issuing Office will reject any proposal that is conditioned on the negotiation of the terms and conditions set out in **Appendix ? or to other provisions of the RFP as specifically identified above. [When possible the agency should indicate which terms and conditions are not negotiable.]**

II-9. Cost Submittal. The information requested in this **Part II, Section II-10** shall constitute the Cost Submittal. The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal, separated from the technical submittal. The total proposed cost shall be broken

down into the following components: **[Use the appropriate items in the following format. If the project will involve costs over more than one year, show fiscal year breakdowns. Provide Offerors with a cost worksheet to be completed where appropriate.]** Offerors should **not** include any assumptions in their cost submittals. If the Offeror includes assumptions in its cost submittal, the Issuing Office may reject the proposal. Offerors should direct in writing to the Issuing Office pursuant to **Part I, Section I-9**, of this RFP any questions about whether a cost or other component is included or applies. All Offerors will then have the benefit of the Issuing Office's written answer so that all proposals are submitted on the same basis.

a. **DEFINE COST CRITERIA**

The Issuing Office will reimburse the selected Offeror for work satisfactorily performed after execution of a written contract and the start of the contract term, in accordance with contract requirements, and only after the Issuing Office has issued a notice to proceed.

PART III

CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, a proposal must be:

- a. Timely received from an Offeror;
- b. Properly signed by the Offeror.

III-2. Technical Nonconforming Proposals. The Issuing Office reserves the right, in its sole discretion, to waive technical or immaterial nonconformities in an Offeror's proposal.

III-3. Evaluation. The Issuing Office has selected a committee of qualified personnel to review and evaluate timely submitted proposals. Independent of the committee, BMWBO will evaluate the Disadvantaged Business Submittal and provide the Issuing Office with a rating for this component of each proposal. The Issuing Office will notify in writing of its selection for negotiation the responsible Offeror whose proposal is determined to be the most advantageous to the **ISSUING ENTITY** as determined by the Issuing Office after taking into consideration all of the evaluation factors.

III-4. Criteria for Selection. The following criteria will be used in evaluating each proposal. In order for a proposal to be considered for selection for best and final offers or selection for contract negotiations, the total score for the technical submittal of the proposal must be greater than or equal to 70% of the highest scoring technical submittal. **[A maximum point value for Technical and Cost should be established at the time of each RFP issuance and prior to opening the proposals a point value for each Technical sub-criterion must be established.]**

- a. **Technical:** The Issuing Office has established the weight for the Technical criterion for this RFP as **[Insert the percentage]** % of the total points. Evaluation will be based upon the following in order of importance: **[List here in order of importance each Technical Sub-criterion for example: Understanding the Problem, Offeror Qualification, Financial Capability, Personnel Qualifications, Soundness of Approach, Available Facilities, etc.]**
- b. **Cost:** The Issuing Office has established the weight for the Cost criterion for this RFP as **[Insert the percentage]** % of the total points.

PART IV

WORK STATEMENT

Act 32 of 2008, the Earned Income Tax Collection System legislation, provides for the consolidation of the collection system for the Earned Income Tax (EIT) into sixty-nine (69) Tax Collection Districts across the Commonwealth of Pennsylvania by January 2012. The Department of Community and Economic Development (DCED) has a number of significant responsibilities to perform under Act 32 to ensure a smooth transition to the new system.

As a result of this legislation, a study of the current EIT system was undertaken by the Governor's Center for Local Government Services within the Department of Community and Economic Development. A study of the current EIT system to identify best practices especially in inter-municipal collection systems that can be used as a model for others was performed and the results were published.

The EIT study was completed in December 2009 and distributed to each of the sixty-nine (69) Tax Collection Committees (TCC). Study elements include identifying, collecting and comparing practices, methods, structures, procedures, regulations, software, information systems, governance alternatives, risk management strategies and other characteristics that appear to promote the greatest likelihood of effectiveness, cost efficiency, loss prevention and intergovernmental cooperation.

A local consulting company was contracted with the task of completing the study of the information technology element of the above more comprehensive study. This involved a review of existing earned income tax collection software, a review of system requirements of Act 32, an assessment of best practices in information technology related to the EIT collection process and the development of system requirements for use in the acquisition of software systems for EIT administration. (See Attachment D. Act 32 Collection Project Document #2: Final Report on EIT Collection Practices).

The above mentioned document contains Act 32 Requirements, Best Practices of an EIT Administration System and future system requirements. During the study, several vendors of EIT Administration software or services were reviewed and the results documented. The study noted that there are several software vendors that have EIT Collection and Administration software systems and several vendors that can provide services ranging from full collection and administration of EIT to providing hosting of the software for local taxing authorities to perform their own administration for EIT Collection.

IV-1. Objectives.

- a. **General.** This RFP is intended to provide a means for Tax Collection Districts in the Commonwealth to select a software or services vendor for administration of an EIT system within the Tax Collection District.

- b. **Specific.** The requirements indicated as Act 32 Requirements and highlighted below in the Requirements section are considered Mandatory Requirements and must be fulfilled. The remaining requirements are considered best practices and as such should be fulfilled by any vendor providing a response to the RFP. However, the TCD has the ability to include or exclude any of the remaining requirements as it see fit.

IV-2. Nature and Scope of the Project.

[Describe what else the project is to include, what geographical area is to be covered and other pertinent information.]

IV-3. Requirements.

Processing - The processing requirements for a TCD EIT Collection System are as follow:

1. The system must use the PSD and TCD codes prescribed by the DCED (**Act 32 Requirement #6**).
2. The system must access the DCED MunStat database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED MunStat database.
3. The system must be able to identify employer's errors in employee withholding information, including wrong PSD's and tax rates. The system must be able to correct the error and inform the employer of the error.
4. The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5. The system must handle monthly electronic files from employers containing withholding and employee wage details (**Act 32, Requirement #1**).
6. The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (**Act 32, Requirement #2**). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7. The system must accept taxpayer funds withheld by employers (**Act 32, Requirement 3**). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.

8. The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.
9. The system must be able to accept electronic fund transfers via standard EFT methods.
10. The system must have full ACH (Automated Clearing House) and credit card capabilities.
11. The system must provide online filing for employers.
12. The system must provide online filing for taxpayers.
13. The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.
14. The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (**Act 32, Requirement #10**).
15. The system must be able to collect the LST (Local Services Tax) as a separate tax.
16. The system should have the capacity to collect other taxes aside from the EIT and LST.
17. The system must track EIT and LST exemptions.
18. The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (**Act 32, Requirement #4**).
19. The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (**Act 32, Requirement #5**).
20. The system must handle all fund transfers electronically.
21. The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22. The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

Reporting - The reporting requirements for a TCD EIT Collection System are as follow:

1. The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCC, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (**Act 32 Requirement #7**).
2. The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (**Act 32 Requirement #8**).
3. The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
4. The system should generate forms for employer and taxpayer returns.

Auditing - The auditing requirements for a TCD EIT Collection System are as follow:

1. The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (**Act 32, Requirement #9**).
2. The system must provide an audit trail for every transaction.
3. The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

Site Security - The site security requirements for a TCD EIT Collection System are as follow:

1. Lockable server room with fire and water protection.
2. Router with firewalls on broadband connection to the Internet.
3. Site security must be compliant with the SAS 70 Type II audit. If not, a waiver must be obtained from the DCED

Disaster Recovery - The disaster recovery requirements for a TCD EIT Collection System are as follow:

1. The system must have a disaster recovery plan which is audited and tested annually.

2. Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
3. The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. A test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

Hardware - The hardware requirements for a TCD EIT Collection System are as follow:

1. Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
2. Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
3. Printer minimum - Laser jet printers.

Software - The software requirements for a TCD EIT Collection System are as follow:

1. Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
2. Minimum server software configuration is Windows / UNIX / LINUX server.
3. Minimum software security – User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
4. Workstations (including PCs and laptops) must have their own firewalls.
5. Workstation must have the appropriate encryption.
6. Commercial grade anti-virus software must be placed on all servers and all workstations.
7. Commercial grade anti-spyware software must be placed on all servers and all workstations.
8. At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once

daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.

9. Servers should have a redundant update process.
10. System must be well-integrated, with extensive drilldown capability and ease of navigation.
11. System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
12. System must have a PDF viewer capability.

a. Emergency Preparedness

To support continuity of operations during an emergency, including a pandemic, the **ISSUING ENTITY** needs a strategy for maintaining operations for an extended period of time. One part of this strategy is to ensure that essential contracts that provide critical business services to the **ISSUING ENTITY** have planned for such an emergency and put contingencies in place to provide needed goods and services.

1. Describe how you anticipate such a crisis will impact your operations.
2. Describe your emergency response continuity of operations plan. Please attach a copy of your plan, or at a minimum, summarize how your plan addresses the following aspects of pandemic preparedness:
 - employee training (describe your organization's training plan, and how frequently your plan will be shared with employees)
 - identified essential business functions and key employees (within your organization) necessary to carry them out
 - contingency plans for:
 - How your organization will handle staffing issues when a portion of key employees are incapacitated due to illness.
 - How employees in your organization will carry out the essential functions if contagion control measures prevent them from coming to the primary workplace.
 - How your organization will communicate with staff and suppliers when primary communications systems are overloaded or otherwise fail, including key contacts, chain of communications (including suppliers), etc.
 - How and when your emergency plan will be tested, and if the plan will be tested by a third-party.

IV-4. Tasks.

[List and describe the tasks or work steps into which the Issuing Office has divided the project through its preliminary analysis. For each task, describe what the selected offeror is expected to do and what it is expected to produce. If the project is to be conducted in phases, specify tasks and deliverables for each phase; also indicate any approvals needed before moving into the next phase. If the project requires a level of effort rather than precise products, show the number of and type of personnel required. Include timeframe for completion of tasks, as appropriate.]

[As indicated in Part II of the RFP, the Offeror is given the opportunity to recommend modifications to the task segmentation in its proposal. However, to facilitate effective evaluation of such changes, the task statement in the RFP should be prepared with specific attention to detail.]

IV-5. Reports and Project Control. [All contracts require formal control by the Issuing Office to ensure the selected offeror meets the Issuing Office's needs. The Issuing Office usually exercises this Control through the requirement for oral and written reports and other documentation such as plans, proposals, or recommendations that the Issuing Office must approve before the selected Offeror proceeds further with the work. The detail and frequency of the reports generally are dependent upon the size and nature of the contract. Since the Offeror must necessarily include the cost of report preparation in its total costs, the Issuing Office should exercise care to keep the number and frequency of reports to a manageable minimum, consistent with the need for contract control. Consider the availability of Issuing Office manpower for review and consideration of the reports in making this determination. This portion of the RFP should be specific as to the content, frequency, and number of copies of each report required. It is desirable and, in the case of the final report, necessary to provide formats for the written reports. The following illustrate the type and scope of reports and other documentation that might be required.]

- a. **Task Plan.** A work plan for each task that identifies the work elements of each task, the resources assigned to the task, and the time allotted to each element and the deliverable items to be produced. Where appropriate, a PERT or GANTT chart display should be used to show project, task, and time relationship.
- b. **Status Report.** A periodic [specified] progress report covering activities, problems and recommendations. This report should be keyed to the work plan the Offeror developed in its proposal, as amended or approved by the Issuing Office.
- c. **Problem Identification Report.** An "as required" report, identifying problem areas. The report should describe the problem and its impact on the overall project and on each affected task. It should list possible courses of action with advantages and disadvantages of each, and include Offeror recommendations with supporting rationale.
- d. **Final Report.** [In all cases, a requirement should be included for the submission of draft copies of the final report to permit the Issuing Office to

satisfy itself as to the report's completeness and factual accuracy. The Issuing Office should provide a format for the final report. The format should specify the content of the final report in detail comparable to the following:

- i) Abstract or summarize the result of the study or service in terminology that will be meaningful to management and others generally familiar with the subject areas.
- ii) Describe data collection and analytical and other techniques used during the study.
- iii) Summarize findings, conclusions and recommendations developed in each task.
- iv) Include all supporting documentation; e.g., flow charts, forms, questionnaires, etc.
- v) Recommend a time-phased work plan for implementing the recommendations.

APPENDIX B - PROPOSAL COVER SHEET

ISSUING ENTITY

[INSERT ISSUING OFFICE]

RFP# _____

Enclosed in three separately sealed submittals is the proposal of the Offeror identified below for the above-referenced RFP:

Offeror Information:	
Offeror Name	
Offeror Mailing Address	
Offeror Website	
Offeror Contact Person	
Contact Person's Phone Number	
Contact Person's Facsimile Number	
Contact Person's E-Mail Address	
Offeror Federal ID Number	

Submittals Enclosed and Separately Sealed:	
<input type="checkbox"/>	Technical Submittal
<input type="checkbox"/>	Cost Submittal

<i>Signature</i>	
Signature of an official authorized to bind the Offeror to the provisions contained in the Offeror's proposal:	
Printed Name	
Title	

FAILURE TO COMPLETE, SIGN AND RETURN THIS FORM WITH THE OFFEROR'S PROPOSAL MAY RESULT IN THE REJECTION OF THE OFFEROR'S PROPOSAL

EXHIBIT 1

SAMPLE LETTER RFP TRANSMITTAL

[Agency Letterhead]

[Date]

[Contact Name]

[Company Name]

[Address]

[City, State Postal Code]

RE: [Issuing Office] RFP #XXXXXXX

Dear Mr./Ms. [Contact]:

You are invited to submit a proposal for [short description of project] in accordance with the enclosed request for proposal.

All proposals must be submitted in [number] copies to the [issuing office] [address]. Proposals must be received at the above address no later than [time], [date]. Late proposals will not be considered regardless of the reason.

All questions should be submitted by email (with subject line "RFP (number) Question") to [individual's name, title, and e-mail address] no later than [date specified in the Calendar of Events in the RFP]. All Offerors will be provided with answers to questions asked by any one Offeror.

In addition, a pre-proposal conference will be held on [date] at [time] in [room number, building, city]. Since facilities are limited, it is requested you limit your representation to [number]. [Or, if applicable state: No pre-proposal conference will be held on this project.]

Sincerely,

[Issuing Officer's Signature]

Enclosure:

Request for Proposal

bcc:

Section IV – Sample Work Statement

A. Scope of Document

This document presents sample work statements for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These sample work statements were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED).

The sample work statements were derived from the list of best practices developed by the Ajilon Project Team, and can be found in Act 32 EIT Collection Project Document 3, EIT Collection System Best Practices.

The sample work statements are listed in Section 2. They are then further broken down, by area, into the following subsections:

- Hardware
- Software
- Processing
- Reports
- Auditing
- Disaster Recovery

B. Work Statement

1. Requirements

a. Hardware

The hardware requirements for a TCD EIT Collection System are as follow:

1. Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
2. Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
3. Printer minimum - Laser jet printers.

b. Software

The software requirements for a TCD EIT Collection System are as follow:

1. Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
2. Minimum server software configuration is Windows / UNIX / LINUX server.
3. Minimum software security – User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.

4. Workstations (including PCs and laptops) must have their own firewalls.
5. Workstation must have the appropriate encryption.
6. Commercial grade anti-virus software must be placed on all servers and all workstations.
7. Commercial grade anti-spyware software must be placed on all servers and all workstations.
8. At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.
9. Servers should have a redundant update process.
10. System must be well-integrated, with extensive drilldown capability and ease of navigation.
11. System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
12. System must have a PDF viewer capability.

c. **Processing**

The processing requirements for a TCD EIT Collection System are as follow:

1. The system must use the PSD and TCD codes prescribed by the DCED.
2. The system must access the DCED MunStat database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED MunStat database.
3. The system must be able to identify employer's errors in employee withholding information, including wrong PSD's and tax rates. The system must be able to correct the error and inform the employer of the error.
4. The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5. The system must handle monthly electronic files from employers containing withholding and employee wage details.
6. The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details. Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any PSD in the state.
7. The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.
8. The system must be able to accept electronic fund transfers via standard EFT methods.
9. The system must have full ACH (Automated Clearing House) and credit card capabilities.
10. The system must provide online filing for employers.
11. The system must provide online filing for taxpayers.
12. The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.

13. The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income.
14. The system must be able to collect the LST (Local Services Tax) as a separate tax.
15. The system should have the capacity to collect other taxes aside from the EIT and LST.
16. The system must track EIT and LST exemptions.
17. The system must remit all withholdings to the taxing jurisdictions no later than 60 days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than 30 days after receipt. The TCC can require more frequent distributions.
18. The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution.
19. The system must handle all fund transfers electronically.
20. The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
21. The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

d. **Reporting**

The reporting requirements for a TCD EIT Collection System are as follow:

1. The system must, within 20 days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's.
2. The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar.
3. The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
4. The system should generate forms for employer and taxpayer returns.

e. **Auditing**

The auditing requirements for a TCD EIT Collection System are as follow:

1. The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer.
2. The system must provide an audit trail for every transaction.
3. The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

f. **Site Security**

The site security requirements for a TCD EIT Collection System are as follow:

1. Lockable server room with fire and water protection.
2. Router with firewalls on broadband connection to the Internet.
3. Site security must be compliant with the SAS 70 Type II audit. If not, a waiver must be obtained from the DCED

g. **Disaster Recovery**

The disaster recovery requirements for a TCD EIT Collection System are as follow:

1. The system must have a disaster recovery plan which is audited and tested annually.
2. Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
3. The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. A test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

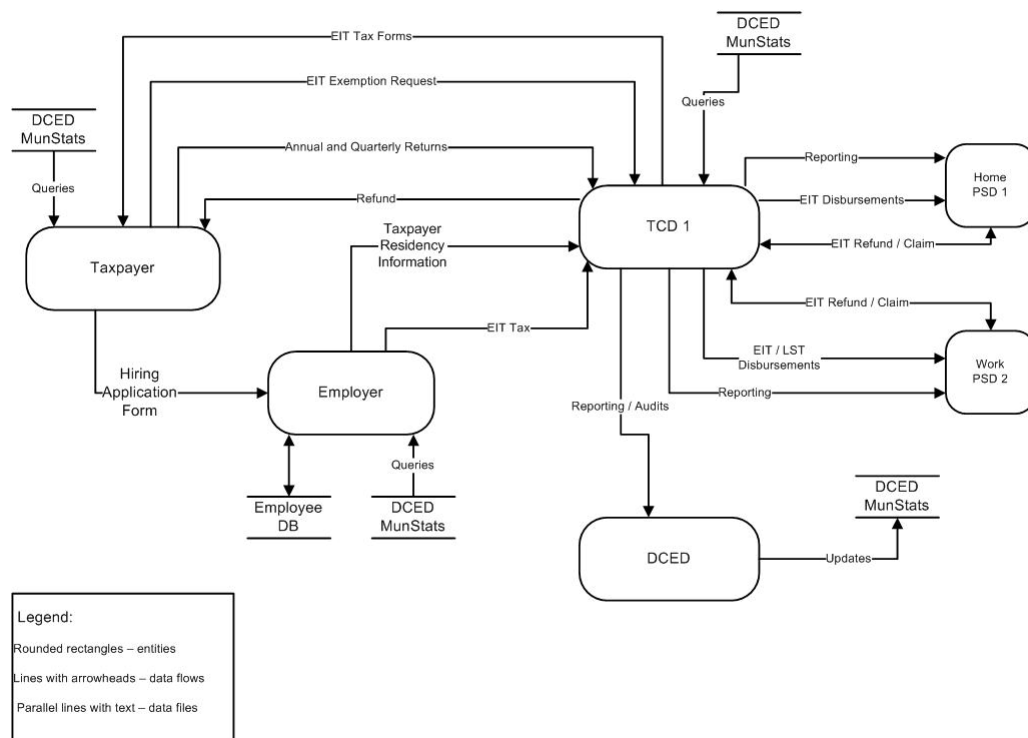
2. **System Flow Diagrams**

The following diagrams depict two versions of the typical system flow of the TCD EIT Collection System. Additionally, each diagram is followed by definitions for the flows and entities on the chart.

The first diagram is when the taxpayer lives and works in the same TCD.

This document will provide detailed information concerning the following Data Flow Chart called “Taxpayer and Employer in the Same TCD”. The chart is intended to represent typical processes that would occur when a taxpayer lives and works in the same TCD. There is one TCD pictured and two PSDs that are labeled a home PSD and a Work PSD. A detailed explanation of each flow follows this chart.

Taxpayer and Employer In Same TCD



There is a Legend box on each chart that provides a brief understanding of the objects on the chart. A more detailed explanation follows below.

The rounded rectangles represent entities that are the source or final disposition of the data flows. Entities on the chart are:

- tax payers
- employers in and out of state
- tax collection districts
- home and work political subdivisions

The lines with either one or two arrowheads represent the path upon which data (forms, electronic files or reports) flow from one entity to another such as:

- a tax return from a taxpayer with or without a check enclosed,
- a tax form being mailed to a taxpayer,
- refund checks to taxpayers,
- reports from a Tax Collection District (TCD) to another TCD or the Department of Community and Economic Development (DCED) or a Political Subdivision (PSD)
- withholdings from employers
- disbursements to PSDs
- queries (internet access to files published by the DCED)

The parallel lines with text represent data files that contain data maintained by an entity such as:

- Employee database maintained and updated by employers and is the source of the information reported to the TCDs periodically
- DCED Municipal Statistics (MunStats) database

The chart is not intended to show every interaction that takes place between the entities but rather the most important ones which can provide an understanding of the major functions and relationships between the entities on the chart. The direction of the arrowheads indicates the direction of the data.

Taxpayer Flows

Queries – A taxpayer can utilize the DCED MunStats Database to look up their tax rates for where they live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of Earned Income Tax or refund request for overpayment of Earned Income Tax. This can be an annual return for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings by an employer or due to credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

Employer Flows

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSD and the date of the withholding.

Queries – An employer can utilize the DCED MunStats Database to look up tax rates for where their employees live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

Employee DB – A file maintained by an employer containing data for each employee (taxpayer) with name, address, tax rate, records of withholdings, compensation, etc.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

DCED Flows

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

Updates – Periodic updates of the tax rates for each PSD in the Commonwealth. The updates are posted twice annually to the DCED MunStats DB for all to reference. The updates are received periodically from the TCDs or PSDs.

Home PSD Flows

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

Work PSD Flows

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Work PSD.

TCD (1) Flows

Queries – A TCD would utilize the DCED MunStats Database to look up tax rates for taxpayers that were part of employer EIT Tax distributions. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of or refund request for overpayment of Earned Income Tax. This can be an annual for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings or credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSD and the date of the withholding.

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

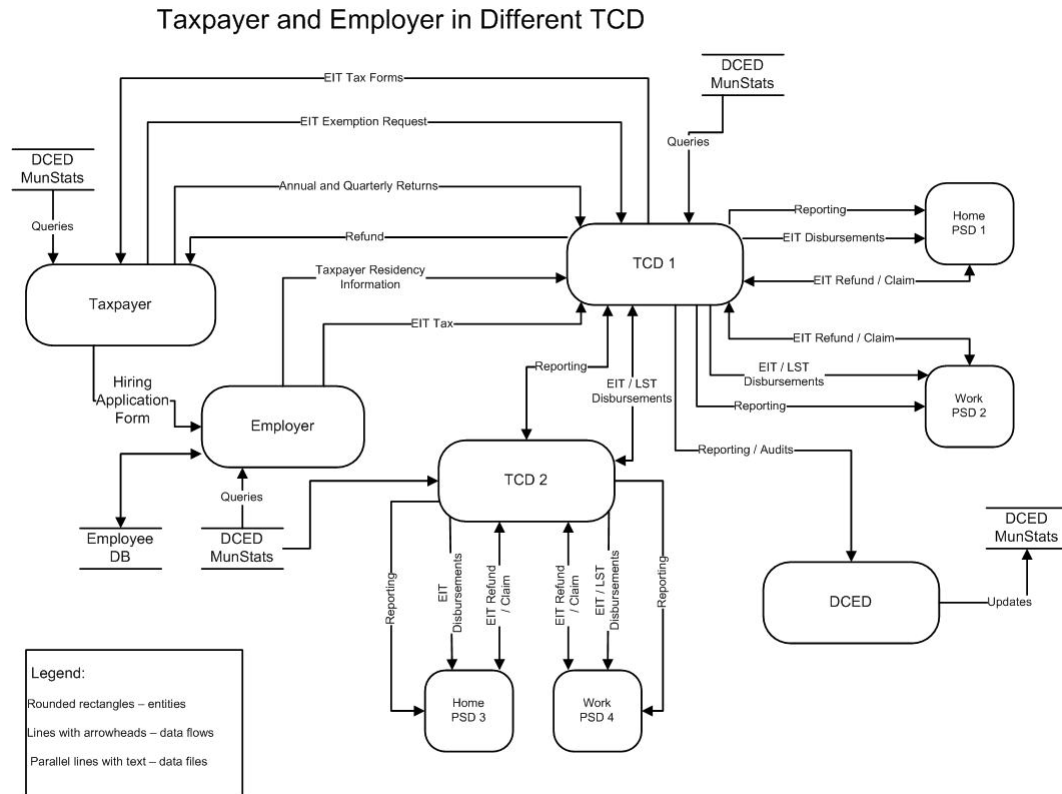
EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

The second diagram is when the taxpayer lives in one TCD and works in a different TCD.

This document will provide more detailed information about the Visio Data Flow Chart called “Taxpayer and Employer in Different TCDs”. This chart is intended to represent the typical processes that would occur when a taxpayer lives and works in two different TCDs. There are two TCDs pictured (TCD 1 and TCD 2) and four PSDs that are labeled Home PSD1 and Home PSD 3 and Work PSD 2 and Work PSD 4. A detailed explanation of each flow follows this chart.



There is a Legend box on each chart that provides a brief understanding of the objects on the chart. A more detailed explanation follows below.

The rounded rectangles represent entities that are the source or final disposition of the data flows. Entities on the chart are:

- tax payers
- employers in and out of state
- tax collection districts
- home and work political subdivisions

The lines with either one or two arrowheads represent the path upon which data (forms, electronic files or reports) flow from one entity to another such as:

- a tax return from a taxpayer with or without a check enclosed,
- a tax form being mailed to a taxpayer,
- refund checks to taxpayers,
- reports from a Tax Collection District (TCD) to another TCD or the Department of Community and Economic Development (DCED) or a Political Subdivision (PSD)
- withholdings from employers
- disbursements to PSDs
- queries (internet access to files published by the DCED)

The parallel lines with text represent data files that contain data maintained by an entity such as:

- Employee database maintained and updated by employers and is the source of the information reported to the TCDs periodically
- DCED Municipal Statistics (MunStats) database

The chart is not intended to show every interaction that takes place between the entities but rather the most important ones which can provide an understanding of the major functions and relationships between the entities on the chart. The direction of the arrowheads indicates the direction of the data.

Taxpayer Flows

Queries – A taxpayer can utilize the DCED MunStats Database to look up their tax rates for where they live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of or refund request for overpayment of Earned Income Tax. This can be an annual for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings or credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

Employer Flows

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSDs and the date of the withholding.

Queries – An employer can utilize the DCED MunStats Database to look up tax rates for where their employees live. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

Employee DB – A file maintained by an employer containing data for each employee (taxpayer) with name, address, tax rate, records of withholdings, compensation, etc.

Hiring Application Form – any form that is filled out by a taxpayer when the taxpayer is first employed by an employer. This is usually an employment application where the data is captured and held in a database at the employer location.

DCED Flows

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

Updates – Periodic updates of the tax rates for each PSD in the Commonwealth. The updates are posted twice annually to the DCED MunStats DB for all to reference. The updates are received periodically from the TCDs or PSDs.

Home (1 and 3) PSD Flows

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

Work PSD (2 and 4) Flows

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Work PSD.

TCD (1 and 2) Flows – In this case, there are two TCDs involved. The taxpayer works in TCD 1 but lives in TCD 2. The employer sends the withholdings to TCD 1. TCD 1 knows that the taxpayer lives in TCD 2 so a disbursement along with appropriate reporting is provided to TCD 2.

Queries – A TCD would utilize the DCED MunStats Database to look up tax rates for taxpayers that were part of employer EIT Tax distributions. DCED MunStats can be viewed using an internet browser at the following link.

<http://www.newpa.com/get-local-gov-support/municipal-statistics/index.aspx>

EIT Tax Forms – preprinted forms distributed by the TCD of the location where the taxpayer lives.

EIT Exemption Request – a request from a taxpayer requesting that they be exempted from paying and filing for earned income tax.

Annual and Quarterly Returns – manual form or online entry of taxpayer information related to payment of or refund request for overpayment of Earned Income Tax. This can be an annual for an employee who had withholdings by an employer or quarterly / annual payments for a self-employed taxpayer.

Refund – payment to a taxpayer due to excessive withholdings or credits that were entered on the annual return that resulted in a refund of previously withheld tax.

Taxpayer Residency Information – manual forms or electronic files provided to the TCD that contain taxpayer information such as name, address, PSD or location identifier and date of employment. This information may accompany the withholdings file or report that is produced periodically by the employer and provided to the TCD.

EIT Tax – Record of withholding for taxpayers for a particular employer. This would include the amount of compensation, the amount of the tax, the taxpayers name, the PSD and the date of the withholding.

Reporting / Audits – Any and all reporting required of the TCDs by DCED such as annual audits and monthly reporting of receipts and disbursements of withholdings to the appropriate PSDs.

EIT Disbursements – Electronic or manual transfers of funds from the TCD to the Home PSD of the taxpayers living within the Home PSD boundaries.

EIT Refund / Claim – Electronic or manual transfers of funds from the PSD to the TCD where the taxpayer was due a refund. The TCD would refund the money, issue a claim to the PSD and later receive a refund from the PSD.

Reporting – Various manual and electronic reports providing audit trails of receipts to the TCD and disbursements from the TCD to the Home PSD.

EIT / LST Disbursements – Electronic or manual transfers of funds from the TCD to the Work PSD of the taxpayers working within the Work PSD boundaries.

C. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, however, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

Section II – Final Report on EIT Collection Practices

A. Scope of Document

This document is the Ajilon Project Team's final report to the Department of Community and Economic Development (DCED) on Earned Income Tax Collection Systems in the Commonwealth of Pennsylvania.

This document contains the following sections:

- **Section 2 – Report Summary.**
- **Section 3 – Act 32 Requirements.** This section lists all of the requirements in Act 32 that pertain to an EIT collection system. By definition, such requirements must be considered best practices for an EIT collection system. Requirements that do not pertain to an EIT collection system are not listed.
- **Section 4 – Best Practices.** This section presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED). The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop sample work statements for any proposed Act 32 EIT collection system.

B. Report Summary

This report is the result of a study commissioned by the Department of Community and Economic Development (DCED) to review Earned Income Tax Collection Systems in the Commonwealth of Pennsylvania.

1. Background

Act 32 of 2008, the Earned Income Tax Collection System legislation, provides for the consolidation of the collection system for the Earned Income Tax into 69 Tax Collection Districts by January 2012. DCED has a number of significant responsibilities to perform under Act 32 to ensure a smooth transition to the new system. One of the most significant is the completion of a study of the current EIT system to identify best practices especially in inter-municipal collection systems that can be used as a model for others.

The EIT study is to be completed by December 2009 and distributed to each of the 69 Tax Collection Committees (TCC). Study elements include identifying, collecting and comparing practices, methods, structures, procedures, regulations, software, info systems, governance alternatives, risk management strategies and other characteristics that appear to promote the greatest likelihood of effectiveness, cost efficiency, loss prevention and intergovernmental cooperation.

Ajilon Consulting was charged with the task of completing the study of the information technology element of the above more comprehensive study. This involved a review of existing earned income tax collection software, a review of system requirements of Act 32, an assessment of best practices in information technology related to the EIT collection process, the development of system requirements and a request for proposal for use in the acquisition of software systems for EIT administration. The engagement also reviewed and reported on the feasibility of contracting on a statewide basis for the development and procurement of appropriate software systems that can be adopted and purchased by the TCCs.

Ajilon performed the work under the direction of staff from the Governor's Center for Local Government Services in DCED and met with and obtained input from the EIT Advisory Committee established by DCED and from selected EIT collection offices identified by DCED.

All work under this engagement was completed in the required timeframe.

The following describes Ajilon's understanding of the DCED EIT Collection System study requirements:

- **Contract Award:** The study commenced on August 17, 2009 and was completed on time.
- **The Work:** The review, collection and documentation of the above stated deliverables were published in multiple MS Word documents.
- **Infrastructure:** DCED provided access to DCED leadership for the purposes of interviewing and provided onsite space for the project team to meet and work with DCED and project members. Offsite space at Ajilon's local district office was used by the Ajilon team members when not onsite at DCED. Visits to several of the designated EIT collection offices as noted on the contact list also required offsite work.

This report provides the details regarding two of the deliverables that were requested by DCED:

- **Act 32 Requirements – Section 3** of this document.
- **Best Practices – Section 4** of this document.

C. Act 32 Requirements

The following table contains the requirements in Act 32 that pertain to an EIT collection system. The table assigns each requirement a unique ID #, describes the requirement and references where in Act 32 the requirement appears.

Req. #	Description	Reference
1	Businesses with multiple locations across the state will be permitted to remit to the county where they are headquartered. If businesses elect to use this option, they must remit withholdings and employee wage taxes detail electronically on a monthly basis.	Section 511
2	If an out of state business does not have a headquarters in Pennsylvania, that business can pick the tax collection district to which it remits withholding and employee wage taxes detail electronically on a monthly basis.	Determination by DCED Legal
3	Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Requirement #1.	Section 511
4	Tax officers are required to remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions.	Section 513
5	Tax officers must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution.	Section 513
6	Employers and tax officers must use the PSD and TCD codes prescribed by the DCED.	Section 513
7	Tax officers must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's.	Section 509
8	Tax officers must keep records of every dollar received and distributed, and submit monthly reports accounting for each dollar.	Section 509
9	The TCC must provide for an annual audit by the end of the calendar year of the Tax Officer. The audit is to include all the books, accounts, financial statements, compliance reports and records. The audit report must be issued in a standardized format developed by the DCED and filed with the Department and all PSDs within the TCD by September 1 of the succeeding year.	Section 505 h
10	In calculating EIT, net losses from one of a taxpayer's business may be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income.	Section 502

D. Best Practices

This section presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED).

The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop a Request for Proposal (RFP) for the Act 32 EIT collection system.

The best practices are listed in Section 2. They are then further broken down, by area, into the following subsections:

- **Act 32** – Best practices that are required by Act 32. These best practices will also appear where appropriate in the other subsections. These practices are derived from Act 32 requirements detailed in *Act 32 EIT Collection Project Document 1: Act 32 Requirements*.
- **Identification** – Best practices for identifying employers, employees and the self employed.
- **Collection** – Best practices for collecting EIT funds.
- **Transfers** – Best practices for transferring EIT funds to the appropriate political subdivisions.
- **Hardware** – Computer hardware recommendations.
- **Software** – Computer software recommendations.
- **Reports** – Best practices for report generation.
- **Auditing** – Best practices for auditing procedures.
- **Disaster Recovery** – Best practices for a disaster recovery plan.

In each subsection the best practices are compared to the existing systems of the taxing authorities interviewed for the Act 32 EIT Collection Project Document 2: Survey of Current EIT Collection Practices. A determination is made if the current systems conform to the defined best practices, and if not, whether they will be upgraded in the future to conform to those best practices. The following coding system is used:

- **Yes** – The system adheres to the Best Practice.
- **No** – The system does not adhere to the Best Practice.
- **Under Development** – The system does not adhere to the Best Practice, but the tax collection agency is actively working on an upgrade that will bring the system into adherence
- **Future Enhancement** – The requirements for the Best Practice have not yet been defined.
- **NA** – The Best Practice is not applicable to the system in question (i.e., site security for a vendor that does not host the system).
- **Not Determined** – Not enough information was provided to determine if the tax collection agency adheres to the Best Practice.

The tax collection agencies included in the document are:

- Berkheimer Tax Administrator
- Centax
- City of Hermitage/Mega Software Services
- Logi-Tek Solutions
- State College Area EIT Office/RBA Professional Data Systems, Inc.
- West Shore Tax Bureau/BIG – Business Information Group

1. Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	Identification	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal Statistics database.
3	Identification	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	Identification	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	Collection	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
9	Collection	The system must be able to accept electronic fund transfers via standard EFT methods.
10	Collection	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	Collection	The system must provide online filing for employers.
12	Collection	The system must provide online filing for taxpayers.
13	Collection	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	Collection	The system must be able to collect the LST (Local Services Tax) as a separate tax.
16	Collection	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	Collection	The system must track EIT and LST exemptions.
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	Transfer	The system must handle all fund transfers electronically.
21	Transfer	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	Transfer	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.
23	Hardware	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
24	Hardware	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Hardware	Printer minimum configuration must be Laser jet printers.
26	Hardware	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.
27	Software	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Software	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Software	Minimum software security: User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Software	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.
31	Software	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Software	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	Software	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.
34	Software	Servers must have a redundant update process.
35	Software	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	Software	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	Software	System must have a PDF viewer capability.
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	Report	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	Report	The system must generate forms for employer and taxpayer returns.
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	Audit	The system must provide an audit trail for every transaction.
44	Audit	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).
45	Disaster Recovery	The system must have a disaster recovery plan which is audited and tested annually.
46	Disaster Recovery	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	Disaster Recovery	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

2. Act 32 Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.

Tax Collection Agency	Best Practice #1	Best Practice #5	Best Practice #6	Best Practice #7
Berkheimer Tax Administrator	Future Enhancement	Yes	Future Enhancement	Yes
Centax	Future Enhancement	Yes	Future Enhancement	Under Development
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	Yes
Logi-Tek Solutions	Future Enhancement	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Future Enhancement	Yes

2. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).

Tax Collection Agency	Best Practice #14	Best Practice #18	Best Practice #19
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes
Centax	Yes	Future Enhancement	Yes
City of Hermitage/ Mega Software Services	No	Future Enhancement	Yes
Logi-Tek Solutions	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes

2. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #42
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

3. Identification Best Practices

Best Practice ID #	Description of Best Practice
1	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal statistics database.
3	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.

Tax Collection Agency	Best Practice #1	Best Practice #2	Best Practice #3	Best Practice #4
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	No	No	No
Logi-Tek Solutions	Future Enhancement	No	Not Determined	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	No	Yes	Yes

4. Collection Best Practices

Best Practice ID #	Description of Best Practice
5	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

Tax Collection Agency	Best Practice #5	Best Practice #6	Best Practice #7	Best Practice #8
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes	Yes
Centax	Yes	Future Enhancement	Under Development	Under Development
City of Hermitage/ Mega Software Services	Yes	No	Yes	No
Logi-Tek Solutions	Yes	Future Enhancement	Yes	No
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes	Under Development

4. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
9	The system must be able to accept electronic fund transfers via standard EFT methods.
10	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	The system must provide online filing for employers.
12	The system must provide online filing for taxpayers.
13	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.

Tax Collection Agency	Best Practice #9	Best Practice #10	Best Practice #11	Best Practice #12	Best Practice #13
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes	Yes
Centax	Yes	No	Under Development	Under Development	Yes
City of Hermitage/ Mega Software Services	No	No	No	No	Yes
Logi-Tek Solutions	No	No	No	No	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Under Development	Under Development	Under Development	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Under Development	Yes

4. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
14	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	The system must be able to collect the LST (Local Service Tax) as a separate tax.
16	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	The system must track EIT and LST exemptions.

Tax Collection Agency	Best Practice #14	Best Practice #15	Best Practice #16	Best Practice #17
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	Yes	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

5. Transfer Best Practices

Best Practice ID #	Description of Best Practice
18	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	The system must handle all fund transfers electronically.
21	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

Tax Collection Agency	Best Practice #18	Best Practice #19	Best Practice #20	Best Practice #21	Best Practice #22
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	No	No
Logi-Tek Solutions	Future Enhancement	Yes	Not Determined	Yes	Not Determined
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Under Development	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Yes	Yes	Yes

6. Hardware Best Practices

Best Practice ID #	Description of Best Practice
23	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PC's and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
24	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Printer minimum configuration must be Laser jet printers.
26	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.

Tax Collection Agency	Best Practice #23	Best Practice #24	Best Practice #25	Best Practice #26
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes	Yes
Logi-Tek Solutions	Yes	No	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices

Best Practice ID #	Description of Best Practice
27	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Minimum software security – The User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.

Tax Collection Agency	Best Practice #27	Best Practice #28	Best Practice #29	Best Practice #30
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	No	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
31	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images and application components.
34	Servers must have a redundant update process.

Tax Collection Agency	Best Practice #31	Best Practice #32	Best Practice #33	Best Practice #34
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Not Determined
City of Hermitage/ Mega Software Services	Yes	No	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
35	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	System must have a PDF viewer capability.

Tax Collection Agency	Best Practice #35	Best Practice #36	Best Practice #37
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

8. Report Best Practices

Best Practice ID #	Description of Best Practice
38	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	The system must generate forms for employer and taxpayer returns.

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #40	Best Practice #41
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

9. Audit Best Practices

Best Practice ID #	Description of Best Practice
42	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	The system must provide an audit trail for every transaction.
44	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

Tax Collection Agency	Best Practice #42	Best Practice #43	Best Practice #44
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

10. Disaster Recovery Best Practices

Best Practice ID #	Description of Best Practice
45	The system must have a disaster recovery plan which is audited and tested annually.
46	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

Tax Collection Agency	Best Practice #45	Best Practice #46	Best Practice #47
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Under Development	Yes	No
City of Hermitage/ Mega Software Services	No	No	No
Logi-Tek Solutions	Yes	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

E. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

Earned Income Tax Consolidation System Best Practices Report

Tax Officer Request for Proposal

> ready > set > succeed



REQUEST FOR PROPOSALS
FOR
APPOINTMENT OF TAX OFFICER

ISSUING ENTITY

TCC NAME

RFP NUMBER

XXXX-XX

DATE OF ISSUANCE

Date

REQUEST FOR PROPOSALS
FOR
APPOINTMENT OF TAX OFFICER

TABLE OF CONTENTS

CALENDAR OF EVENTS	[iii]
Part I—GENERAL INFORMATION	[1]
Part II—PROPOSAL REQUIREMENTS [page]	
Part III—CRITERIA FOR SELECTION [page]	
Part IV—WORK STATEMENT [page]	
 APPENDIX A: STANDARD PROFESSIONAL SERVICES CONTRACT TERMS AND CONDITIONS	
 APPENDIX B: PROPOSAL COVER SHEET	
 APPENDIX C: EARNED INCOME TAX LIST	
 APPENDIX D: ACT 32 COLLECTION PROJECT DOCUMENT # 2: FINAL REPORT ON EIT COLLECTION PRACTICES	

CALENDAR OF EVENTS

The Issuing Entity will make every effort to adhere to the following schedule:

Step	Date
1. Issuing Entity issues RFP	March 1, 2010
2. RFP response due	March 31, 2010
3. Issuing Entity evaluate/select finalists	April 2010
4. Tax collector site visits	May 2010
5. Tax officer appointment deadline	September 15, 2010

[Note to Issuing Entity—Steps and Dates in lines 1-4 may be modified by the Issuing Entity.]

PART I

GENERAL INFORMATION

I-1. Purpose. This request for proposals (“RFP”) provides to those interested in submitting proposals for the subject procurement (“Offerors”) sufficient information to enable them to prepare and submit proposals for the Issuing Entity to satisfy a need for the **APPOINTMENT OF A TAX OFFICER TO ADMINISTER THE COLLECTION OF INCOME TAXES** (“Project”).

I-2. Issuing Entity Contact. The sole point of contact in the Issuing Entity for this RFP shall be **[insert name, address, phone number and e-mail address of the Issuing Entity Contact]**. Please refer all inquiries to the Issuing Entity to the Issuing Entity Contact.

I-3. Scope. This RFP contains instructions governing the requested proposals, including the requirements for the information and material to be included; a description of the service to be provided; requirements which Offerors must meet to be eligible for consideration; general evaluation criteria; and other requirements specific to this RFP.

I-4. Problem Statement. The purpose of this RFP is to assist the Issuing Entity in appointing a Tax Officer to collect and administer income taxes pursuant to the requirements of Act 32 of 2008. Additional detail is provided in **Part IV, Work Statement** of this RFP.

I-5. Type of Contract. It is proposed that if the Issuing Entity enters into a contract as a result of this RFP, it will be a **[Professional Services Contract]** (“Contract”) containing the Standard Contract Terms and Conditions as shown in **Appendix A** and available at **[insert link to Issuing Entity website for the Standard Contract Terms and Conditions]**. The Issuing Entity, in its sole discretion, may undertake negotiations with Offerors whose proposals, in the judgment of the Issuing Entity, show them to be qualified, responsible and capable of performing the Project.

I-6. Rejection of Proposals. The Issuing Entity reserves the right, in its sole and complete discretion, to reject any or all proposals received as a result of this RFP.

I-7. Incurring Costs. The Issuing Entity is not liable for any costs the Offeror incurs in preparation and submission of its proposal, in participating in the RFP process or in anticipation of award of the contract.

I-8. Pre-proposal Conference. **[Note to Issuing Entity—** This is optional—if the Issuing Entity chooses not to hold a pre-proposal conference, substitute the following language for this section: “There will be no pre-proposal conference for this RFP. If there are any questions, please forward them to the Issuing Entity in accordance with Section I-9.”] The Issuing Entity will hold a pre-proposal conference as specified in the Calendar of Events. The purpose of this conference is to provide opportunity for clarification of the RFP. Offerors should forward all questions to the Issuing Entity in accordance with **Part I, Section I-9** to ensure adequate time for analysis before the Issuing Entity provides an answer. Offerors may also ask questions at the conference. In view of the limited facilities available for the conference, Offerors should limit their representation to two individuals per Offeror. The pre-proposal conference is for

information only. Any answers furnished during the conference will not be official until they have been verified, in writing, by the Issuing Entity. All questions and written answers will be posted on the Issuing Entity website as an addendum to, and shall become part of, this RFP. Attendance at the Pre-proposal Conference is **[Note to Issuing Entity—Indicate whether “optional” or “mandatory”]**. If the Issuing Entity wants a mandatory pre-proposal conference, include: “Failure to attend the pre-proposal conference shall disqualify an Offeror from consideration for the contract to be awarded from this RFP, and its proposal will be returned unopened.”].

I-9. Questions & Answers. If an Offeror has any questions regarding this RFP, the Offeror must submit the questions by email with the email subject line “RFP XXXX-XX Question” to the Issuing Entity Contact named in **Part I, Section I-2** of this RFP. If the Offeror has questions, they must be submitted via email **no later than** the date indicated on the Calendar of Events. The Offeror shall not attempt to contact the Issuing Entity by any other means. The Issuing Entity shall post the answers to the questions on the Issuing Entity website by the date stated on the Calendar of Events.

All questions and responses as posted on the Issuing Entity website are considered as an addendum to, and part of, this RFP in accordance with RFP **Part I, Section I-10**. Each Offeror shall be responsible to monitor the Issuing Entity website for new or revised RFP information. The Issuing Entity shall not be bound by any verbal information nor shall it be bound by any written information that is not either contained within the RFP or formally issued as an addendum by the Issuing Entity. The Issuing Entity does not consider questions to be a protest of the specifications or of the solicitation. The required protest process for Issuing Entity is described further in **Part I, Section I-26** and on the Issuing Entity website.

I-10. Addenda to the RFP. If the Issuing Entity deems it necessary to revise any part of this RFP before the proposal response date, the Issuing Entity will post an addendum to the Issuing Entity website at **[add Issuing Entity website]**. It is the Offeror’s responsibility to periodically check the website for any new information or addenda to the RFP. Answers to the questions asked during the Questions & Answers period also will be posted to the website as an addendum to the RFP.

I-11. Response Date. To be considered for selection, hard copies of proposals must arrive at the Issuing Entity on or before the time and date specified in the RFP Calendar of Events. The Issuing Entity will **not** accept proposals via email or facsimile transmission. Offerors who send proposals by mail or other delivery service should allow sufficient delivery time to ensure timely receipt of their proposals. If, due to inclement weather, natural disaster, or any other cause, the Issuing Entity location to which proposals are to be returned is closed on the proposal response date, the deadline for submission will be automatically extended until the next Issuing Entity business day on which the office is open, unless the Issuing Entity otherwise notifies Offerors. The hour for submission of proposals shall remain the same. The Issuing Entity will reject, unopened, any late proposals.

I-12. Proposals. To be considered, Offerors should submit a complete response to this RFP on or before the Response Date in **Part I, Section I-11** to the Issuing Entity, using the form at provided in **Part II, Proposal Requirements** of this RFP, providing **[insert number of copies]** paper copies of the Technical Submittal and **[insert number of copies]** paper copies of the Cost

Submittal. In addition to the paper copies of the proposal, Offerors [shall or may] submit [insert number of copies] complete and exact copies of the entire proposal (Technical and Cost, along with all other requested documents) on CD-ROM or Flash drive in Microsoft Office or Microsoft Office-compatible format. The electronic copy must be a mirror image of the paper copy and any spreadsheets must be in Microsoft Excel. The Offerors may not lock or protect any cells or tabs. Offerors should ensure that there is no costing information in the technical submittal. Offerors should not reiterate technical information in the cost submittal. The CD or Flash drive should clearly identify the Offeror and include the name and version number of the virus scanning software that was used to scan the CD or Flash drive before it was submitted. The Offeror shall make no other distribution of its proposal to any other Offeror or Issuing Entity official or Issuing Entity consultant. Each proposal page should be numbered for ease of reference. An official authorized to bind the Offeror to its provisions must sign the proposal. If the official signs the Proposal Cover Sheet in Appendix B to this RFP and the Proposal Cover Sheet is attached to the Offeror's proposal, the requirement will be met. For this RFP, the proposal must remain valid for 120 days or until a contract is fully executed. If the Issuing Entity selects the Offeror's proposal for award, the contents of the selected Offeror's proposal will become, except to the extent the contents are changed through Best and Final Offers or negotiations, contractual obligations.

Each Offer or submitting a proposal specifically waives any right to withdraw or modify it, except that the Offeror may withdraw its proposal by written notice received by the Issuing Entity Contact prior to the exact hour and date specified in **Part I, Section I-11**. An Offeror or its authorized representative may withdraw its proposal in person prior to the exact hour and date set for proposal receipt, provided the withdrawing person provides appropriate identification and signs a receipt for the proposal. An Offeror may modify its submitted proposal prior to the exact hour and date set for proposal receipt only by submitting a new sealed proposal which complies with the RFP requirements.

I-13. Economy of Preparation. Offerors should prepare proposals simply and economically, providing a straightforward, concise description of the Offeror's ability to meet the requirements of the RFP. [Note to Issuing Entity—Issuing Entity may include limit on the number of pages of the proposal.]

I-14. Alternate Proposals. The Issuing Entity has identified the basic approach to meeting its requirements, allowing Offerors to be creative and propose their best solution to meeting these requirements. The Issuing Entity will not accept alternate proposals.

I-15. Discussions for Clarification. Offerors may be required to make an oral or written clarification of their proposals to the Issuing Entity to ensure thorough mutual understanding and Offeror responsiveness to the solicitation requirements. Only the Issuing Entity may initiate requests for clarification.

I-16. Prime Contractor Responsibilities. The contract will require the selected Offeror to assume responsibility for all services offered in its proposal whether it produces them itself or by subcontract. The Issuing Entity will consider the selected Offeror to be the sole point of contact with regard to contractual matters.

I-17. Proposal Contents.

a. Confidential Information. The Issuing Entity is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of Offerors' submissions in order to evaluate proposals submitted in response to this RFP. Accordingly, except as provided herein, Offerors should not label proposal submissions as confidential or proprietary or trade secret protected. Any Offeror who determines that it must divulge such information as part of its proposal must submit the signed written statement described in subsection c. below and must additionally provide a redacted version of its proposal, which removes only the confidential proprietary information and trade secrets, for required public disclosure purposes.

b. Issuing Entity Use. All material submitted with the proposal shall be considered the property of the Issuing Entity and may be returned only at the Issuing Entity's option. The Issuing Entity has the right to use any or all ideas not protected by intellectual property rights that are presented in any proposal regardless of whether the proposal becomes part of a contract. Notwithstanding any Offeror copyright designations contained on proposals, the Issuing Entity shall have the right to make copies and distribute proposals internally and to comply with public record or other disclosure requirements under the provisions of any Commonwealth or United States statute or regulation, or rule or order of any court of competent jurisdiction.

c. Public Disclosure. After the award of a contract pursuant to this RFP, all proposal submissions are subject to disclosure in response to a request for public records made under the Pennsylvania Right-to-Know-Law, 65 P.S. § 67.101, et seq. If a proposal submission contains confidential proprietary information or trade secrets, a signed written statement to this effect must be provided with the submission in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests. Financial capability information submitted in response to **Part II, Section II-7** of this RFP is exempt from public records disclosure under 65 P.S. § 67.708(b)(26).

I-18. Best and Final Offers. While not required, the Issuing Entity reserves the right to conduct discussions with Offerors for the purpose of obtaining "best and final offers." To obtain best and final offers from Offerors, the Issuing Entity may do one or more of the following:

- i) Schedule oral presentations;
- ii) Request revised proposals; and
- iii) Enter into pre-selection negotiations, including the use of an online auction.

The Issuing Entity will limit any discussions to responsible Offerors (those that have submitted responsive proposals and possess the capability to fully perform the contract requirements in all respects and the integrity and reliability to assure good faith performance) whose proposals the Issuing Entity has determined to be reasonably susceptible of being selected for award. The Criteria for Selection found in **Part III, Section III-4**, shall also be used to evaluate the best and

final offers. Price reductions offered through any reverse online auction shall have no effect upon the Offeror's Technical Submittal.

I-19. News Releases. Offerors shall not issue news releases, Internet postings, advertisements or any other public communications pertaining to this Project without prior written approval of the Issuing Entity, and then only in coordination with the Issuing Entity.

I-20. Restriction of Contact. From the issue date of this RFP until the Issuing Entity selects a proposal for award, unless otherwise instructed, the Issuing Entity Contact is the sole point of contact concerning this RFP. Any violation of this condition may be cause for the Issuing Entity to reject the offending Offeror's proposal. If the Issuing Entity later discovers that the Offeror has engaged in any violations of this condition, the Issuing Entity may reject the offending Offeror's proposal or rescind its contract award. Offerors must agree not to distribute any part of their proposals beyond the Issuing Entity. An Offeror who shares information contained in its proposal with other Issuing Entity personnel and/or competing Offeror personnel may be disqualified.

I-21. Debriefing Conferences. Offerors whose proposals are not selected will be notified of the name of the selected Offeror and given the opportunity to be debriefed. The Issuing Entity will schedule the time and location of the debriefing. The debriefing will not compare the Offeror with other Offerors, other than the position of the Offeror's proposal in relation to all other Offeror proposals. An Offeror's exercise of the opportunity to be debriefed does not constitute the filing of a protest.

I-22. Issuing Entity Participation. Offerors shall provide all services, supplies, facilities, and other support necessary to complete the identified work, except as otherwise provided in this **Part I, Section I-22.** [Note to Issuing Entity—Indicate, if any, the number and type of Issuing Entity personnel to be assigned to this effort and specify the function to be performed (e.g., project officer, programmers, clerical support or training). Also, you may indicate whether or not the Issuing Entity will provide office space, reproduction facilities or other logistical support.]

I-23. Term of Contract. The Effective Date of the contract will commence on [January 1, 2012. The Tax Officer will be responsible to process 2011 tax returns filed in 2012.] [January 1, 2011. The Tax Officer will be responsible to process 2010 tax returns filed in 2011.] and will end [insert time frame, either number of days, years or a fixed termination date]. The Issuing Entity will not be bound in any way until a Contract has been fully executed by the selected Offeror and by the Issuing Entity and all approvals required by Issuing Entity contracting procedures have been obtained. The selected Offeror shall not start the performance of any work prior to the Effective Date of the contract and the Issuing Entity shall not be liable to pay the selected Offeror for any service or work performed or expenses incurred before the Effective Date of the contract.

I-24. Offeror's Representations and Authorizations. By submitting its proposal, each Offeror understands, represents, and acknowledges that:

- a. All of the Offeror's information and representations in the proposal are material and important, and the Issuing Entity may rely upon the contents of the proposal

in awarding the contract(s). The Issuing Entity shall treat any misstatement, omission or misrepresentation as fraudulent concealment of the true facts relating to the RFP submission, punishable pursuant to 18 Pa. C.S. § 4904.

- b. The Offeror has arrived at the price(s) and amounts in its proposal independently and without consultation, communication, or agreement with any other Offeror or potential offeror.
- c. The Offeror has not disclosed the price(s), the amount of the proposal, nor the approximate price(s) or amount(s) of its proposal to any other firm or person who is an Offeror or potential offeror for this RFP, and the Offeror shall not disclose any of these items on or before the proposal submission deadline specified in the Calendar of Events of this RFP.
- d. The Offeror has not attempted, nor will it attempt, to induce any firm or person to refrain from submitting a proposal on this contract, or to submit a proposal higher than this proposal, or to submit any intentionally high or noncompetitive proposal or other form of complementary proposal.
- e. The Offeror makes its proposal in good faith and not pursuant to any agreement or discussion with, or inducement from, any firm or person to submit it a complementary or other noncompetitive proposal.
- f. To the best knowledge of the person signing the proposal for the Offeror, the Offeror, its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last **[four]** years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding or proposing on any public contract, except as the Offeror has disclosed in its proposal.
- g. To the best of the knowledge of the person signing the proposal for the Offeror and except as the Offeror has otherwise disclosed in its proposal, the Offeror has no outstanding, delinquent obligations to the Issuing Entity including, but not limited to, any tax liability not being contested on appeal or other obligation of the Offeror that is owed to the Issuing Entity.
- h. The Offeror has not made, under separate contract with the Issuing Entity, any recommendations to the Issuing Entity concerning the need for the services described in its proposal or the specifications for the services described in the proposal.
- i. Each Offeror, by submitting its proposal, authorizes Commonwealth agencies to release to the Issuing Entity information concerning the Offeror's Pennsylvania taxes, unemployment compensation and workers' compensation liabilities.

- j. Until the selected Offeror receives a fully executed and approved written contract from the Issuing Entity, there is no legal and valid contract, in law or in equity, and the Offeror shall not begin to perform.

I-25. Notification of Selection. The Issuing Entity will notify the selected Offeror in writing of its selection for negotiation after the Issuing Entity has determined, taking into consideration all of the evaluation factors, the proposal that is the most advantageous to the Issuing Entity.

I-26. RFP Protest Procedure. The RFP Protest Procedure is on the Issuing Entity website at [add Issuing Entity website]. A protest by a party not submitting a proposal must be filed within **seven** days after the protesting party knew or should have known of the facts giving rise to the protest, but no later than the proposal submission deadline specified in the Calendar of Events of the RFP. Offerors may file a protest within **seven** days after the protesting Offeror knew or should have known of the facts giving rise to the protest, but in no event may an Offeror file a protest later than **seven** days after the date the notice of award of the contract is posted on the Issuing Entity website. The date of filing is the date of receipt of the protest by the Issuing Entity. A protest must be filed in writing to the Issuing Entity Contact.

[Note to Issuing Entity— The following Section I-27 may be used at the Issuing Entity's discretion.]

I-27. Use of Electronic Versions of this RFP. This RFP is being made available by electronic means. If an Offeror electronically accepts the RFP, the Offeror acknowledges and accepts full responsibility to insure that no changes are made to the RFP. In the event of a conflict between a version of the RFP in the Offeror's possession and the Issuing Entity's version of the RFP, the Issuing Entity's version shall govern.

PART II

PROPOSAL REQUIREMENTS

Offerors must submit their proposals in the format, including heading descriptions, outlined below. To be considered, the proposal must respond to all requirements in this part of the RFP. Offerors should provide any other information thought to be relevant, but not applicable to the enumerated categories, as an appendix to the Proposal. All cost data relating to this proposal should be kept separate from and not included in the Technical Submittal. Each Proposal shall consist of the following **two** separately sealed submittals:

- a. Technical Submittal, which shall be a response to RFP **Part II, Sections II-1 through II-8**;
- b. Cost Submittal, in response to RFP **Part II, Section II-9**.

The Issuing Entity reserves the right to request additional information which, in the Issuing Entity's opinion, is necessary to assure that the Offeror's competence, number of qualified employees, business organization, and financial resources are adequate to perform according to the RFP.

The Issuing Entity may make investigations as deemed necessary to determine the ability of the Offeror to perform the Project, and the Offeror shall furnish to the Issuing Entity all requested information and data. The Issuing Entity reserves the right to reject any proposal if the evidence submitted by, or investigation of, such Offeror fails to satisfy the Issuing Entity that such Offeror is properly qualified to carry out the obligations of the RFP and to complete the Project as specified.

II-1. Statement of the Problem. State in succinct terms your understanding of the problem presented or the service required by this RFP.

II-2. Management Summary. Include a narrative description of the proposed effort and a list of the items to be delivered or services to be provided.

II-3. Work Plan. Describe in narrative form your technical plan for accomplishing the work. Use the task descriptions in **Part IV, Work Statement** of this RFP as your reference point. Modifications of the task descriptions are permitted; however, reasons for changes should be fully explained.

II-4. Firm Overview. Provide a brief (1-3 pages) overview of your firm, including number of years providing tax collection services, types of taxes currently collected, total tax revenue collected for each type of tax in the last 5 years, number of employees, list of current and proposed offices and whether your firm will allow the Issuing Entity to tour and observe your offices and operations.

II-5. Personnel. Include the number of executive and professional personnel, analysts, auditors, researchers, programmers, consultants, etc., who will be engaged in the work. Show

where these personnel will be physically located during the time they are engaged in the Project. For key personnel **[The Issuing Entity should define the types of employees it considers to be key]**, include the employee's name and, through a resume or similar document, the key personnel's education and experience in income tax collection and administration. Indicate the responsibilities each individual will have in this Project and how long each has been with your company. Identify by name any subcontractors you intend to use and the services they will perform.

II-6. Training. If appropriate, indicate recommended training of agency personnel. Include the agency personnel to be trained, the number to be trained, duration and completion date of the training program, place of training, curricula, training materials to be used, number and frequency of sessions, and number and level of instructors.

II-7. Financial Capability . Describe your company's financial stability and economic capability to perform the contract requirements. Financial documents such as the Offeror's most recent fiscal year end audited financial statements and management letters or other written comments provided by your CPA in connection with the financial statements and the Independent Service Auditor's Report relating to internal controls prepared by your CPA in accordance with SAS No. 70, if any. (The Issuing Entity will share this information only as deemed necessary to the evaluation process, with due regard for the confidential nature of this information, or as the Issuing Entity solicitor determines is required under the Sunshine Law and Right-to-Know Law.)

II-8. Objections and Additions to Standard Contract Terms and Conditions. The Offeror will identify which, if any, of the terms and conditions contained in **Appendix A** it would like to negotiate and what additional terms and conditions the Offeror would like to add to the standard contract terms and conditions. The Offeror's failure to make a submission under this paragraph will result in its waiving its right to do so later, but the Issuing Entity may consider late objections and requests for additions if to do so, in the Issuing Entity's sole discretion, would be in the best interest of the Issuing Entity. The Issuing Entity may, in its sole discretion, accept or reject any requested changes to the standard contract terms and conditions. The Offeror shall not request changes to the other provisions of the RFP, nor shall the Offeror request to completely substitute its own terms and conditions for **Appendix A**. All terms and conditions must appear in one integrated contract. The Issuing Entity will not accept references to the Offeror's, or any other, online guides or online terms and conditions contained in any proposal.

Regardless of any objections or additions set out in its proposal, the Offeror must submit its proposal, including the cost proposal, on the basis of the terms and conditions set out in **Appendix A**. The Issuing Entity will reject any proposal that is conditioned on the negotiation of the terms and conditions set out in **Appendix A** or to other provisions of the RFP as specifically identified above. **[Note to Issuing Entity-- When possible the Issuing Entity should indicate which, if any, terms and conditions are not negotiable.]**

II-9. Cost Submittal. The information requested in this **Part II, Section II-9** shall constitute the Cost Submittal. The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal, separated from the technical submittal. The total proposed cost shall be broken down into the components listed below. Offerors should **not** include any assumptions in their

cost submittals. If the Offeror includes assumptions in its cost submittal, the Issuing Entity may reject the proposal.

[Note to Issuing Entity —This Sample RFP is written to solicit proposals for the collection of earned income taxes only. The Issuing Entity may choose between Cost Submittal Option A or B below for the collection of earned income taxes. If the Issuing Entity desires to use this Sample RFP to solicit proposals for the collection of additional taxes the Issuing Entity must modify the Cost Submittal Options below to reflect collection of any additional taxes.]

[Note to Issuing Entity—If the Issuing Entity desires the project to involve costs over more than one year, the Issuing Entity may require fiscal year breakdowns. The Issuing Entity may provide Offerors with a cost worksheet to be completed where appropriate.]

Option A

- a. **Direct Labor Costs.** Itemize to show the following for each category of personnel with a different hourly rate:
 - i) Category (e.g., partner, project manager, analyst, senior auditor, research associate).
 - ii) Estimated hours.
 - iii) Rate per hour.
 - iv) Total cost for each category and for all direct labor costs.
- b. **Labor Overhead.** Specify what is included and rate used.
- c. **Travel and Subsistence.** Itemize transportation, lodging and meals per diem costs separately.
- d. **Consultant Costs.** Itemize as in (a) above.
- e. **Subcontract Costs.** Itemize as in (a) above.
- f. **Cost of Supplies and Materials.** Itemize.
- g. **Other Direct Costs.** Itemize. Example: Transition costs..
- h. **General Overhead Costs.** Overhead includes **two** major categories of cost, operations overhead and general and administrative overhead. Operations overhead includes costs that are not **100%** attributable to the service being completed, but are generally associated with the recurring management or support of the service. General and administrative overhead includes salaries, equipment and other costs related to headquarters management external to the service, but in support of the activity being completed. Specify what specific items are included and the rates used.
- i. **Total Costs**

Option B

- a. **Transition fees** . Explain any fees you will impose for transition, including transition of records from current earned income tax collector, interaction with current earned income tax collector, and any other transition services
- b. **Earned Income Tax Collection Fees and Charges.**

[**Note to Issuing Entity** —Issuing Entity shall choose between paragraph 1 (Combined fee) or paragraph 2 (Separate Fee) below.]

1. Combined Fee for current and delinquent earned income tax collection. The Issuing Entity prefers a combined fee for both current and delinquent earned income tax collection services. Provide the following information:

[**Note to Issuing Entity**—Issuing Entity shall choose one of the options below for subparagraph (i)]

- (i) A straight across-the-board percentage collection commission for current and delinquent earned income taxes.

OR

- (i) Provide a pre-established annual lump sum amount for current and delinquent earned income taxes payable in monthly installments for each contract year.

- (ii) Include any other applicable fees or charges that may not be included in subparagraph (i).

- (iii) The Issuing Entity will consider any proposal by the Offeror that would provide an incentive to maximize earned income tax collections. Please include a brief collection incentive proposal explaining the Offeror's approach to this issue.

OR

- 2) Separate Fee for current and delinquent earned income tax collection. The Issuing Entity prefers a separate fee for current and delinquent earned income tax collection services. Provide the following information:

[**Note to Issuing Entity**—Issuing Entity shall choose one of the options below for subparagraph (i)]

- (i) A separate percentage collection commission for current and delinquent earned income taxes. For the delinquent earned income tax collections provide a breakdown list of any additional proposed

fees and costs the Offeror would charge taxpayers for delinquent earned income tax collection.

OR

- (i) Provide a separate pre-established annual lump sum amount for current and delinquent earned income taxes payable in monthly installments for each contract year.
- (ii) Include any other applicable charges that may not be included in subparagraph (i).
- (iii) The Issuing Entity will consider any proposal by the Offeror that would provide an incentive to maximize tax collections. Please include a brief collection incentive proposal explaining the Offeror's approach to this issue.

The Issuing Entity will reimburse the selected Offeror for work satisfactorily performed after execution of a written contract and the start of the contract term, in accordance with contract requirements, and only after the Issuing Entity has issued a notice to proceed.

PART III

CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, a proposal must be:

- a. Timely received from an Offeror;
- b. Properly signed by the Offeror.

III-2. Technical Nonconforming Proposals. The Issuing Entity reserves the right, in its sole discretion, to waive technical or immaterial nonconformities in an Offeror's proposal.

III-3. Evaluation. The Issuing Entity has selected a committee of qualified personnel to review and evaluate timely submitted proposals. The Issuing Entity will notify in writing its selection for negotiation the responsible Offeror whose proposal is determined to be the most advantageous to the Issuing Entity as determined by the committee after taking into consideration all of the evaluation factors.

III-4. Criteria for Selection. The following criteria will be used in evaluating each proposal. In order for a proposal to be considered for selection for best and final offers or selection for contract negotiations, the total score for the technical submittal of the proposal must be greater than or equal to 70% of the highest scoring technical submittal.

[Note to Issuing Entity—A maximum total points value and weight value for the Technical and Cost criteria should be established at the time of each RFP issuance and prior to opening the proposals a point value for each Technical sub-criterion must be established.]

- a. **Technical:** The Issuing Entity has established the weight for the Technical criterion for this RFP as **[Insert the percentage]** % of the total points. Evaluation will be based upon the following in order of importance: **[Issuing Entity must list here in order of importance each Technical Sub-criterion in Part II, Sections II-1 through II-8.]**
- b. **Cost:** The Issuing Entity has established the weight for the Cost criterion for this RFP as **[Insert the percentage]** % of the total points.

PART IV

WORK STATEMENT

Act 32 of 2008, the Consolidated Collection of Local Income Taxes, provides for the consolidation of the collection system for the Earned Income Taxes (EIT) levied by political subdivisions in the Commonwealth into sixty-nine (69) Tax Collection Districts by January 2012. Section 507 of the Act requires each Tax Collection Committee to appoint a Tax Collection Officer by September 15, 2010. The Tax Collection Officer shall administer the collection of income taxes for the Issuing Entity. The following terms in this **Part IV, Work Statement** are provided to guide the Offeror in the submission of a responsive proposal that will be reviewed by the committee to evaluate the Offeror's ability to satisfactorily perform the work of a Tax Officer.

The Issuing Entity requests proposals for tax collection services according to the following terms.

A. Taxes for which Services are Requested

1. **Earned Income Tax** – Attached in Appendix C is a list showing earned income tax rates levied by the school districts and municipalities within the Issuing Entity and the approximate amount of tax collected in the most recent fiscal year. The list includes applicable low income exemption amounts.

[**Note to Issuing Entity** —This Sample RFP is written to solicit proposals for the collection of earned income taxes. If the Issuing Entity desires to use this RFP to solicit proposals for the collection of additional taxes the Issuing Entity may choose from the options listed below.]

☐ **Local Services Tax** – Attached in Appendix [X] is a list showing tax rates levied by the school districts and municipalities and the approximate amount of tax collected in the most recent fiscal year. The list includes applicable low income exemption amounts. Except for minor variations, the school districts and municipalities will be using a uniform form of tax enactment, a sample of which has been attached.]

☐ **Business Privilege/Mercantile Tax** – Attached in Appendix [X] is a list showing tax rates levied by the school districts and municipalities and the approximate amount of tax collected in the most recent fiscal year. Sample tax enactments have been attached.]

☐ **Per Capita Tax** – Attached in Appendix [X] is a list showing tax rates levied by the school districts and municipalities and the approximate amount of tax collected in the most recent fiscal year. The list includes applicable low income exemption amounts. Except for minor variations, the school districts and municipalities will be using a uniform form of tax enactment, a sample of which has been attached.]

[... **Other Tax and/or Fee.** Any other tax and/or fee that the Issuing Entity has been authorized by the appropriate taxing bodies to collect and which the Issuing Entity desires to include in this RFP.]

2. Services should include collection of current and delinquent taxes.
3. Offerors must submit a proposal for collection of all taxes listed above.

B Proposal Minimum Content Requirements

1. Business Volume Capacity. The Issuing Entity is concerned about the capacity of tax collection agencies to handle the expanded volume of business that might result from county-wide collection under Act 32.
 - a. Please address thoroughly your capacity to handle effectively all tax collection services for current clients and clients for which you have or will be making proposals, including details of any planned steps to add people, facilities, or other resources.
2. Detailed Background and Operating Information. In addition to the information provided above, please address the following:
 - a. Does your firm meet all tax officer qualifications and requirements of §506(b) and as promulgated by DCED in §508(f) of Act 32?
 - b. Your ability to perform the duties of the Tax Officer as outlined in §509 of Act 32.
 - c. Your knowledge of Act 32, changes to your current procedures that will be required as a result of Act 32, special challenges you foresee in collecting taxes under Act 32 and measures you are taking to address any special challenges.
 - d. Your use of technology in collecting taxes and interacting with taxing authorities, employers, taxpayers, and other tax officers. Please describe in detail the technology used in collecting the types of tax you propose to collect. Please specifically address the availability of online filing. Has your technology been modified to accommodate information and reports required under Act 32? Does your technology system comply with all Best Practices listed in the DCED document titled: "Act 32 Collection Project Document # 5: Final Report on EIT Collection Practices"? See Appendix D. Please identify any of the Best Practices with which your technology system does not comply.
 - e. Your procedures to ensure taxes are collected from all tax payers owing tax, including your system that identifies employers and individual taxpayers who fail to file tax returns, and employers or individual taxpayers whose returns are audited. Please identify one or more

jurisdictions for which you currently provide tax collection services and provide numbers for the identified jurisdiction(s) describing:

- Annual number of non-filers identified who failed to file required returns.
- Annual number of employer and individual taxpayer audits conducted.
- Annual number of criminal prosecutions.
- Annual number of civil collection proceedings filed (with separate breakdown of district justice and county court filings).
- Annual number of district justice judgments transferred to court to establish lien.
- Annual number of judgments reduced to payment plans.
- Annual number of wage attachments filed.
- Your process for handling taxpayers in bankruptcy.
- Other data you deem helpful to show enforcement or delinquent collection steps.

Please also provide information on your rate of success under each category.

- f. Your procedures to ensure collection of all taxes paid by employers or Issuing Entity residents through other tax officers, and to ensure payment of all taxes owed by other tax officers. Specifically, please describe your procedures for reconciling payments to and from other tax officers.
- g. Your procedures to ensure that employers and other tax officers provide sufficient information when employee withholding amounts are remitted in order to allow prompt distribution to taxing authorities of all funds collected from employers and other tax officers.
- h. Your procedures to ensure that employers withhold tax at the correct rate.
- i. Your procedures to verify the accuracy of individual low income exemption claims.
- j. Your method of receiving and depositing tax funds remitted by taxpayers, including the length of time between receipt and deposit of a check. Does this time vary at different periods during the year? Does your firm accept credit card payments?
- k. Your procedures for processing employer and individual tax returns, including the average length of time after filing that is required for you to complete processing. Does this time vary at different periods during the

year? Please also discuss procedures by which you reconcile filed individual tax returns with employer payments.

- l. Do you have an office geographically located within the Issuing Entity's tax collection district where taxpayers can pay taxes? Can taxes be paid at financial institutions where you deposit tax funds?
- m. Explain and provide copies of any documents relevant to your customer service policy for taxpayers. Telephone and in-person availability to assist employers and taxpayers? Hardship and installment payment plan procedures? Other?
- n. Your legal staff or resources to address legal questions relating to tax collection (including identification of procedures and legal counsel used for filing and prosecuting criminal and civil litigation).
- o. Your requirements for your staff who are not attorneys to ensure adequate knowledge of and continuing education on tax law and tax collection processes.
- p. Your plans and arrangements for investment of tax funds. Have you historically segregated tax funds of different taxing authorities in different accounts?
- q. What financial institutions are used for deposit of tax funds? What due diligence steps are taken to ensure the safety of tax fund deposits and investments, including collateralization?
- r. Explain and provide a copy of procedures for complying with the Pennsylvania Taxpayer Bill of Rights.
- s. Explain and provide samples of reports to taxing authorities and timing and distribution of tax funds, including any changes to your procedures that will be implemented as part of complying with Act 32. Are you willing to provide distributions to taxing authorities more frequently than required by Act 32? Weekly distributions? What is the most frequent distribution system you could accommodate?
- t. Provide a copy of any applicable ethics or other policy for protection of taxing authorities or taxpayers.
- u. Explain your procedures to ensure the security and confidentiality of information relating to and provided by taxpayers, including social security numbers and other confidential information. What safeguards do you have in place to avoid a data breach or other improper disclosure of confidential information? Has your firm ever experienced a data breach involving an unauthorized person obtaining access to confidential information in your possession? In responding to this question, please include any data breach that required notice of breach to affected

taxpayers under the Pennsylvania Breach of Personal Information Notification Act, 73 P.S. § 2301 *et seq.*, and also any other breach that did not require such notice. Please provide an explanation of any such data breach.

3. Subcontractors and Outsourcing. Identify and explain your use of any subcontractors or outsourcing including any tax functions that are subcontracted or outsourced, in whole or in part, outside Pennsylvania or the United States.
4. Reference Lists. Provide a list of all taxing authorities for which you collect each type of tax you propose to collect for us, including number of years served, a list of all taxing authorities that have discontinued use of your firm's services in the past **[X]** years, and contact information for each taxing authority listed.
5. Litigation and Claims. List any legal proceeding (arbitration, complaint, court action, or investigation) or claim filed, commenced, or made by a school district, municipality, other government body, employer, or taxpayer against your firm within the last **[X]** years. Please also provide a brief summary of the status or final resolution of any proceeding or claim.
6. Insurance, Bonding, and Other Information
 - a. Provide information on insurance types and limits that you carry, including employee dishonesty or crime coverage.
 - b. Identify the insurance company that provides your bonding and provide a sample bond for form. Please address specifically your bonding capacity limits available through the insurance company that provides your bonding, and also the amount of bonding required for your current clients and clients for which you are making proposals to provide tax collection services (including other Act 32 tax collection committees). What dollar bond amount do you estimate will be required from your firm during the next 2 calendar years for all clients? If applicable, please identify what steps your firm has taken or will take to increase bonding capacity. Has a bonding company ever revoked or reduced the amount of a bond carried by your firm?
 - c. Explain your internal controls to ensure the accuracy of distributions to taxing authorities and your risk management policies to ensure against accidental loss of funds or inaccurate accounting.
 - d. Explain the process you undertake annually to provide taxing authorities an external audit of your finances and tax collection accounts. Please include a sample copy of annual financial/audit information provided to taxing authorities. Please explain changes you will make to this process to comply with Act 32.
 - e. Has any firm officer, director, or key employee of your firm ever been arrested for, convicted of, or entered a plea of guilty or *nolo contendere* to

a criminal charge other than a summary offense? Has any other employee been arrested for, convicted of , or entered a plea of guilty of *nolo contendere* to a criminal charge relating to theft or dishonesty?

- f. Explain the background checks you perform when employees are hired, and whether background checks are periodically updated.
 - g. Other protections against loss of funds for taxing authorities?
7. Conflicts of Interest. Provide a summary of any relationships or interests of your firm and the officers, directors, employees, or owners that might arguably conflict with the interests of the Issuing Entity or its constituent taxing authorities. Without limiting the foregoing, are there any family relationships between officers, directors, employees, or owners of your firm and of officers, directors, employees, or owners of your auditing firm or any other provider of service to your firm?
8. Emergency Preparedness. To support continuity of operations during an emergency, including a pandemic, the Issuing Entity needs a strategy for maintaining operations for an extended period of time. One part of this strategy is to ensure that essential contracts that provide critical business services to the Issuing Entity have planned for such an emergency and put contingencies in place to provide needed services.
- a. Describe how you anticipate such a crisis will impact your operations.
 - b. Describe your emergency response continuity of operations plan. Please attach a copy of your plan, or at a minimum, summarize how your plan addresses the following aspects of pandemic preparedness:
 - employee training (describe your organization's training plan, and how frequently your plan will be shared with employees)
 - identified essential business functions and key employees (within your organization) necessary to carry them out
 - contingency plans for:
 - How your organization will handle staffing issues when a portion of key employees are incapacitated due to illness.
 - How employees in your organization will carry out the essential functions if contagion control measures prevent them from coming to the primary workplace.
 - How your organization will communicate with staff and suppliers when primary communications systems are overloaded or otherwise fail, including key contacts, chain of communications (including suppliers), etc.
 - How and when your emergency plan will be tested, and if the plan will be tested by a third-party.

9. Transition Plan. Explain the steps and provide a timetable for transition of tax collection services from the current tax collector or collectors if you are not the current tax officer. Please provide a detailed monthly timeline of the various stages, including the work plan or task list for each stage, and specifically address steps you will take to ensure payment of amounts owed by out-of-jurisdiction tax officers relating to time periods prior to the effective date of your contract, and also steps you will take to ensure you have sufficient information to collect delinquent taxes owed from time periods prior to the effective date of your contract.

**APPENDIX A - STANDARD PROFESSIONAL SERVICES CONTRACT
TERMS AND CONDITIONS**

ISSUING ENTITY
[ISSUING ENTITY NAME]

RFP NUMBER
[XXXX-XX]

APPENDIX B - PROPOSAL COVER SHEET

ISSUING ENTITY
[ISSUING ENTITY NAME]

RFP NUMBER
[XXXX-XX]

Enclosed in two (2) separately sealed Technical and Cost Submittals is the proposal of the Offeror identified below for the above-referenced RFP:

Offeror Information:	
Offeror Name	
Offeror Mailing Address	
Offeror Website	
Offeror Contact Person	
Contact Person's Phone Number	
Contact Person's Facsimile Number	
Contact Person's E-Mail Address	
Offeror Federal ID Number	

Submittals Enclosed and Separately Sealed:	
<input type="checkbox"/>	Technical Submittal
<input type="checkbox"/>	Cost Submittal

Signature
Signature of an official authorized to bind the Offeror to the provisions contained in the Offeror's proposal:
Printed Name
Title
Date

FAILURE TO COMPLETE, SIGN AND RETURN THIS FORM WITH THE OFFEROR'S PROPOSAL MAY RESULT IN THE REJECTION OF THE OFFEROR'S PROPOSAL

APPENDIX C - EARNED INCOME TAX LIST

ISSUING ENTITY

[ISSUING ENTITY NAME]

RFP NUMBER

[XXXX-XX]

[Note to Issuing Entity— List earned income tax rates levied and the approximate amount collected in most recent FY by school districts and municipalities within the Issuing Entity.]

**APPENDIX D - ACT 32 COLLECTION PROJECT DOCUMENT # 5: FINAL REPORT
ON EIT COLLECTION PRACTICES**

ISSUING ENTITY

[ISSUING ENTITY NAME]

RFP NUMBER

[XXXX-XX]

Section II – Final Report on EIT Collection Practices

A. Scope of Document

This document is the Ajilon Project Team's final report to the Department of Community and Economic Development (DCED) on Earned Income Tax Collection Systems in the Commonwealth of Pennsylvania.

This document contains the following sections:

- **Section 2 – Report Summary.**
- **Section 3 – Act 32 Requirements.** This section lists all of the requirements in Act 32 that pertain to an EIT collection system. By definition, such requirements must be considered best practices for an EIT collection system. Requirements that do not pertain to an EIT collection system are not listed.
- **Section 4 – Best Practices.** This section presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED). The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop sample work statements for any proposed Act 32 EIT collection system.

B. Report Summary

This report is the result of a study commissioned by the Department of Community and Economic Development (DCED) to review Earned Income Tax Collection Systems in the Commonwealth of Pennsylvania.

1. Background

Act 32 of 2008, the Earned Income Tax Collection System legislation, provides for the consolidation of the collection system for the Earned Income Tax into 69 Tax Collection Districts by January 2012. DCED has a number of significant responsibilities to perform under Act 32 to ensure a smooth transition to the new system. One of the most significant is the completion of a study of the current EIT system to identify best practices especially in inter-municipal collection systems that can be used as a model for others.

The EIT study is to be completed by December 2009 and distributed to each of the 69 Tax Collection Committees (TCC). Study elements include identifying, collecting and comparing practices, methods, structures, procedures, regulations, software, info systems, governance alternatives, risk management strategies and other characteristics that appear to promote the greatest likelihood of effectiveness, cost efficiency, loss prevention and intergovernmental cooperation.

Ajilon Consulting was charged with the task of completing the study of the information technology element of the above more comprehensive study. This involved a review of existing earned income tax collection software, a review of system requirements of Act 32, an assessment of best practices in information technology related to the EIT collection process, the development of system requirements and a request for proposal for use in the acquisition of software systems for EIT administration. The engagement also reviewed and reported on the feasibility of contracting on a statewide basis for the development and procurement of appropriate software systems that can be adopted and purchased by the TCCs.

Ajilon performed the work under the direction of staff from the Governor's Center for Local Government Services in DCED and met with and obtained input from the EIT Advisory Committee established by DCED and from selected EIT collection offices identified by DCED.

All work under this engagement was completed in the required timeframe.

The following describes Ajilon's understanding of the DCED EIT Collection System study requirements:

- **Contract Award:** The study commenced on August 17, 2009 and was completed on time.
- **The Work:** The review, collection and documentation of the above stated deliverables were published in multiple MS Word documents.
- **Infrastructure:** DCED provided access to DCED leadership for the purposes of interviewing and provided onsite space for the project team to meet and work with DCED and project members. Offsite space at Ajilon's local district office was used by the Ajilon team members when not onsite at DCED. Visits to several of the designated EIT collection offices as noted on the contact list also required offsite work.

This report provides the details regarding two of the deliverables that were requested by DCED:

- **Act 32 Requirements – Section 3** of this document.
- **Best Practices – Section 4** of this document.

C. Act 32 Requirements

The following table contains the requirements in Act 32 that pertain to an EIT collection system. The table assigns each requirement a unique ID #, describes the requirement and references where in Act 32 the requirement appears.

Req. #	Description	Reference
1	Businesses with multiple locations across the state will be permitted to remit to the county where they are headquartered. If businesses elect to use this option, they must remit withholdings and employee wage taxes detail electronically on a monthly basis.	Section 511
2	If an out of state business does not have a headquarters in Pennsylvania, that business can pick the tax collection district to which it remits withholding and employee wage taxes detail electronically on a monthly basis.	Determination by DCED Legal
3	Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Requirement #1.	Section 511
4	Tax officers are required to remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions.	Section 513
5	Tax officers must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution.	Section 513
6	Employers and tax officers must use the PSD and TCD codes prescribed by the DCED.	Section 513
7	Tax officers must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's.	Section 509
8	Tax officers must keep records of every dollar received and distributed, and submit monthly reports accounting for each dollar.	Section 509
9	The TCC must provide for an annual audit by the end of the calendar year of the Tax Officer. The audit is to include all the books, accounts, financial statements, compliance reports and records. The audit report must be issued in a standardized format developed by the DCED and filed with the Department and all PSDs within the TCD by September 1 of the succeeding year.	Section 505 h
10	In calculating EIT, net losses from one of a taxpayer's business may be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income.	Section 502

D. Best Practices

This section presents the list of best practices for any proposed Earned Income Tax (EIT) collection system designed to implement the requirements of Act 32 as passed by the Commonwealth of Pennsylvania. These best practices were developed jointly by the Act 32 project team of Ajilon Consulting and the Act 32 Implementation Team of the Department of Community and Economic Development (DCED).

The best practices were derived from the requirements of Act 32, a survey of the existing EIT collection systems of several large tax collection agencies (both government bureaus and third party providers) and the IT expertise of the Ajilon Consulting project team. These best practices will be used to develop a Request for Proposal (RFP) for the Act 32 EIT collection system.

The best practices are listed in Section 2. They are then further broken down, by area, into the following subsections:

- **Act 32** – Best practices that are required by Act 32. These best practices will also appear where appropriate in the other subsections. These practices are derived from Act 32 requirements detailed in *Act 32 EIT Collection Project Document 1: Act 32 Requirements*.
- **Identification** – Best practices for identifying employers, employees and the self employed.
- **Collection** – Best practices for collecting EIT funds.
- **Transfers** – Best practices for transferring EIT funds to the appropriate political subdivisions.
- **Hardware** – Computer hardware recommendations.
- **Software** – Computer software recommendations.
- **Reports** – Best practices for report generation.
- **Auditing** – Best practices for auditing procedures.
- **Disaster Recovery** – Best practices for a disaster recovery plan.

In each subsection the best practices are compared to the existing systems of the taxing authorities interviewed for the Act 32 EIT Collection Project Document 2: Survey of Current EIT Collection Practices. A determination is made if the current systems conform to the defined best practices, and if not, whether they will be upgraded in the future to conform to those best practices. The following coding system is used:

- **Yes** – The system adheres to the Best Practice.
- **No** – The system does not adhere to the Best Practice.
- **Under Development** – The system does not adhere to the Best Practice, but the tax collection agency is actively working on an upgrade that will bring the system into adherence
- **Future Enhancement** – The requirements for the Best Practice have not yet been defined.
- **NA** – The Best Practice is not applicable to the system in question (i.e., site security for a vendor that does not host the system).
- **Not Determined** – Not enough information was provided to determine if the tax collection agency adheres to the Best Practice.

The tax collection agencies included in the document are:

- Berkheimer Tax Administrator
- Centax
- City of Hermitage/Mega Software Services
- Logi-Tek Solutions
- State College Area EIT Office/RBA Professional Data Systems, Inc.
- West Shore Tax Bureau/BIG – Business Information Group

1. Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	Identification	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal Statistics database.
3	Identification	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	Identification	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	Collection	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
9	Collection	The system must be able to accept electronic fund transfers via standard EFT methods.
10	Collection	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	Collection	The system must provide online filing for employers.
12	Collection	The system must provide online filing for taxpayers.
13	Collection	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	Collection	The system must be able to collect the LST (Local Services Tax) as a separate tax.
16	Collection	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	Collection	The system must track EIT and LST exemptions.
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	Transfer	The system must handle all fund transfers electronically.
21	Transfer	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	Transfer	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.
23	Hardware	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PCs and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
24	Hardware	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Hardware	Printer minimum configuration must be Laser jet printers.
26	Hardware	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.
27	Software	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Software	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Software	Minimum software security: User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Software	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.
31	Software	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Software	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	Software	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images, and application components.
34	Software	Servers must have a redundant update process.
35	Software	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	Software	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	Software	System must have a PDF viewer capability.
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).

1. Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	Report	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	Report	The system must generate forms for employer and taxpayer returns.
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	Audit	The system must provide an audit trail for every transaction.
44	Audit	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).
45	Disaster Recovery	The system must have a disaster recovery plan which is audited and tested annually.
46	Disaster Recovery	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	Disaster Recovery	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

2. Act 32 Best Practices

Best Practice ID #	Area	Description of Best Practice
1	Identification	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
5	Collection	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	Collection	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	Collection	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.

Tax Collection Agency	Best Practice #1	Best Practice #5	Best Practice #6	Best Practice #7
Berkheimer Tax Administrator	Future Enhancement	Yes	Future Enhancement	Yes
Centax	Future Enhancement	Yes	Future Enhancement	Under Development
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	Yes
Logi-Tek Solutions	Future Enhancement	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Future Enhancement	Yes

2. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
14	Collection	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
18	Transfer	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	Transfer	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).

Tax Collection Agency	Best Practice #14	Best Practice #18	Best Practice #19
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes
Centax	Yes	Future Enhancement	Yes
City of Hermitage/ Mega Software Services	No	Future Enhancement	Yes
Logi-Tek Solutions	Yes	Future Enhancement	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes

2. Act 32 Best Practices (*cont'd*)

Best Practice ID #	Area	Description of Best Practice
38	Report	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	Report	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
42	Audit	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #42
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

3. Identification Best Practices

Best Practice ID #	Description of Best Practice
1	The system must use the PSD and TCD codes prescribed by the DCED (Act 32 Requirement #6).
2	The system must access the DCED Municipal Statistics database and extract tax information directly from it, or the system must maintain its own internal copy of the data from the DCED Municipal statistics database.
3	The system must be able to identify employer's errors in employee withholding information, including wrong PSDs and tax rates. The system must be able to correct the error and inform the employer of the error.
4	The system must be able to upload and organize bulk lists of employers, employees or the self-employed, such as would be provided by a census by the local PSD or from the list of taxpayers in a PSD from the Department of Revenue. EIT and LST taxpayer lists should be cross-referenced.

Tax Collection Agency	Best Practice #1	Best Practice #2	Best Practice #3	Best Practice #4
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	No	No	No
Logi-Tek Solutions	Future Enhancement	No	Not Determined	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	No	Yes	Yes

4. Collection Best Practices

Best Practice ID #	Description of Best Practice
5	The system must handle monthly electronic files from employers containing withholding and employee wage details (Act 32, Requirement #1).
6	The system must have the capacity to handle very large monthly electronic files from out-of-state employers containing withholding and employee wage details (Act 32, Requirement #2). Out-of-state businesses that do not have headquarters in Pennsylvania may remit their withholding and employee wage taxes detail electronically to any TCD in the state.
7	The system must accept taxpayer funds withheld by employers (Act 32, Requirement 3). Employers are required to withhold EIT for all non-residents and residents. They are also required to remit all withholdings to the Tax Collection District where they are located within thirty (30) days of the end of each quarter, unless they have multiple locations and elect to use the option outlined in Act 32 Requirement #1.
8	The system must be able to accept all forms of document submission from employers and taxpayers, ranging from paper documents to online filing.

Tax Collection Agency	Best Practice #5	Best Practice #6	Best Practice #7	Best Practice #8
Berkheimer Tax Administrator	Yes	Future Enhancement	Yes	Yes
Centax	Yes	Future Enhancement	Under Development	Under Development
City of Hermitage/ Mega Software Services	Yes	No	Yes	No
Logi-Tek Solutions	Yes	Future Enhancement	Yes	No
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Future Enhancement	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Yes	Future Enhancement	Yes	Under Development

4. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
9	The system must be able to accept electronic fund transfers via standard EFT methods.
10	The system must have full ACH (Automated Clearing House) and credit card capabilities.
11	The system must provide online filing for employers.
12	The system must provide online filing for taxpayers.
13	The system must allow married couples to file their EIT tax returns together. However, only the final refund or tax due for each individual can be combined together into one figure.

Tax Collection Agency	Best Practice #9	Best Practice #10	Best Practice #11	Best Practice #12	Best Practice #13
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes	Yes
Centax	Yes	No	Under Development	Under Development	Yes
City of Hermitage/ Mega Software Services	No	No	No	No	Yes
Logi-Tek Solutions	No	No	No	No	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Under Development	Under Development	Under Development	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Under Development	Yes

4. Collection Best Practices (*cont'd*)

Best Practice ID #	Description of Best Practice
14	The system must, when calculating EIT, allow the net losses from one of a taxpayer's businesses to be used to offset net profits from another business owned by the same taxpayer. Net losses cannot be used to offset earned income. (Act 32, Requirement #10).
15	The system must be able to collect the LST (Local Service Tax) as a separate tax.
16	The system should have the capacity to collect other taxes aside from the EIT and LST.
17	The system must track EIT and LST exemptions.

Tax Collection Agency	Best Practice #14	Best Practice #15	Best Practice #16	Best Practice #17
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	Yes	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

5. Transfer Best Practices

Best Practice ID #	Description of Best Practice
18	The system must remit all withholdings to the taxing jurisdictions no later than sixty (60) days after receipt for all taxes received prior to April 1, 2013. Taxes received from employers after April 1, 2013 must be remitted to the taxing jurisdictions no later than thirty (30) days after receipt. The TCC can require more frequent distributions. (Act 32, Requirement #4).
19	The system must maintain a record of all income taxes distributed. This record must include all reporting information required by the DCED, the date of distribution and the PSD or TCD to which the income taxes are distributed. The record shall be provided to another TCD at the time of the distribution. (Act 32, Requirement #5).
20	The system must handle all fund transfers electronically.
21	The system must provide an audit trail of the transfer showing both the transfer out and the transfer in to the PSD.
22	The system must provide an acknowledgement from the receiving PSD to the originating TCD confirming the transfer.

Tax Collection Agency	Best Practice #18	Best Practice #19	Best Practice #20	Best Practice #21	Best Practice #22
Berkheimer Tax Administrator	Future Enhancement	Yes	Yes	Yes	Yes
Centax	Future Enhancement	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Future Enhancement	Yes	No	No	No
Logi-Tek Solutions	Future Enhancement	Yes	Not Determined	Yes	Not Determined
State College Area EIT Office/RBA Professional Data Systems, Inc.	Future Enhancement	Yes	Under Development	Yes	Under Development
West Shore Tax Bureau/BIG – Business Information Group	Future Enhancement	Yes	Yes	Yes	Yes

6. Hardware Best Practices

Best Practice ID #	Description of Best Practice
23	Minimum configuration is Windows / UNIX / LINUX server with a minimum of four (4) Windows-based workstations (including PC's and laptops) to handle the workload of the TCD and to provide appropriate separation of duties. In a small TCD, it may be allowable to utilize less workstations since the job duties and separation of duties may not be as much of a concern.
24	Implement an imaging system to capture paper documents (manual returns, correspondence, checks, etc.) and link them to electronic files.
25	Printer minimum configuration must be Laser jet printers.
26	Broadband network connections to the Internet must have firewalls enabled on the Router. The minimum site security must be a lockable server room with fire and water protection. Site security must be compliant with the SAS 70 Type II audit.

Tax Collection Agency	Best Practice #23	Best Practice #24	Best Practice #25	Best Practice #26
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes	Yes
Logi-Tek Solutions	Yes	No	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices

Best Practice ID #	Description of Best Practice
27	Minimum software configuration for workstations is Windows environment (Any appropriate version of Windows).
28	Minimum server software configuration is Windows / UNIX / LINUX server.
29	Minimum software security – The User ID must have password protection. The User ID limits the user to relevant work areas of the system. Other limitations should be based on standard accounting business rules.
30	Workstations (including PCs and laptops) must have their own firewalls and appropriate encryption.

Tax Collection Agency	Best Practice #27	Best Practice #28	Best Practice #29	Best Practice #30
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	No	No	No
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices (cont'd)

Best Practice ID #	Description of Best Practice
31	Commercial grade anti-virus software must be placed on all servers and all workstations.
32	Commercial grade anti-spyware software must be placed on all servers and all workstations.
33	At a minimum, the system should provide backup and recovery for the databases and all related application components. Incremental backups must be done at least once daily, full backups at least once a week. A TCD must establish a backup and restore plan that includes all data, images and application components.
34	Servers must have a redundant update process.

Tax Collection Agency	Best Practice #31	Best Practice #32	Best Practice #33	Best Practice #34
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Not Determined
City of Hermitage/ Mega Software Services	Yes	No	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

7. Software Best Practices *(cont'd)*

Best Practice ID #	Description of Best Practice
35	System must be well-integrated, with extensive drilldown capability and ease of navigation.
36	System must work with an integrated office productivity suite (MS Office, Open Office, etc.).
37	System must have a PDF viewer capability.

Tax Collection Agency	Best Practice #35	Best Practice #36	Best Practice #37
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	No	No	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

8. Report Best Practices

Best Practice ID #	Description of Best Practice
38	The system must, within twenty (20) days after the end of each month, provide a written report, on forms prescribed by the DCED, to the secretary of the TCC and to the secretary of each PSD within the TCD, that details the breakdown of all income taxes, income generated from investments, penalties, costs and other money received, collected, expended and distributed for each PSD served by the tax officer, and of all money distributed to other TCD's (Act 32 Requirement #7).
39	The system must keep records of every dollar received and distributed, and create monthly reports accounting for each dollar (Act 32 Requirement #8).
40	The system must have ad hoc report generation capability (ability to generate report formats easily by the user).
41	The system must generate forms for employer and taxpayer returns.

Tax Collection Agency	Best Practice #38	Best Practice #39	Best Practice #40	Best Practice #41
Berkheimer Tax Administrator	Yes	Yes	Yes	Yes
Centax	Yes	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes	Yes

9. Audit Best Practices

Best Practice ID #	Description of Best Practice
42	The system must provide any reports or records requested by auditors during the annual audit of the Tax Officer (Act 32, Requirement #9).
43	The system must provide an audit trail for every transaction.
44	The system must have ad hoc audit report generation capability (ability to generate report formats easily by the user).

Tax Collection Agency	Best Practice #42	Best Practice #43	Best Practice #44
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Yes	Yes	Yes
City of Hermitage/ Mega Software Services	Yes	Yes	Yes
Logi-Tek Solutions	Yes	Yes	Yes
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

10. Disaster Recovery Best Practices

Best Practice ID #	Description of Best Practice
45	The system must have a disaster recovery plan which is audited and tested annually.
46	Copies of full backups (databases and application libraries) must be sent to an off-site facility that is at least 30 miles away from the site.
47	The TCD must have a contract with a backup facility to run their operation if their facility is severely damaged or disastrously lost. As noted above, a test of the disaster recovery plan should include actually bringing up the system at the disaster recovery site using the current offsite backups.

Tax Collection Agency	Best Practice #45	Best Practice #46	Best Practice #47
Berkheimer Tax Administrator	Yes	Yes	Yes
Centax	Under Development	Yes	No
City of Hermitage/ Mega Software Services	No	No	No
Logi-Tek Solutions	Yes	Yes	N/A
State College Area EIT Office/RBA Professional Data Systems, Inc.	Yes	Yes	Yes
West Shore Tax Bureau/BIG – Business Information Group	Yes	Yes	Yes

E. Glossary

ACH – Automated Clearing House – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Act 32 – Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. This legislation is one of the most significant pieces of local tax legislation that has been enacted in recent years. The Act provides for a three year transition period and full implementation by January 2012. It is critical that all those involved in the system actively participate and fulfill their various responsibilities.

Anti-Spyware – spyware is a type of software that is secretly installed on computers and that collects information about users without their knowledge. Anti-Spyware is software that can detect and remove spyware software from a computer. Sometimes, spyware such as key-loggers are installed by the owner of a shared, corporate, or public computer on purpose in order to secretly monitor other users.

Anti-Virus software – is used to prevent, detect, and remove malware, including computer viruses, worms, and Trojan horses. Such programs may also prevent and remove adware, spyware, and other forms of malware.

Bar Code – A barcode (also bar code) is an optical machine-readable representation of data. Originally, bar codes represented data in the widths (lines) and the spacing of parallel lines, and may be referred to as linear or 1D (1 dimensional) barcodes or symbologies.

DCED – Department of Community and Economic Development.

DCED MunStats website – <http://munstatspa.dced.state.pa.us/Registers.aspx>

Disaster Recovery Plan – a documented process providing the ability to recover from a natural disaster such as a fire, flood or similar act of nature. This also includes terrorist threats or attacks. The plan should detail how to restore the data and systems, where to do it, the requirements for hardware and software and the process to test the restore process at an emergency backup site.

Document Management System – is a computer system (or set of computer programs) used to track and store electronic documents and/or images of paper documents.

DOR – Department of Revenue.

EIT – Earned Income Tax.

Firewall – is a part of a computer system or network that is designed to block unauthorized access while permitting authorized communications. It is a device or set of devices configured to permit, deny, encrypt, decrypt, or proxy all (in and out) computer traffic between different security domains based upon a set of rules and other criteria. Firewalls can be implemented in either hardware or software, or a combination of both. Firewalls are frequently used to prevent unauthorized Internet users from accessing private networks connected to the Internet, especially intranets. All messages entering or leaving the intranet pass through the firewall, which examines each message and blocks those that do not meet the specified security criteria.

Full Backup – all data in a library, database or file is copied to another physical location.

Imaging System – Hardware and software that scans and creates an electronic image of a paper document.

Incremental Backup – is a backup of the changed data from the time of the last full backup and is copied to another location.

IT – Information Technology.

Linux – is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed by anyone under the terms of the GNU GPL and other free software licenses.

LST – Local Services Tax.

MunStat database – Municipal Statistics database on the DCED website.

Password – is a secret word or code, which a user must supply during a Login to demonstrate that he/she, is in fact, the person he/she claims to be. It is one-half of a typical set of Credentials used in Authentication. The other half is the User ID.

PSD – Political Sub-Division.

RFP – Request for Proposal.

Router – is a computer networking device whose software and hardware are usually tailored to the tasks of routing and forwarding information. For example, on the Internet, information is directed to various paths by routers.

SAS 70 Audit – (the Statement on Auditing Standards No. 70) defines the standards an auditor must employ in order to assess the contracted internal controls of a service organization.

Server – is any combination of hardware or software designed to provide services to client computers. When used alone, the term typically refers to a computer which may be running a server operating system, but is commonly used to refer to any software or dedicated hardware capable of providing services.

Tax Collection Agency – Local governments, intergovernmental entities and private for profit companies appointed by a PSD to collect and administer the EIT.

TCC – Tax Collection Committee.

TCD – Tax Collection District.

UNIX – is a term used to describe a computer operating system originally developed in 1969 by a group of AT&T employees at Bell Labs, that conforms to Unix standards, meaning the core operating system operates the same as the original Unix operating system.

User ID – is the code used by a User to identify him/her when logging into a system and starting a Login Session. It is used by the system to uniquely identify this User. A User ID is one-half of a set of Credentials; password being the other half.

Windows – is a series of software operating systems and graphical user interfaces produced by Microsoft.

Workstation – UNIX workstation, windows based laptops / desktop PC or LINUX based laptops / desktop PC.

[Note]

This draft RFP Transmittal Letter is included for the Issuing Entity's convenience and should not be included in the Issuing Entity's final RFP document forwarded to Offerors. Please remove this draft letter from the Issuing Entity's final RFP document.

[Issuing Entity Letterhead]

[Date]

[Offeror Name]

[Offeror Company Name]

[Address]

[City, State Postal Code]

RE: [Issuing Entity] Request For Proposals [XXXX-XX]

Dear [Mr./Mrs./Ms] [Offeror Last Name]:

You are invited to submit a proposal for the appointment of a Tax Officer to administer the collection of income taxes for the [Issuing Entity Name] ("Committee") in accordance with the enclosed Request for Proposals ("Proposals").

All Proposals must be submitted by mail or delivery service in [Insert Number] copies to the [Issuing Entity Name] [Issuing Entity Address]. Proposals must be received at the above address no later than [Insert date specified in the Calendar of Events]. The Committee will reject, unopened, any late Proposals.

All questions must be submitted by email to [Insert Contact Information (Part I, §I-2 of RFP)] with the subject line "RFP [XXXX-XX] Question" no later than [Insert date specified in the Calendar of Events]. All Offerors will be provided with answers to questions asked by any one Offeror.

[Issuing Entity must choose between the following two Options.]

[Option A]

In addition, a Pre-proposal Conference will be held on [Insert date specified in the Calendar of Events] in [Building name, address, room number, city.]. Since facilities are limited, please limit your representation to [Insert Number] individuals per Offeror.

[Option B]

A Pre-proposal conference will not be held for this RFP.

Sincerely,

[Issuing Entity's Signature]

Enclosure:

Request for Proposal [XXXX-XX]

Earned Income Tax Consolidation System Best Practices Report

Model Agreements

> ready > set > succeed



[Contract Reference Number]

CONTRACT FOR PROFESSIONAL SERVICES

This Contract for Professional Services (the "Contract") is entered into by and between the [Name of Tax Collection Committee] (the "Committee") with its principal place of business at [Tax Collection Committee Street Number, Name, City, State and Zip Code] and [Contractor Name], with its principal place of business at [Contract Street Number/Name, City, State Zip Code] (the "Contractor").

BACKGROUND

The Committee was established pursuant to §505 of the Act of July 2, 2008, (P.L. 197, No. 32), (the "Act 32"), amending the Act of December 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling Act, to govern the [Name of Tax Collection District] (the "District") for the purpose of income tax collection; and

The Committee issued a request for proposal ("RFP") seeking the services of a consultant to serve as the appointed Tax Officer of the District to administer the collection of income taxes, which RFP is incorporated herein by reference thereto; and

The Contractor submitted a proposal in response to the RFP (the "Proposal"), which Proposal is incorporated herein by reference thereto; and

The Committee has determined that the Contractor possesses the specialized professional skills necessary to perform the services contained in the RFP; and

The Contractor has agreed to perform the services and the Committee now desires to enter into this Contract with the Contractor to engage it to perform the services as provided herein.

NOW, THEREFORE, in consideration of the foregoing, and subject to the conditions contained herein, the parties hereto intending to be legally bound hereby, do covenant and agree for themselves, their respective successors and assignees as follows:

ARTICLE I

TERM OF CONTRACT

1. The term of this Contract shall commence on the Effective Date (as defined below) and shall end on [Contract End Date], subject to the other provisions of this Contract.
2. The Effective Date shall be fixed by the Committee after this Contract has been fully executed by the Contractor and by the Committee. The Committee will provide written notice to the Contractor of the Contract's full execution and notice to proceed.

ARTICLE II SCOPE OF WORK

1. The Contractor, under the direction and in close coordination with the Committee, hereby agrees to provide professional services as described in the Contractor's Proposal, a summary of which is attached hereto as Appendix A, and the Budget, which is attached hereto as Appendix B, both of which are incorporated herein and made a part hereof.
2. The Committee hereby agrees that members of its staff will cooperate with the Contractor in the performance of its services under this Contract and will be available for consultation with the Contractor at such reasonable periods of time as not to conflict with their other responsibilities.

ARTICLE III PROJECT COORDINATORS

1. The Committee Project Coordinator is: [Provide Committee Project Coordinator Name and Contact Information]. The Committee Project Coordinator shall notify the Contractor in writing of any change in the name or the contact information within a reasonable time prior to the change.
2. The Contractor Project Coordinator is: [Provide Contractor Project Coordinator Name and Contact Information]. The Contractor Project Coordinator shall notify the Committee in writing of any change in the name or the contact information within a reasonable time prior to the change.

ARTICLE IV INDEPENDENT CONTRACTOR

Notwithstanding anything contained herein to the contrary, the rights and duties hereby granted to and assumed by the Contractor are those of an independent contractor only. Nothing contained herein shall be so construed as to create an employment, agency or partnership relationship between the Committee and Contractor.

ARTICLE V
CONTRACTOR'S COMPENSATION AND PAYMENT PROCEDURES

1. Subject to the terms of this Contract, the Committee hereby makes available to the Contractor, out of funds appropriated, the sum of [Alphabetical Dollar Number] [(\$XXX.XX)] or such portion thereof as may be required by the Contractor and authorized by the Committee, subject to the condition that it shall be used by the Contractor to carry out the activities described in the Proposal and the Budget.

2. The Committee agrees to pay the Contractor for services rendered pursuant to this Contract as follows:

(a) The Contractor may be reimbursed for the costs incurred in providing the services described in this Contract up to the total amount available under this Contract. All such costs, including services contributed by the Contractor or others and charged to the project account, shall be supported by properly executed vouchers or other records indicating in proper detail the nature and propriety of the charge.

(b) The services specified herein generally shall be performed in the Contractor's offices or in the field and in such other space as may be furnished without charge by the Committee, and the Contractor agrees not to include any charge for such additional space in the schedule of compensation.

(c) Under no circumstances shall the Committee be liable for any expenditure exceeding the amount stated in this Contract or amendments hereto.

(d) Payments shall be made on invoice forms, in accordance with instructions provided by the Committee.

(e) Payments under this Contract shall be conditioned upon the completion of any Special Conditions set forth in Appendix C or otherwise incorporated into this Contract.

(f) The Committee shall have the right to disapprove any expenditure made by the Contractor which is not in accordance with the terms of this Contract and the Committee may adjust payment to the Contractor accordingly.

(g) The Committee shall put forth reasonable efforts to make payment by the required payment date. The required payment date is: (i) the date on which payment is due under the terms of this Contract; (ii) thirty (30) days after a proper invoice actually is received at the Committee Project Coordinator's address (a "proper" invoice is not received until the Committee accepts the service as satisfactorily performed); or (iii) the

payment date specified on the invoice if later than the dates established by (i) and (ii) above.

ARTICLE VI INTEREST OF PARTIES AND OTHERS

1. No officer, member or employee of the Committee and no member of its governing body who exercises any functions or responsibilities in the review or approval of services being performed under this Contract shall participate in any decision relating to this Contract which affects his/her personal interest or the interest of any corporation, partnership or association in which he/she is directly or indirectly interested. Nor shall any such officer, member or employee of the Committee or any member of its governing body have any interest direct or indirect in this Contract or the proceeds thereof.

2. The Contractor covenants that the Contractor (including directors, officers, members and employees of the Contractor) presently has no interest and shall not acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of services required to be performed under this Contract. The Contractor further covenants that no person having any such interest shall be employed in the performance of services for this Contract.

ARTICLE VII ASSURANCES AND COMPLIANCE REQUIREMENTS

1. **Covenant Against Contingent Fees.** The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this Contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the Committee shall have the right to annul this Contract without liability or in its discretion to deduct from this Contract the price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

2. **Hold Harmless Provisions.** The Contractor shall hold the Committee harmless from and indemnify the Committee against any and all claims, demands and actions based upon or arising out of any activities performed by the Contractor and its employees and agents under this Contract and shall, at the request of the Committee, defend any and all actions brought against the Committee based upon any such claims or demands.

3. **Required Insurance and Payroll Deductions.**

(a) The Contractor shall provide workmen's compensation insurance where the same is required and shall accept full responsibility for the payment of premiums for

workmen's compensation and social security and any other taxes or payroll deductions required by law for its employees who are performing services specified by this Contract.

(b) The Contractor will provide professional liability insurance, insuring as they may appear, the interest of all parties to this Contract against any and all claims which may arise out of the Contractor's operations under this Contract.

4. Compliance with The Americans with Disabilities Act:

(a) Pursuant to federal regulations promulgated under the authority of The Americans With Disabilities Act, 28 C.F.R. §35.101 et seq., the Contractor understands and agrees that it shall not cause any individual with a disability to be excluded from participation in this Contract or from activities provided for under this Contract on the basis of the disability. As a condition of accepting this Contract, the Contractor agrees to comply with the "General Prohibitions Against Discrimination," 28 C.F.R. §35.130, and all other regulations promulgated under Title II of The Americans With Disabilities Act which are applicable to the benefits, services, programs, and activities provided by the Committee through contracts with outside contractors.

(b) The Contractor shall be responsible for and agrees to indemnify and hold harmless the Committee from all losses, damages, expenses, claims, demands, suits and actions brought by any party against the Committee as a result of the Contractor's failure to comply with the provisions of the subparagraph (a) above.

5. Compliance With Law. The Contractor shall comply with all applicable federal and state laws and regulations and local ordinances in the performance of this Contract.

6. Right to Know Law Provisions:

(a) The Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, applies to this Contract.

(b) Unless the Contractor provides the Committee, in writing, with the name and contact information of another person, the Committee shall notify the Contractor's Project Coordinator using the Contractor information provided by the Contractor in the legal contact information provided in this Contract, if the Committee needs the Contractor's assistance in any matter arising out of the Right to Know Law ("RTKL"). The Contractor shall notify the Committee in writing of any change in the name or the contact information within a reasonable time prior to the change.

(c) Upon notification from the Committee that the Committee requires the Contractor's assistance in responding to a RTKL request for records in the Contractor's possession, the Contractor shall provide the Committee, within fourteen (14) calendar

days after receipt of such notification, access to, and copies of, any document or information in the Contractor's possession which arises out of the Contract that the Committee requests ("Requested Information") and provide such other assistance as the Committee may request in order to comply with the RTKL. If the Contractor fails to provide the Requested Information within fourteen (14) calendar days after receipt of such request, the Contractor shall indemnify and hold the Committee harmless for any damages, penalties, detriment or harm that the Committee may incur under the RTKL as a result of the Contractor's failure, including any statutory damages assessed against the Committee.

(d) The Committee's determination as to whether the Requested Information is a public record is dispositive of the question as between the parties. The Contractor agrees not to challenge the Committee's decision to deem the Requested Information a Public Record. If the Contractor considers the Requested Information to include a request for a Trade Secret or Confidential Proprietary Information, as those terms are defined by the RTKL, the Contractor will immediately notify the Committee, and will provide a written statement signed by a representative of the Contractor explaining why the requested material is exempt from public disclosure under the RTKL within seven (7) calendar days of receiving the request. If, upon review of the Contractor's written statement, the Committee still decides to provide the Requested Information, the Contractor will not challenge or in any way hold the Committee liable for such a decision.

(e) The Committee will reimburse the Contractor for any costs associated with complying with this provision only to the extent allowed under the fee schedule established by the Office of Open Records or as otherwise provided by the RTKL if the fee schedule is inapplicable.

(f) The Contractor agrees to abide by any decision to release a record to the public made by the Office of Open Records, or by the Pennsylvania Courts. The Contractor agrees to waive all rights or remedies that may be available to it as a result of the Committee's disclosure of Requested Information pursuant to the RTKL. The Contractor's duties relating to the RTKL are continuing duties that survive the expiration of this Contract and shall continue as long as the Contractor has Requested Information in its possession.

ARTICLE VIII

PROJECT INFORMATION AND PROGRESS REPORTS

1. The Contractor agrees that during the period of this Contract all information obtained by the Contractor through work on the project will be made available to the Committee immediately upon demand. Furthermore, the Contractor shall deliver, if requested by the

Committee, any background material prepared or obtained by the Contractor incident to the performance of this Contract. Background material is defined as original papers, notes and drafts prepared by the Contractor to support the data and conclusions in the final reports and includes completed questionnaires, other printed materials, pamphlets, maps, drawings and books as well as material in electronic data processing form and computer programs, acquired by the Contractor during the term of this Contract and directly related to the services being rendered.

2. The Contractor hereby agrees to perform and comply with all of the powers and duties enumerated in §509 of Act 32 which shall include but not be limited to submission of monthly progress reports and the bonding requirements thereof.

3. In the event that the Committee determines that the Contractor or its subcontractor(s) has not furnished such reports as required by the Committee or Act 32, the Committee, by giving written notice to the Contractor, may suspend payments under this Contract until such time as the required reports are submitted.

ARTICLE IX AUDIT PROVISIONS

1. The Committee or their authorized representative shall have the right, at reasonable times and at a site designated by the Committee, to audit the books, documents and records of the Contractor to the extent that the books, documents and records relate to costs or pricing data for this Contract. The Contractor agrees to cooperate and coordinate with the Committee's Act 32, §505(h) appointed certified public accountant or public accountant examination in accordance with the provisions of this section. The Contractor agrees to maintain records which will support the prices charged and costs incurred for this Contract.

2. The Contractor shall preserve books, documents, and records that relate to costs or pricing data for this Contract for a period of three (3) years from date of final payment. The Contractor shall give full and free access to all records to the Committee and/or their authorized representatives.

ARTICLE X ASSIGNABILITY

1. Subject to the terms and conditions of this Article, this Contract shall be binding upon the parties and their respective successors and assigns.

2. The Contractor may not assign, in whole or in part, this Contract or its rights, duties, obligations, or responsibilities hereunder without the prior written consent of the Committee, which consent may be withheld at the sole and absolute discretion of the Committee.

3. Notwithstanding the foregoing, the Contractor may, without the consent of the Committee, assign its rights to payment to be received under this Contract, provided that the Contractor provides written notice of such assignment to the Committee's Project Coordinator together with a written acknowledgement from the assignee that any such payments are subject to all of the terms and conditions of this Contract.

4. For the purposes of this Contract, the term "assign" shall include, but shall not be limited to, the sale, gift, assignment, pledge, or other transfer of any ownership interest in the Contractor provided, however, that the term shall not apply to the sale or other transfer of stock of a publicly traded company.

5. Any assignment consented to by the Committee shall be evidenced by a written assignment agreement executed by the Contractor and its assignee in which the assignee agrees to be legally bound by all of the terms and conditions of this Contract and to assume the duties, obligations, and responsibilities being assigned.

6. A change of name by the Contractor, following which the Contractor's federal identification number remains unchanged, shall not be considered to be an assignment hereunder. The Contractor shall give the Committee written notice of any such change of name.

ARTICLE XI

RIGHTS IN DATA, COPY RIGHTS, PATENT RIGHTS AND DISCLOSURE

(a) Patent Rights.

(i) Whenever any invention, improvement or discovery is made or conceived or for the first time actually or constructively reduced to practice by the Contractor or its employees in the course of, in connection with, or under the terms of this Contract, the Contractor shall immediately give the Committee written notice thereof and shall promptly thereafter furnish the Committee with complete information thereon. The Committee shall have the sole and exclusive power to determine whether or not and where a patent application shall be filed and to determine the disposition, improvement or discovery, including title to and rights under any patent application or patent that may issue thereon. The determination of the Committee on all of these matters shall be accepted as final. The Contractor warrants that all of its employees who may be the inventors will execute all documents and do all things necessary or proper to the effectuation of such determination.

(ii) Except as otherwise authorized in writing by the Committee, the Contractor shall obtain patent agreements to effectuate the provisions of this article from all persons who perform any part of the work under this Contract, except such clerical and manual labor personnel as will have no access to technical data.

(iii) Except as otherwise authorized in writing by the Committee, the Contractor will insert in each subcontract having experimental, developmental or research work as one of its purposes, provisions making this clause applicable to the subcontractor and its employees.

(iv) If the Committee obtains patent rights pursuant to this article, the Contractor shall be offered license rights thereto on terms at least as favorable as those offered to any firm.

(b) Data and Copy Rights.

(i) The term "data" as used in this Contract includes written reports, studies, drawings or other graphic, electronic, chemical or mechanical representations, and work of any similar nature which is required to be delivered under this Contract.

(ii) Data submitted to and accepted by the Committee under this Contract shall be the property of the Committee and it shall have full right to use such data for any official purpose in whatever manner deemed desirable and appropriate including making it available to the general public. Such use shall be without any additional payment to or approval of the Contractor.

(iii) Any data developed as a result of this Contract shall not be used for purposes other than in the performance of this Contract without the advance written approval of the Committee. Any such use of data developed as a result of this Contract and approved in writing by the Committee must include a statement that the data was developed with funds provided under a contract with the Committee.

(iv) The Contractor relinquishes any and all copyright, copyright rights, and/or privileges to data developed under this Contract. The Contractor shall not include in the data submitted any copyrighted matter without the written approval of the Committee, unless the Contractor provides the Committee with written permission of the copyright owner for the Committee to use such copyrighted matter in the manner provided in this Contract.

(c) Disclosure. The Contractor agrees not to divulge or release any information, reports or recommendations developed or obtained in connection with the performance of this Contract, for its direct or indirect, personal or financial, benefit, or the benefit of any person or entity other than the Committee. However, divulgence or release of information, reports or

recommendations shall be permitted at such times and in such manner as expressly provided for in such concurrent agreements between the Contractor and other governmental agencies whether federal, state or local, as may directly relate to the performance of this Contract.

ARTICLE XII SUBCONTRACTS

1. Except as otherwise noted in Proposal and Budget, the Contractor shall not execute or concur in any subcontract with any person or entity in any respect concerning the activities herein without prior written approval of the Committee. Such prior written approval shall not be required for the purchase by the Contractor of articles, supplies, equipment and services which are both necessary for and merely incidental to the performance of the work required under this Contract. The Contractor shall not execute or concur in any subcontract declared disapproved by the Committee.

2. The Committee's approval of any subcontract shall not be deemed in any event or in any manner to provide for the incurring of any obligation by the Committee in addition to the total contract price, and the Committee shall not be responsible for fulfillment of Contractor's obligations to subcontractors. The Contractor shall be solely responsible for the quantity and quality of the performance of any of its subcontracts.

ARTICLE XIII TEMPORARY SUSPENSION OF THE CONTRACT

1. Upon written notice and at any time during the period covered under this Contract, the Committee may suspend payments and/or request suspension of all or any part of the contract activities. The Committee may give such notice to suspend for the following reasons:

(a) Violations of laws and regulations, audit exceptions, misuse of funds, failure to submit required reports or when responsible public officials or private citizens make allegations of mismanagement, malfeasance or criminal activity.

(b) When, in the opinion of the Committee, the activities cannot be continued in such manner as to adequately fulfill the intent of statute or regulations due to act of God, strike or disaster.

2. The Contractor shall have the right to cure any default or other circumstance that is the basis for suspension of this Contract within a reasonable period of time.

ARTICLE XIV DEFAULT

1. The Committee may, subject to the provisions of Article XV, Force Majeure, and in addition to its other rights under this Contract, declare the Contractor in default by written notice thereof to the Contractor, and terminate (as provided in Article XVI, Termination) the whole or any part of this Contract for any of the following reasons:

- (a) Failure to begin work within the time specified in this Contract or as otherwise specified;
- (b) Failure to perform the work with sufficient labor, equipment, or material to insure the completion of the specified work in accordance with this Contract terms;
- (c) Unsatisfactory performance of the work;
- (d) Failure or refusal to remove material, or remove and replace any work rejected as defective or unsatisfactory;
- (e) Discontinuance of work without approval;
- (f) Failure to resume work, which has been discontinued, within a reasonable time after notice to do so;
- (g) Insolvency or bankruptcy;
- (h) Assignment made for the benefit of creditors;
- (i) Failure to protect, to repair, or to make good any damage or injury to personal or real property; or
- (j) Breach of any provision of this Contract.

2. In the event that the Committee terminates this Contract in whole or in part as provided in paragraph 1 above, the Committee may procure, upon such terms and in such manner as it determines, services similar or identical to those so terminated, and the Contractor shall be liable to the Committee for any reasonable excess costs for such similar or identical services included within the terminated part of this Contract.

3. If this Contract is terminated as provided in paragraph 1 above, the Committee, in addition to any other rights provided in this article, may require the Contractor to transfer title and deliver immediately to the Committee or its authorized representative in the manner and to the extent directed by the Committee, such partially completed work, including, where applicable, reports, working papers and other documentation, as the Contractor has specifically produced or specifically acquired for the performance of such part of this Contract as has been

terminated. Payment for completed work accepted by the Committee shall be at the price specified in the Budget. Payment for partially completed work including, where applicable, reports and working papers, delivered to and accepted by the Committee shall be in an amount agreed upon by the Contractor and the Committee. The Committee may withhold from amounts otherwise due the Contractor for such completed or partially completed works, such sum as the Committee determines to be necessary to protect the Committee against loss.

4. The rights and remedies of the Committee provided in this article shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

5. The Committee's failure to exercise any rights or remedies provided in this paragraph shall not be construed to be a waiver by the Committee of its rights and remedies in regard to the event of default or any succeeding event of default.

ARTICLE XV FORCE MAJEURE

1. Neither party will incur any liability to the other if its performance of any obligation under this Contract is prevented or delayed by causes beyond its control and without the fault or negligence of either party. Causes beyond a party's control may include, but are not limited to, acts of God or war, changes in controlling law, regulations, orders or the requirements of any governmental entity, severe weather conditions, civil disorders, natural disasters, fire, epidemics and quarantines, general strikes throughout the trade, and freight embargoes.

2. The Contractor shall notify the Committee orally within five (5) days and in writing within ten (10) days of the date on which the Contractor becomes aware, or should have reasonably become aware, that such cause would prevent or delay its performance. Such notification shall (i) describe fully such cause(s) and its effect on performance, (ii) state whether performance under the contract is prevented or delayed and (iii) if performance is delayed, state a reasonable estimate of the duration of the delay. The Contractor shall have the burden of proving that such cause(s) delayed or prevented its performance despite its diligent efforts to perform and shall produce such supporting documentation as the Committee may reasonably request. After receipt of such notification, the Committee may elect either to cancel this Contract or to extend the time for performance as reasonably necessary to compensate for the Contractor's delay.

3. In the event of a declared emergency by competent governmental authorities, the Committee by notice to the Contractor, may suspend all or a portion of this Contract.

ARTICLE XVI TERMINATION

1. The Committee has the right to terminate this Contract for any of the following reasons. Termination shall be effective upon written notice to the Contractor.

(a) Termination For Convenience. The Committee shall have the right to terminate this Contract for its convenience if the Committee determines termination to be in its best interest. The Contractor shall be paid for work satisfactorily completed prior to the effective date of the termination, but in no event shall the Contractor be entitled to recover loss of profits.

(b) Termination For Cause. The Committee shall have the right to terminate this Contract for Contractor default under Article XIV, Default, upon written notice to the Contractor. The Committee shall also have the right, upon written notice to the Contractor, to terminate this Contract for other cause as specified in this Contract or by law. If it is later determined that the Committee erred in terminating this Contract for cause, then, at the Committee's discretion, this Contract shall be deemed to have been terminated for convenience under the Subparagraph (a).

ARTICLE XVII CONTRACT CONTROVERSIES

In the event of a controversy or claim arising from this Contract, the Contractor must, within six months after the cause of action accrues, file a written notice of controversy or claim with the Committee for a determination. The Committee shall send its written determination to the Contractor. The decision of the Committee shall be final and conclusive.

ARTICLE XVIII ENTIRE AGREEMENT

1. This Contract, including all referenced documents, constitutes the entire agreement between the parties. No agent, representative, employee or officer of either the Committee or the Contractor has authority to make, or has made, any statement, agreement or representation, oral or written, in connection with this Contract, which in any way can be deemed to modify, add to or detract from, or otherwise change or alter its terms and conditions. No negotiations between the parties, nor any custom or usage, shall be permitted to modify or contradict any of the terms and conditions of this Contract. No modifications, alterations, changes, or waiver to this Contract or any of its terms shall be valid or binding unless accomplished by a written amendment signed by both parties.

2. No provision of this Contract shall be construed in any manner so as to create any rights in third parties not party to this Contract. It shall be interpreted solely to define specific duties and responsibilities between the Committee and the Contractor and shall not provide any

basis for claims of any other individual, partnership, corporation, organization or municipal entity.

ARTICLE XIX AMENDMENTS AND MODIFICATIONS

A properly executed contract amendment is required to change the termination date of this Contract, to amend the contract amount or to make major changes in the approved program scope, objectives or methods. Such an amendment must be executed if there is a significant change in the activities or services to be conducted under this Contract. Other revisions to the project or contract budget may be made upon written approval from the Committee after prior written request of the Contractor.

ARTICLE XX SEVERABILITY

Should any section or any part of any section of this Contract be rendered void, invalid or unenforceable by any court of law, for any reason, such a determination shall not render void, invalid, or unenforceable any other section or part of any section of this Contract.

ARTICLE XXI CONSTRUCTION

1. This Contract shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania (without regard to any conflict of law provisions) and the decision of the Pennsylvania courts. The Contractor consents to the jurisdiction of any court of the Commonwealth of Pennsylvania and any federal courts in Pennsylvania, waiving any claim or defense that such forum is not convenient or proper. The Contractor agrees that any such court shall have in personam jurisdiction over it, and consents to service of process in any manner authorized by Pennsylvania law.

2. All of the terms and conditions of this Contract are expressly intended to be construed as covenants as well as conditions. The titles of the sections and subsections herein have been inserted as a matter of convenience and reference only and shall not control or affect the meaning or construction of any of the terms or provisions herein.

ARTICLE XXII NONWAIVER OF REMEDIES

No delay or failure on the part of the Committee in exercising any right, power or privilege hereunder shall affect such right, power or privilege; nor shall any single or partial exercise thereof or any abandonment, waiver, or discontinuance of steps to enforce such a right, power or privilege preclude any other or further exercise thereof, or the exercise of any other

right, power or privilege. The rights and remedies of the Committee hereunder are cumulative and concurrent and not exclusive of any rights or remedies which it might otherwise have. The Committee shall have the right at all times to enforce the provisions of this Contract in accordance with the terms hereof notwithstanding any conduct or custom on the part of the Committee in refraining from so doing at any time or times. The failure of the Committee at any time or times to enforce its rights under such provisions, in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Contract or as having in any way or manner modified or waived the same.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the Effective Date.

ATTEST: [Name of Tax Collection Committee]

Secretary (Date) Chairperson (Date)

[IF BY CORPORATION] [Name of Corporation]
ATTEST:

Secretary (Date) President (Date)

[IF BY PARTNERSHIP] [Name of Partnership]
WITNESS:

By: [Partner Name]

By: [Partner Name]

By: [Partner Name]

APPENDIX A

PROPOSAL

APPENDIX B

BUDGET

APPENDIX C
SPECIAL CONDITIONS

[Tax Collection Committee Letterhead]

[Date]

[Contractor Project Coordinator Name]

[Contractor Name]

[Contractor Street Number/Name]

[City, State, Zip Code]

Re: Contract: [Contract Reference Number]

Dear [Mr./Mrs./Ms.] [Contractor Project Coordinator's Last Name]:

Enclosed please find a Contract for Professional Services (the "Contract") between the [Name of Tax Collection Committee] (the "Committee") and [Contractor Name] (the "Contractor"). Please sign the Contract where marked with an (x), place the date of execution next to all signatures, and return the same to this office as soon as possible for further processing.

Questions regarding the contents of this Contract should be directed to [Provide Name and Contact information of Person to Contact with Contract Questions]. Please use the contract reference number set forth above on all correspondence.

Please be advised that the Committee will not be obligated to disburse any funds under the Contract until such time as the Contract has been fully executed and a notice to proceed has been issued by the Committee's Project Coordinator. Any action taken or work performed by the Contractor in reliance upon this Contract prior to the receipt by the Contractor of the notice to proceed is taken or performed at the Contractor's own risk.

Sincerely,

[Committee Project Coordinator Name or Committee Chairperson]

Enclosures

[Tax Collection Committee Letterhead]

[Date]

[Contractor Project Coordinator]

[Contractor Name]

[Contractor Street Number/Name]

[City, State, Zip Code]

Re: Contract: [Contract Reference Number]

Dear [Mr./Mrs./Ms.] [Contractor Project Coordinator's Last Name]:

Enclosed please find a fully executed Contract for Professional Services (the "Contract") between the [Name of Tax Collection Committee] (the "Committee") and [Contractor Name] (the "Contractor"). The enclosed copy is for your file.

If you have any questions regarding the contents of this Contract, please feel free to contact [Provide Name and Contact information of Person to Contact with Contract Questions].

Please consider this letter your Notice to Proceed. Effective immediately, you may begin work under this Contract.

Sincerely,

[Committee Project Coordinator Name or Committee Chairperson]

Enclosure

SAMPLE EMPLOYEE AGREEMENT LETTER

[Tax Collection Committee Letterhead]

[Date]

[Employee Name]

[Street Number/Name]

[City, State, Zip]

Re: [Name of Tax Collection Committee]
Letter of Agreement for [Title of Employment Position]

Dear [Mr./Mrs./Ms.]:

The [Name of Tax Collection Committee] ("TCC") hereby extends to you the following terms of employment as [Title of Employment Position] for the [Name of Tax Collection Committee]:

1. It is understood and agreed to by the parties that anything not covered in this Letter of Agreement shall be governed by TCC's Personnel Policies and Procedures for Employees of [Name of Tax Collection Committee] ("Personnel Policies").
2. Commencement of Employment. You agree to commence employment as [Title of Employment Position] starting on [Employment Starting Date], or as otherwise agreed upon by the parties.
3. Compensation. Your starting annual salary is [Alphabetical Dollar Value] [(\$XX,XXX.XX)] Dollars, which shall be paid in accordance with the TCC's payroll schedule. The current payroll schedule is on a [weekly/bi-weekly/other] basis. Merit-based raises will be negotiated on a yearly basis dependent upon the TCC's financial condition.
4. Fringe Benefits. You shall be entitled to all fringe benefits and future increases in benefits based upon merit. The TCC agrees to provide you with all paid holidays provided to other non-uniformed employees. If you are required to work on any of the holidays specified in the Personnel Policies, you be entitled to receive compensatory time off.
5. Personal/Vacation Days. You will be entitled to [Alphabetical Number] [(XX)] personal days and [Alphabetical Number] [(XX)] vacation days per calendar year.
6. Work schedule. Your normal work week shall consist of a minimum of [Alphabetical Number] [(XX)] hours per week, and includes all regularly-scheduled meetings and work sessions of the TCC.
7. Retirement. You will be entitled to retirement benefits as provided for employees of the TCC Retirement Plan. Vesting occurs after [Alphabetical Number] [(XX)] years of employment.
8. Resignation. In the event that you voluntarily resign as TCC [Title of Employment Position], you agree to give the TCC [Alphabetical Number] [(XX)] days advance written notice.
9. Termination. It is understood by the parties that the TCC [Title of Employment Position] serves at the pleasure of the TCC. The TCC agrees to provide you with [Alphabetical Number] [(XX)] days written notice prior to termination. Upon termination, you will be entitled to any accrued benefits that you may be entitled to under the TCC Personnel Policies and Procedures.

This Letter of Agreement contains the entire understanding of the parties concerning the terms of employment, and cannot be modified or amended except in writing signed by the parties.

I agree to the above terms of employment for the position of [Title of Employment Position] for the [Name of Tax Collection Committee].

[Employee Name]

Dated: [Month] __, 20[XX]

Approved by the [Name of Tax Collection Committee] on [Month] __, 20[XX]

Attest: [Name] _____ e of Tax Collection Committee]

BY: [Name of Chairperson]Chairperson

Earned Income Tax Consolidation System Best Practices Report

Earned Income Tax Collection Forms

> ready > set > succeed



Act 32, Earned Income Tax Forms

Forms to be included:

1. Employer Registration for Local EIT Withholding
2. Business Information Correction/Termination/No Employees
3. Taxpayer Residency Certification
4. Employer Quarterly EIT Reporting
5. Individual Taxpayer EIT Annual Return
6. Prepayment Return for Net Profits and EIT
7. Individual Taxpayer EIT Quarterly Reporting

The above forms are displayed in word (txt) format and are subject to additional input and modification. Final form layout and graphic content will be available upon review and completion with the assistance of PA Department of Revenue.

EMPLOYER REGISTRATION for LOCAL EARNED INCOME TAX WITHHOLDING

EMPLOYER INFORMATION

1. Trade/Business Name (Use Federal ID Name)
2. Main Corporate/Business Location:
3. Street Address
4. Mailing Address
5. Municipal Taxing Authority in which facility or business is located
(attach listing of multiple locations within the Commonwealth of Pennsylvania if applicable)
6. Business Phone
7. Business Fax
8. Name of Primary Contact Individual
9. Primary Contact E-Mail
10. Primary Contact Phone
11. Federal EIN or Social Security Number

ORGANIZATION

12. Type of Organization
+Individual Proprietorship +Partnership +Association +Fiduciary +Corporation
13. Date of Incorporation
14. Date of Incorporation
15. Primary Nature/Operation of Business
16. Date Operation Began

ACCOUNTING INFORMATION

17. Current Number of Employees
18. Monthly Payroll
19. Payroll Service (if Applicable)
20. Present Number of Employees at Site Location*
21. Monthly Payroll at Site Location*
22. Accounting Basis
+Cash +Accrual +Other
23. Accounting Period
+Calendar
+Fiscal Year Ending ____

Affirmation: I declare under penalties provided by law that the information provided is accurate and complete to the best of my knowledge.

Signature of Primary Contact Individual
Title
Date

EIT Collection District Information
TCD Account/Registration Number

BUSINESS INFORMATION CORRECTION FORM
or
FINAL REPORT IF BUSINESS IS TERMINATED OR NO LONGER HAS EMPLOYEES

Current Information

Federal EIN Federal
TCD Account No.
Name of Business Entity
Address Address

New/Corrected Information

EIN
TCD Account No.
Name of Business Entity

Reason(s) for Report (check all that apply)

- + Change or Correction of Business Information
- + Business Closed
- + Business Sold
- + No Longer has Employees Subject to Local EIT
- + No Employees on Payroll
- + Other (Explain)

If Applicable, Date of Last Payroll

Name of Individual Filing Report
Title
Date
Signature

Phone Number
E-Mail Address

LOCAL EARNED INCOME TAXPAYER RESIDENCY CERTIFICATION FORM

To Employers/Taxpayers:

This form is to be used by employers and/or taxpayers to report essential information for the collection and distribution of Local Earned Income Taxes. This form must be utilized by employers when a new employee is hired or when a current employee notifies employer of a name and/or address change. Forms may be filed with the remittance of local earned income tax withholdings or as completed.

When completed, the form is to be forwarded to the appropriate local EARNED INCOME TAX COLLECTION DISTRICT (see instructions).

Employer Information

Employer Name (Use Federal ID Name)

Employer Federal EIN

Employee Information

Employee Social Security Number

Last Name

First Name, MI

First Line of Address

Second Line of Address

City or Post Office, State, ZIP code

Is above Employee Married

+Yes +No

if Yes

Does Spouse Reside at Above Address

+Yes +No

Spouse's Last Name (if different from above)

Spouse's First Name, MI

Spouse's Social Security Number

Daytime Phone Number

RESIDENT Municipality (City, Borough, Township)

County

PSD Code*

Earned Income Tax Rate*

EMPLOYMENT Municipality (City, Borough, Township)

County

PSD Code*

Earned Income Tax Rate*

Name of Individual Filing this Report

Title

Signature

Date

Phone Number

E-Mail Address

EMPLOYER QUARTERLY LOCAL EARNED INCOME TAX REPORTING FORM

Employer Information (per Employer Registration Form; PA DCED/EIT A32 F00-1209)

1. Wages Subject to Local Earned Income Tax
2. Earned Income Tax Total
3. Credits or Adjustments (Attach Supporting Documentation)
4. Adjusted Total (Subtract Line 3 from Line 2)
5. Penalty
6. Interest
7. TOTAL TAX DUE (Add Lines 4, 5 and 6)
8. Total of Enclosed Receipts (Schedule B)
9. Balance Due with this Return (Subtract Line 8 from Line 9)

10. Date Period Ended

11. Total Pages this Return

12. Total Number of Employees Listed this Report

13. If a change of ownership or other transfer of business has occurred during reporting quarter, attach explanation and file revised Change/Correction Form (PA DCED/EIT A32 F00-1209)

+No Change/Correction

+Change/Correction (Form Attached)

Affirmation: I declare under penalties provided by law that the information provided is accurate to the best of my knowledge and is a true and complete return.

14. Do you expect to pay taxable wages next quarter?

+Yes s +No

Name of Individual Filing Report

Signature

Title

Date

Phone Number

E-Mail Address

Employee Information

15. Employee Name 16. Social Security Number 17. Address 18. PSD Code* 19. Taxable Compensation 20. Tax Withheld

TOTALS:

TAXPAYER ANNUAL LOCAL EARNED INCOME TAX RETURN FORM

PA-L00 2010 (12-09) (1)

Pennsylvania Local Earned Income Tax Return

Your Social Security Number (A)

Spouse's Social Security Number (B)

+ Extension
+ Amended Return

Residency Status

R Resident (Current)
N Nonresident
P Part-Year Resident

Complete if Part-Year or Relocated During 2010 - 12 month period

(A)/(B) Dates (_/_/2010 to _/_/2010)

PSD Code*

Resident Address – Including City, State, Zip

(A) Last Name

Your First Name, MI

(B) Spouse's First Name, MI

Spouse's Last Name (if different from above)

First Line of Address

Second Line of Address

City or Post Office, State, Zip

Daytime Telephone Number

E-Mail Address

S Single

J Married, Filing Jointly

M Married, Filing Separately

F Final Return*

D Deceased*

(A) Your Occupation

(B) Spouse's Occupation

(A) Taxpayer

(B) Taxpayer

1. Gross Compensation as Reported on W-2(s) Enclose W-2(s)
2. Unreimbursed Employee Business Expenses Enclose PA Schedule UE
3. Other Taxable Earned Income*
4. **Total Taxable Earned Income**
5. Net Profit Enclose PA Schedules*
6. Net Loss Enclose PA Schedules*
7. Total Taxable Net Profit (Subtract Line 6 from Line 5. If less than zero, enter zero)
8. Total Taxable Earned Income and Net Profit (Add Lines 7 and 8)
9. **Total Tax Liability**
10. Total Local Earned Income Tax Withheld as Reported on W-2(s)
11. Miscellaneous Tax Credits*
12. **TOTAL PAYMENTS and CREDITS**
13. **Refund**
14. **Credit (A)** Amount of Line 13 you want as a credit to your 2011 account
15. **Credit (B)** Amount of Line 13 you want as a credit to spouse's 2011 account
16. **EARNED INCOME TAX BALANCE DUE**
17. **Penalty after April 15***
18. **Interest after April 15***
19. **TOTAL PAYMENT DUE** (Add Lines 16, 17 and 18)

Signature – Taxpayer (A)

Date

Occupation

Signature – Taxpayer (B)

Date

Occupation

Preparer's Name (if other than Taxpayer)

Date

Daytime Telephone
E-Mail Address

ESTIMATED PREPAYMENT RETURN FOR NET PROFITS AND EARNED INCOME TAX
READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

FORM EIT-QTR

OUR RECORDS INDICATE
YOU ARE A RESIDENT OF _____

IF YOU MOVED, ENTER EFFECTIVE DATE HERE _____
CORRECT ALL ERRORS OF NAME, ADDRESS OR MUNICIPALITY _____

CHECK HERE IF ADDRESS CHANGE ALSO APPLIES TO SPOUSE _____

Earned Income Tax Collector
Address _____
Phone _____
E-Mail _____

YOUR SOCIAL SECURITY NUMBER _____

1ST PERIOD TAX (JAN. FEB. MAR.)
DUE 4-30 FOR TAX YEAR 20__

USE APPLICABLE TAX RATE

TOTAL PAID THIS PERIOD \$ _____



ESTIMATED PREPAYMENT RETURN FOR NET PROFITS AND EARNED INCOME TAX
READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

FORM EIT-QTR

OUR RECORDS INDICATE
YOU ARE A RESIDENT OF _____

IF YOU MOVED, ENTER EFFECTIVE DATE HERE _____
CORRECT ALL ERRORS OF NAME, ADDRESS OR MUNICIPALITY _____

CHECK HERE IF ADDRESS CHANGE ALSO APPLIES TO SPOUSE _____

Earned Income Tax Collector
Address _____
Phone _____
E-Mail _____

YOUR SOCIAL SECURITY NUMBER _____

2ND PERIOD TAX (APRIL, MAY, JUNE)
DUE 7-31 FOR TAX YEAR 20__

USE APPLICABLE TAX RATE

TOTAL PAID THIS PERIOD \$ _____

IF AT LEAST TWO-THIRDS OF YOUR GROSS INCOME IS OBTAINED
FROM FARMING OR FISHING FOR EACH PERIOD, READ
INSTRUCTIONS AND IF APPLICABLE CHECK HERE. _____



ESTIMATED PREPAYMENT RETURN FOR NET PROFITS AND EARNED INCOME TAX
READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

FORM EIT-QTR

OUR RECORDS INDICATE
YOU ARE A RESIDENT OF _____

IF YOU MOVED, ENTER EFFECTIVE DATE HERE _____
CORRECT ALL ERRORS OF NAME, ADDRESS OR MUNICIPALITY _____

CHECK HERE IF ADDRESS CHANGE ALSO APPLIES TO SPOUSE _____

Earned Income Tax Collector
Address _____
Phone _____
E-Mail _____

YOUR SOCIAL SECURITY NUMBER _____

3RD PERIOD TAX (JULY, AUG. SEPT.)
DUE 10-31 FOR TAX YEAR 20__

USE APPLICABLE TAX RATE

TOTAL PAID THIS PERIOD \$ _____



ESTIMATED PREPAYMENT RETURN FOR NET PROFITS AND EARNED INCOME TAX
READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

FORM EIT-QTR

OUR RECORDS INDICATE
YOU ARE A RESIDENT OF _____

IF YOU MOVED, ENTER EFFECTIVE DATE HERE _____
CORRECT ALL ERRORS OF NAME, ADDRESS OR MUNICIPALITY _____

CHECK HERE IF ADDRESS CHANGE ALSO APPLIES TO SPOUSE _____

Earned Income Tax Collector
Address _____
Phone _____
E-Mail _____

YOUR SOCIAL SECURITY NUMBER _____

4TH PERIOD TAX (OCT. NOV. DEC.)
DUE 1-31 FOR TAX YEAR 20__

USE APPLICABLE TAX RATE

TOTAL PAID THIS PERIOD \$ _____

Phone: (XXX) XXX-XXXX
E-Mail: XXXXX@XXXX.XXX

USE THIS MAILING LABEL FOR YOUR PAYMENT

Street
PO Box
City, State, ZIP

EIT Collector

OUR RECORDS INDICATE YOU
ARE A RESIDENT OF:

Quarterly Payment Invoice

			Quarterly	Quarterly
QUARTER	YEAR	RATE*	ESTIMATED COMPENSATION	ESTIMATED EARNED INCOME TAX

Due Dates	1st Quarter 4-30	2nd Quarter 7-31
	3rd Quarter 10-31	4th Quarter 1-31

IF ADDRESS IS INCORRECT
CHANGE ABOVE

*Enter tax rate used to calculate estimated tax Ex. 1%, 1.7% etc.

Earned Income Tax Consolidation System Best Practices Report

Interim Regulations

> ready > set > succeed



Interim Regulations

The Department of Community and Economic Development is currently in the process of drafting Regulations for the Earned Income Tax Consolidation system. During the implementation stage of Act 32, and as the Regulations are being further developed and promulgated, the Department has provided the following draft Regulations. Once the Department is satisfied with its draft, it will submit the regulations to the Internal Regulatory Review Committee for review and eventual adoption. Please watch for further updates to the Regulations on the Act 32 website.

TITLE 12. COMMERCE TRADE AND LOCAL GOVERNMENT
PART V. COMMUNITY AFFAIRS AND DEVELOPMENT
SUBPART A. LOCAL EARNED INCOME TAX
CHAPTER 125. LOCAL EARNED INCOME TAX

§ 125.1. **Authority** - This Regulation is promulgated under the authority provided by Section 508 of the Act of July 2, 2009 (P.L. , No. 32), known as The Local Tax Enabling Act.

§ 125.2. **Abatement of Interest and Penalties.** With the concurrence of the tax collection committee, a tax officer may abate interest or penalties that would otherwise be imposed for the non-reporting or underreporting of income tax liabilities of a taxpayer if the non-reporting or underreporting amounts to less than 5% of the taxpayer's income tax liabilities. In addition, a tax officer, with the concurrence of the tax collection committee, may abate interest and penalties that would otherwise be imposed and due if the taxpayer voluntarily files delinquent returns and pays the income taxes in full and the interest and penalties would have amounted to less than \$100.

§ 125.3. **Collection of Other Taxes.** A tax collection committee may not designate other taxes levied pursuant to the Local Tax Enabling Act, the act of June 27, 2006 (1st Sp. Sess., P.L. 1873, No. 1), known as the Taxpayer Relief Act or other statutory law to be collected by the tax officer unless the relevant taxing authority requests that the tax collection committee collect the tax and the tax collection committee has agreed.

§ 125.4. **Operating Expenses.** A political subdivision that is a member of a tax collection district but has not appointed a delegate to the tax collection committee and still receives income tax revenues from the tax collection committee shall share in the expenses of operating the tax collection district.

§ 125.5. **Tax Collection Committee Borrowing.** For purposes of Section 505(A.2)(9), total revenues anticipated shall only include amounts paid to the tax collection committee for collecting taxes. Total revenues anticipated shall not include taxes collected.

§ 125.6. **Recalculating the Weighed Vote.** Tax Collection Committees shall recalculate the weighted vote in accordance with the Weighted Vote Guide published by the Department at the Department's website.

§ 125.7. **Tax Officer Education and Qualification.** A tax officer or a person or entity seeking appointment as a tax officer shall designate one person per tax collection district the tax officer is appointed to or wishes to be appointed to. Each designated individual must complete the mandatory education requirements set forth by the Department. For example, a tax officer that is appointed by or wishes to be appointed by 5 tax collection districts shall designate 5 people to complete the mandatory education requirements set forth by the Department.