

As the custodian of the Tax Register, the official source of earned income tax withholding information for employers, the Governor's Center for Local Government Services in the Department of Community and Economic Development (DCED) receives numerous inquiries from employers, taxpayers, municipalities, school districts, tax collectors and legislative offices about the collection of the EIT.

In 2001, as a result of numerous questions and concerns brought to DCED's attention in its custodial role, DCED formed a work group to study EIT Collection and make recommendations for improving the system. Based on that work and input from stakeholders, DCED released an analysis of the issue with recommendations in a September 2004 report entitled Pennsylvania's Earned Income Tax Collection System, An Analysis with Recommendations. Since then, DCED staff have given presentations across the State on this issue to legislative committees, employers, municipal and school associations, tax preparers and tax collectors.

Based on its report, feedback from legislators and stakeholders, DCED concluded that the income tax system needed to be reformed. Besides consolidation; reforms necessary included uniform withholding, forms and regulations; more accountability and financial safeguards and better oversight and enforcement.

DCED determined that consolidation of local income tax collection at the county level is a viable option because collection is already consolidated on a county-wide basis in 13 counties, and nearly a reality in another 24 counties.

DCED worked with legislative staff, the local government associations, the business community, other stakeholders and the House Senate Finance Committee to craft legislation to reform and consolidate EIT Collection. This legislation was offered in the 2007-2008 legislative session by a bipartisan group of sponsors in House Bill 1550 and Senate Bill 1063. The goals of the legislation were to stem the loss of local tax revenues; make the system more employer friendly, fairer and less formidable for taxpayers, and to create as much uniformity and clarity in the system as possible.