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## FOR IMMEDIATE RELEASE

### **House Finance Committee Approves SB 1063** *Earned Income Tax Consolidation is Likely for the Commonwealth*

**(Pittsburgh - June 16, 2008)** Today, the Pennsylvania House of Representatives Finance Committee approved Senate Bill 1063. The committee's support of SB 1063 points to the consolidation of Earned Income Tax collection as a government efficiency that's likely to become a reality for the Commonwealth.

“Historically, Pennsylvania has embraced an approach to Earned Income Tax collection that is, at best, complicated and very difficult to manage,” said Gene Barr, vice president of government and public affairs for the Pennsylvania Chamber of Business and Industry. “The Finance Committee's action today recognizes that, and now the full House will be called upon to cast their votes for the consolidated, commonsense approach to tax collection that Pennsylvania employers and employees deserve.”

The proposed legislation to consolidate the collection of Earned Income Tax, which passed in the Pennsylvania Senate in May, is a direct result of a 2004 report published by the Department of Community and Economic Development (DCED) and available at [www.newpa.com](http://www.newpa.com). The three-year study documented the fragmentation, complexity and inefficiency of the current collection system. Currently, Pennsylvania is unrivaled in the number of local Earned Income Tax collectors and has more taxing jurisdictions than all other states combined. According to the DCED report, municipalities and school districts in the Commonwealth use 560 tax collectors to collect and distribute nearly \$2 billion in annual tax revenue. These 560 tax collectors handle Earned Income Tax exclusively, not real estate tax collection. Real estate tax collectors, who are elected, not appointed, will not be affected by SB 1063.

DCED called for a more uniform collection process and since then, stakeholders from the business and municipal communities, along with other related interests, have worked closely with the legislature and the administration to develop legislation.

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Consolidation would reduce the number of Earned Income Tax collectors from 560 to 69—one each for 65 counties and Allegheny County would be divided into four tax districts, with the City of Pittsburgh being one of the districts. Philadelphia is not included as it already has consolidated Earned Income Tax collection and falls under a separate legislative act.

Earned Income Tax collection would not become a county government function, however. Rather, the process for choosing tax collectors would be a function of tax district committees comprising municipal and school district representatives.

With consolidation, there would be standardized collection practices, coordination, reporting and accountability among and between jurisdictions and collectors. These would reduce the loss of revenue for municipalities and school districts. It's estimated that currently \$237 million annually in Earned Income Tax revenue does not arrive at the municipality or school district where it rightfully belongs. This revenue, according to the Pennsylvania Economy League of Southwestern Pennsylvania, could provide necessary services in communities or reduce the tax burden on businesses and citizens.

“For Pennsylvania, Earned Income Tax consolidation is a government efficiency whose time has come. We ask the House to cast its vote of approval with the beneficiaries of consolidation in mind: Pennsylvania businesses, taxpayers and the municipalities and school districts themselves. Signed by the Governor into law, this legislation will eliminate unnecessary costs to employers, as well as burdensome tax filing for many Pennsylvanians whose earned income tax is not withheld by their employers,” said Greater Pittsburgh Chamber of Commerce President Barbara McNeas.

According to Pennsylvania Secretary of Community and Economic Development Dennis Yablonsky, Earned Income Tax consolidation keeps all of Pennsylvania competitive for business development. “Currently, businesses with multiple footprints that cross local and county jurisdictions must work with as many collectors – sometimes numbering into the hundreds. Under SB 1063, a business would remit to a single collector, where the company is headquartered,” said Yablonsky.

For example, Sheetz operates convenience stores in 52 different Pennsylvania counties—in addition to five other states—and must work with 270 separate tax collectors here. “This fragmentation makes it very difficult for businesses,” said Sheetz Vice President and General Counsel Michael Cortez. “We have to do various runs of the payroll system and work with so many tax collectors. This is a problem for the employer and for the state, the latter because it's losing tax revenue by the millions annually. The change to a simpler, streamlined Earned Income Tax collection system will be a huge, competitive advantage for Pennsylvania.” With a consolidated approach to collection, Sheetz would need only report to one collector, the collector in the district where the company's administrative headquarters are located.

“This commonsense approach to tax collection is an equitable reform that not only benefits Pennsylvania businesses and municipalities, but positively affects Pennsylvania taxpayers as well,” said Gene Barr, vice president of government and public affairs for the Pennsylvania Chamber. “An affirmative vote in the House will make this necessary tax collection reform a reality.”