

**SENATE APPROPRIATIONS COMMITTEE  
FISCAL NOTE**

**BILL NO.** House Bill 245

**PRINTER NO.** 3951

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

January 28, 2015

**PRIME SPONSOR**

Representative Dunbar

**DESCRIPTION AND PURPOSE OF BILL**

House Bill 245 would amend the Local Tax Enabling Act (Act 511 of 1965), as amended by Act 32 of 2008, to make the consolidated collection of local income taxes and delinquent taxes more uniform across the Commonwealth.

The legislation amends section 301 of the act to add definitions for “contingent fee audit” and “private collection agency”. The legislation further amends section 303 of the act (relating to payroll tax) to prohibit the collection of delinquent taxes through contingent fee audits by a private collection agency.

Section 317(d) of Act 511 is amended to require credits against tax liability for the payment of any tax on income to any state or to any political subdivision thereof by residents thereof, if residents of the political subdivision in Pennsylvania receive similar credits on income imposed by the other state or political subdivision. Under current law, the granting of such credit is at the discretion of the Pennsylvania political subdivision imposing the tax.

House Bill 245 provides for uniform domicile requirements such that an individual who does not meet the domicile requirements of the Tax Reform Code shall not be deemed the domicile requirements for local tax purposes.

The legislation amends section 501 of the act by adding a definition of “earned income” and further provides that tax districts are to collect and remit all earned income taxes, whether authorized by Act 511 or other Commonwealth law, and are to provide tax credits based on all EIT revenues collected accordingly.

Section 501 of the act amends the definitions of “nonresident” and “nonresident tax” as a means to clarify withholding tax rates for employees who are on temporary assignment in various taxing jurisdictions. The term “taxpayer” is also amended so that it does not include a person or business with no taxable income. Such person or business shall not be required to file a tax return or pay an income tax under Act 511.

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The legislation provides "safe harbor" provisions, meaning a taxpayer will have been deemed to meet the declaration and payment provisions regarding estimated payments if they make four timely estimated payments in one of the following two ways:

- Make four payments equal to 100% of the prior year's taxes minus earned income tax withheld for the current year; or
- Make four payments equal to 90% of the current year's taxes minus earned income tax withheld for the current year.

House Bill 245 limits the duties of a tax collection committee so that no additional forms, policies or procedures may be adopted other than those promulgated by the Department of Community and Economic Development (DCED). Furthermore, beginning January 1, 2020, no political subdivision, tax collection committee or tax officer may use any form other than that which is promulgated by DCED.

Section 505(h) of the act is amended so that audits of taxes received and disbursed shall be conducted on a calendar year basis, and an examination conducted on any other basis will not be accepted by DCED.

Additionally, House Bill 245 would add provisions to give DCED oversight authority of all tax collection committees, tax collectors and tax collection offices, including the power to:

- Provide the public with a method to report tax collection issues; and
- Ensure that all ordinances, rules, regulations and forms adopted in the collection of the earned income and net profits taxes are those promulgated by DCED.

The legislation clarifies withholding tax rates for employees on a temporary job assignment. In such cases, the employer shall withhold and remit the following taxes:

- For employees working for less than 90 consecutive days at a job location, the greater of the employee's resident tax or the employee's nonresident tax based on the location of the permanent home office of the employer;
- For employees working for 90 or more consecutive days at a job location, the greater of the employee's resident tax or the employee's nonresident tax based on the job location.
- Employees working in the City of Philadelphia are exempt to the extent that they are subject to the Sterling Act.

House Bill 245 provides that a tax collector or officer may abate any penalty imposed under any provision of this act.

This act shall take effect in 60 days.

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**FISCAL IMPACT:**

Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds. Act 32 of 2008 consolidated the local tax collection process and placed the duties and responsibilities on DCED to promulgate uniform regulations, forms and procedures throughout the Commonwealth. It is assumed that any changes in duties or responsibilities made in this legislation can be absorbed within current funding levels of the department.

House Bill 245 could result in the loss of revenues to municipalities and school districts to the extent that local taxing jurisdictions will be required to provide credits for out-of-state tax payments against the earned income tax liability derived from “add-on” rates (e.g. occupation tax conversion). The extent of such losses is unknown at this time. While the extent of such losses is unknown, a review of earned income tax rates suggests that 90 school districts would be more likely to be impacted as their earned income tax rates exceed 1%, suggesting their rates include an “add-on rate.” A list of these school districts is included below:

School District	County
Bermudian Springs SD	Adams
Conewago Valley SD	Adams
Fairfield Area SD	Adams
Gettysburg Area SD	Adams
Littlestown Area SD	Adams
Littlestown Area SD	Adams
Upper Adams SD	Adams
Pittsburgh SD	Allegheny
Bedford Area SD	Bedford
Everett Area SD	Bedford
Reading SD	Berks
Athens Area SD	Bradford
Sayre Area SD	Bradford
Towanda Area SD	Bradford
Wyalusing Area SD	Bradford
Pennridge SD	Bucks
Quakertown Comm SD	Bucks
Bald Eagle Area SD	Centre
Bellefonte Area SD	Centre
Penns Valley Area SD	Centre
State College Area SD	Centre
Kennett Consolidated SD	Chester
Purchase Line SD	Clearfield
Keystone Central SD	Clinton
Benton Area SD	Columbia

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Bloomsburg Area SD	Columbia
Central Columbia SD	Columbia
Millville Area SD	Columbia
Southern Columbia SD	Columbia
Big Spring SD	Cumberland
Camp Hill SD	Cumberland
Carlisle Area SD	Cumberland
Cumberland Valley SD	Cumberland
East Pennsboro Area SD	Cumberland
Mechanicsburg Area SD	Cumberland
Shippensburg Area SD	Cumberland
South Middleton SD	Cumberland
West Shore SD	Cumberland
Central Dauphin SD	Dauphin
Middletown Area SD	Dauphin
Northwestern SD	Erie
Forest Area SD	Forest
Chambersburg Area SD	Franklin
Huntingdon Area SD	Huntingdon
Juniata Valley SD	Huntingdon
Tyrone Area SD	Huntingdon
Blairsville-Saltsburg SD	Indiana
Homer-Center SD	Indiana
Indiana Area SD	Indiana
Marion Center Area SD	Indiana
Penns Manor Area SD	Indiana
Greenwood SD	Juniata
Scranton SD	Lackawanna
Solanco SD	Lancaster
Warwick SD	Lancaster
Annvile-Cleona SD	Lebanon
Northern Lebanon SD	Lebanon
Hazleton Area SD	Luzerne
East Lycoming SD	Lycoming
Jersey Shore Area SD	Lycoming
Loyalsock Township SD	Lycoming
Montgomery Area SD	Lycoming
Montoursville Area SD	Lycoming
Muncy SD	Lycoming
South Williamsport A SD	Lycoming
Williamsport Area SD	Lycoming
Kane Area SD	Mckean

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Mifflin County SD	Mifflin
Jenkintown SD	Montgomery
Perkiomen Valley SD	Montgomery
Danville Area SD	Montour
Bangor Area SD	Northampton
Nazareth Area SD	Northampton
Northampton Area SD	Northampton
Pen Argyl Area SD	Northampton
Warrior Run SD	Northumberland
Newport SD	Perry
Susquenita SD	Perry
West Perry SD	Perry
Midd-West SD	Snyder
Selinsgrove Area D	Snyder
Northern Tioga SD	Tioga
Southern Tioga SD	Tioga
Wellsboro Area SD	Tioga
Lewisburg Area SD	Union
Mifflinburg Area SD	Union
Milton Area SD	Union
Dover Area SD	York
Northern York Co SD	York
Southern York Co SD	York