



# Pennsylvania Association of School Business Officials

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January 18, 2011

The Honorable C. Alan Walker  
Department of Community and Economic Development  
4th Floor, Commonwealth Keystone Building  
Harrisburg, PA 17120

Dear Secretary Walker:

Congratulations on your appointment as secretary by Governor Corbett. Although we are an education association, we interact with Department of Community and Economic Development on homestead/farmstead issues under Special Session Act 1 of 2006 and more recently on the implementation of Act 32 of 2008, which requires the county-wide consolidation of the earned income tax collection system.

Since the passage of Act 32 in 2008, the Pennsylvania Association of School Business Officials (PASBO) formed a task force, made available numerous model tax collection committee (TCC) documents and provided analysis and interpretation of Act 32. In all, the PASBO Act 32 Task Force has committed thousands of hours reviewing and learning about the various provisions of Act 32 to better assist school districts, municipalities and TCCs in implementing Act 32.

Section 512 authorizes TCCs to implement new withholding rules in 2011. To our knowledge, at least five TCCs have elected to implement the withholding rules in 2011 in order to obtain the Act 32 collection benefits as early as possible—for the benefit of schools, municipalities, employees and businesses.

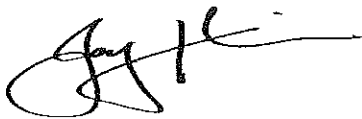
Unfortunately, the Department of Community and Economic Development, which has been a vocal proponent of earned income tax consolidation, indicating that the consolidated system would annually capture an additional estimated \$237 million in tax revenue, has recently made statements to the effect that Act 32 does not authorize TCCs to implement Act 32 withholding rules in 2011 unless 100% of the tax authorities within the TCC have selected the same tax collector for 2011 and have timely notified DCED. In the case of Chester County, two of the 84 members missed the December 1<sup>st</sup> deadline; however, those two members quickly submitted the correct paperwork to DCED to correct the oversight. Nonetheless, DCED has refused to revise the official register, and DCED has since said Chester County is disqualified from early implementation.

DCED's position is troublesome and problematic for many reasons. First, DCED has not provided any explanation or legal justification for their position. Second, because the Chester County TCC has decided to implement Act 32 withholding rules in 2011, employers are now required to follow the new withholding rules. Act 32 provides civil and criminal penalties for noncompliance. Third, in addition to resulting in civil or criminal penalties, problems will also be created for individual employees, schools, municipalities and their taxpayers. Finally, in the case of Chester County, DCED's position is creating confusion, will expose businesses to substantial penalties, and will materially diminish Chester County's anticipated cost savings in 2011 through early implementation.

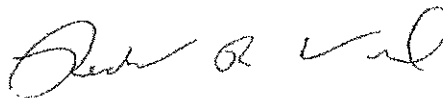
PASBO hopes that rather become entrenched in technical details, DCED will resolve this issue promptly and allow early implementation as expressly authorized in section 512 of Act 32, particularly in the case of Chester County. Otherwise, the goals and achievements of Act 32 expounded by DCED and other advocates of county-wide consolidation will be negated. Moreover, PASBO is hopeful that DCED will provide the various forms and other resources that Act 32 requires DCED to provide but has neglected to make available thus far.

PASBO will continue to serve school districts and municipalities as they work towards Act 32 implementation, and it looks forward to increased collaboration with DCED under your administration. Should you need any assistance or seek further input from PASBO regarding efforts to accelerate Act 32 implementation, please do not hesitate to contact my office.

Sincerely,



Jay Himes, CAE  
Executive Director, PASBO



Rick Vensel, PRSBA  
Chair, PASBO Act 32 Task Force

Jhv