
SUMMARY

SENATE BILL 1063

Printer's No. 1875/2229

Synopsis:

Consolidates earned income taxes at the county-wide level.
Provides uniformity in the earned income tax collection process.

Summary:

Amends the Local Tax Enabling act to consolidate the collection of earned income taxes at the county-wide level in second through eighth class counties.

Adds a new chapter pertaining to the collection of local income taxes. Requires taxpayers to declare and pay income taxes.

Establishes a tax collection district for each county, except for Allegheny county, for the purpose of collecting income taxes. A school district located in more than one county shall be included in the tax collection district with the greatest share of the school district's population.

Permits Allegheny County to establish four distinct taxing districts within the county. Requires each tax collection district to comply with all the uniform rules

Establishes uniform withholding, remittance and distribution requirements.

Establishes a tax collection committee to keep records and oversee the tax officer for the tax collection district. The tax collection committee shall be subject to the Right to Know Law. Each political subdivision that imposes an income tax shall appoint a delegate and alternate to the tax collection committee. Establishes a voting formula for members of the committee. Provides for the weighting of votes to tax collection committees by requiring that the population factor be based on the population of each political subdivision in proportion to the population of each tax collection district as determined by the most recent decennial census. Requires court selection if a tax committee cannot choose a tax officer.

The tax collector may invest all taxes collected in authorized investments subject to the approval of the tax collection committee. Permits the tax collector to examine employer and taxpayer records.

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Requires mandatory education for tax collectors and permits the department to establish requirements for tax collectors prior to appointment.

Requires Department of Community and Economic Development to study existing local earned income tax collection methods and practices. The study shall also investigate the feasibility of contracting on a statewide basis for the development or procurement of appropriate software systems.

Requires the Department of Revenue to establish procedures under which tax collections, filing and other taxpayer and locality information in its custody will be made available to tax officers.

Institutes a continually updated, comprehensive tax register, maximum twice-yearly rate charges, a uniform definition of taxable income and a system of appeals.

Strengthens reporting requirements so that each tax dollar is tracked from the time it is withheld until it is received by the appropriate taxing jurisdiction.

Authorizes that a tax officer may be temporarily removed if a criminal violation has been filed regarding the duties of his office. Permits a tax officer to be removed who violates confidentiality provisions.

Requires all employers to withhold income taxes from employees. Requires employers to file quarterly returns and pay the amount deducted in the previous quarter. Makes the employer liable for failure to remit withholding. Permits employers with workplaces in more than one county to remit local taxes for all their employees to one district's collector. This option must be done monthly and electronically. Taxes collected in one district must then be distributed to the appropriate political subdivision within 30 days of collection.

Establishes a formula for distribution of income taxes from a tax officer to a political district.

Requires tax officers to keep information confidential. A violation is a third degree misdemeanor.

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Provides for fines and penalties against tax officers. Penalties and fines are increased for employers and taxpayers who do not file require reports or underpay or fail to pay the tax.

It shall not be permissible to base the distribution of income taxes on any method not expressly authorized by the General Assembly.

Requires Legislative Budget and Finance Committee to conduct an audit and evaluation on the impact of this chapter and consolidated collection of local income taxes.

The new tax collection system shall be fully implemented on January 1, 2012. The remainder of the act is effective immediately.

Printer's No. 2229

House amendments permit the governing entity of an existing tax bureau to constitute the tax collection committee. Several of the provisions requiring the establishment of a tax collection committee shall not apply to this existing entity. This existing entity may continue to operate under its current countywide collection system before the mandated date for new tax collection committees.

Makes other technical changes.

Passed Senate 4/30/08 (41-8)

Passed House as amended 6/25/08 (171-29)

Phenicie 12/6/07 4/3/08 6/27/08