



Commonwealth of Pennsylvania
House of Representatives

M E M O R A N D U M

TO: All House Members

FROM: Hon. Mario Scavello

SUBJECT: Co-Sponsorship: Nonresident Earned Income Taxes

Over the course of recent legislative sessions, the General Assembly has highly prioritized the enactment of legislation that improves our state and local tax systems in order to make them more conducive and fair for all classes of taxpayers. One specific tax that has been addressed in recent years is the earned income tax (EIT) which is assessed by various local governments across Pennsylvania. These changes have streamlined the EIT collection process and made other administrative changes. However, I believe additional steps are needed as it pertains to the EIT and the actual manner in which the tax is imposed.

Currently, the Local Tax Enabling Act (LTEA) permits local governments to assess the EIT on resident taxpayers and also non-resident taxpayers that commute for employment purposes. If a taxpayer resides in a municipality that assesses a resident EIT, and works in another municipality that assesses a non-resident EIT, the higher tax rate of these two taxes is what is required to be withheld at by the employer. In the event the non-resident EIT rate is the higher rate, the resident EIT obligation is required to be satisfied first. Once this occurs, a non-resident municipality may retain the excess withheld tax revenue.

While I understand the purpose of non-resident EIT's, I believe their existence promotes local tax inequities in some cases. Many municipalities across Pennsylvania choose not to levy an EIT; rather these municipalities place a greater dependency on property taxes to generate local tax revenue. If a taxpayer resides in a municipality that chooses to utilize other local taxing options in lieu of an EIT but is employed in a municipality that levies a nonresident EIT, they are essentially being subject to taxation because the non-resident withholding is not offsetting any portion of a local resident tax obligation.

With this in mind, I will be introducing legislation in the near future which will amend the LTEA in order to address this matter. If enacted, my legislation will prohibit the levying of non-resident EIT's, beginning in tax year 2013.

Please join me in my efforts to amend our local tax system in order to make it more conducive and fair for all taxpayers. If you wish to co-sponsor this important piece of legislation, please contact Kendra Snuffer at ksnuffer@pahousegop.com or 7-7732.