

Local Income Tax Collection Reform -Benefits for Business

Problem: The complex, fragmented and inefficient local income tax collection structure creates a large burden on employers and taxpayers and causes the loss of approximately \$237 million in local taxes annually.

Solution: Local Income Tax Collection Reform¹ consolidates collection by reducing the number of local tax collectors from 560 to 69 and requires uniform withholding, remittance, distribution and reporting. Act 32 also establishes uniform statewide rules and regulations and provides for accountability, oversight and enforcement of the system.

- Act 32 will streamline the system and simplify tax administration dramatically reducing the current burden on business; providing additional funds for municipalities and school districts; and making it fairer and more taxpayer-friendly.

Uniform Withholding: The purpose of uniform withholding, remittance and distribution is to capture the loss of local income tax revenues and to ease the burden of local tax withholding on employers in Pennsylvania.

- The Reform Bill will create clarity, uniformity and improve recordkeeping in the statutory process for tax collection by streamlining the flow of tax monies; simplifying withholding and distribution; and allowing municipalities, school districts and collectors to track every local tax dollar from the time the tax is withheld until it is received by the appropriate taxing jurisdiction.
- Uniform withholding will reduce the likelihood of quarterly or large lump-sum payments at the end of the year achieving the goal of a zero local income tax balance for employees at the end of the year.

Consolidated Collection: By reducing the number of collectors to 69, the local tax collection system will become streamlined and efficient.

- Act 32 will reduce the number of collectors with which employers have to deal to one collector?
- Countywide collection will reduce overhead, create more efficiency and increase direct local control over local tax monies because larger tax collection districts increase the probability that the same collector will collect a taxpayer's work and home income taxes?

¹ Act 32 of 2008

² Employers will be required to remit withheld taxes only to the tax collector for the county where each facility is located, with an option to remit for all workplaces across the Commonwealth to just one collector where their state headquarters is located.

³ On average, only 15% of residents work and live in same municipality, while 69% of residents work & live in same county.