



Bucks County Association of Township Officials

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July 9, 2018

Peter Busowski
546 Wendel Road
Irwin, PA 15642

Dear Mr. Busowski,

I am writing today to express the concerns of some of the members of the Bucks County Association of Township Officials (BCATO) Executive Board regarding the replacement of local Earned Income Tax (EIT) collection methods with a Statewide collection method domiciled in the Department of Revenue.

We understand that the Department of Revenue (DOR) is undertaking a study as directed by the House of Representatives Resolution 291 (HR291), to examine the current processes and determine if Earned Income Tax is better collected and distributed by the Pennsylvania State Department of Revenue. BCATO Executive Board Members have deep concerns related to changing the current process and further centralizing EIT tax collection and distribution and with the execution of this study by the DOR.

The BCATO Executive Board has not yet met to consider formal action in regard to this situation. This letter therefore does not represent a formal consensus of BCATO or its executive board. Many of the executive board members however have discussed this and felt it important to post concerns then take the matter up formally at our meeting on July 11th. Please consider the following list of concerns:

- In Representative Peifer's memo regarding this action, he originally intended to introduce legislation that requires the Pennsylvania Department of Community and Economic Development to conduct the study and to consult with the DOR and the Independent Fiscal Office. When written and voted on, HR291 changed this and now directs the DOR to conduct the study to determine if the DOR itself is best postured to collect and distribute EIT. This is a deeply flawed approach that is open to wide bias. This study should be conducted by an independent agency that has "No Stake" in the outcome. We believe that the DOR's findings will, quite naturally, tend toward a positive representation of the DOR's capacity for this work and not provide a robust analysis, and even down-play the possible problems and challenges related to this matter.
- HR291 is further flawed as it leads the investigation with the assumed benefits of possible centralization. HR291 should only have asked for an examination of the current policy, laws and provide identification of flaws and challenges in the current processes and provide recommendations for improving efficiency. Instead the language of HR291 provides the basis for further bias and signals the DOR with the keywords and phrases needed to simply confirm the beliefs of the authors.

- The BCATO Executive Board recognizes that current tax collection agencies (i.e. Keystone) are very aggressive in pursuing delinquent tax collection. Additionally, they use a very sophisticated geo-location system to ensure that addresses are properly mapped to the appropriate municipality as well as other technology to meet the needs of the tax payer—our constituents. The vendors are well suited and efficient in collecting EIT at the county level. Most importantly, in the current system, if vendors are not providing adequate service, municipalities can always change the vendor. This would not be an option under a centralized state collections system.
- While the DOR is well postured to handle collection of the state income tax, taxes collected at state level are subject to distribution based on the state budget. Earned Income Tax however, would be collected for direct redistribution back to the local municipality or school district. The characteristics of this distribution would be subject to a completely different set of dynamics...dynamics that the local taxing authorities and vendors handle quite effectively.
- If the DOR study concludes that centralization is the best option and if the legislature passes this into law, we are deeply concerned with the potential that the EIT revenues would be tied up during budget “deadlocks.” Municipalities are mandated by-law to pass completed budgets within specified timeframes. Municipalities and school districts rely on timely collection and provision of EIT revenues. The BCATO Executive Board members are concerned that a centralized collection of EIT would subject needed funds to the vagaries of the established state budgetary processes.
- In many instances there are no problems with local taxing authority and vendors collection and distribution. Resources would be better used to examine and correct established problems, not recreating the complete process.

We hope that these points and comments provide some additional information needed to help convince our legislators to reconsider this study, then rescind and revise the resolution. Once rescinded, the study should be redirected to an unbiased approach that more fully evaluates the challenges and problems with the current system and works to find ways to make the current processes more efficient. Only in this way, will the Pennsylvania law makers be able to address the problems and not further remove authority that is best placed as close to the constituency as possible, which is most appropriate.

We appreciate the opportunity to express and share our concerns with you.

Sincerely,



Joseph McFadden
BCATO President