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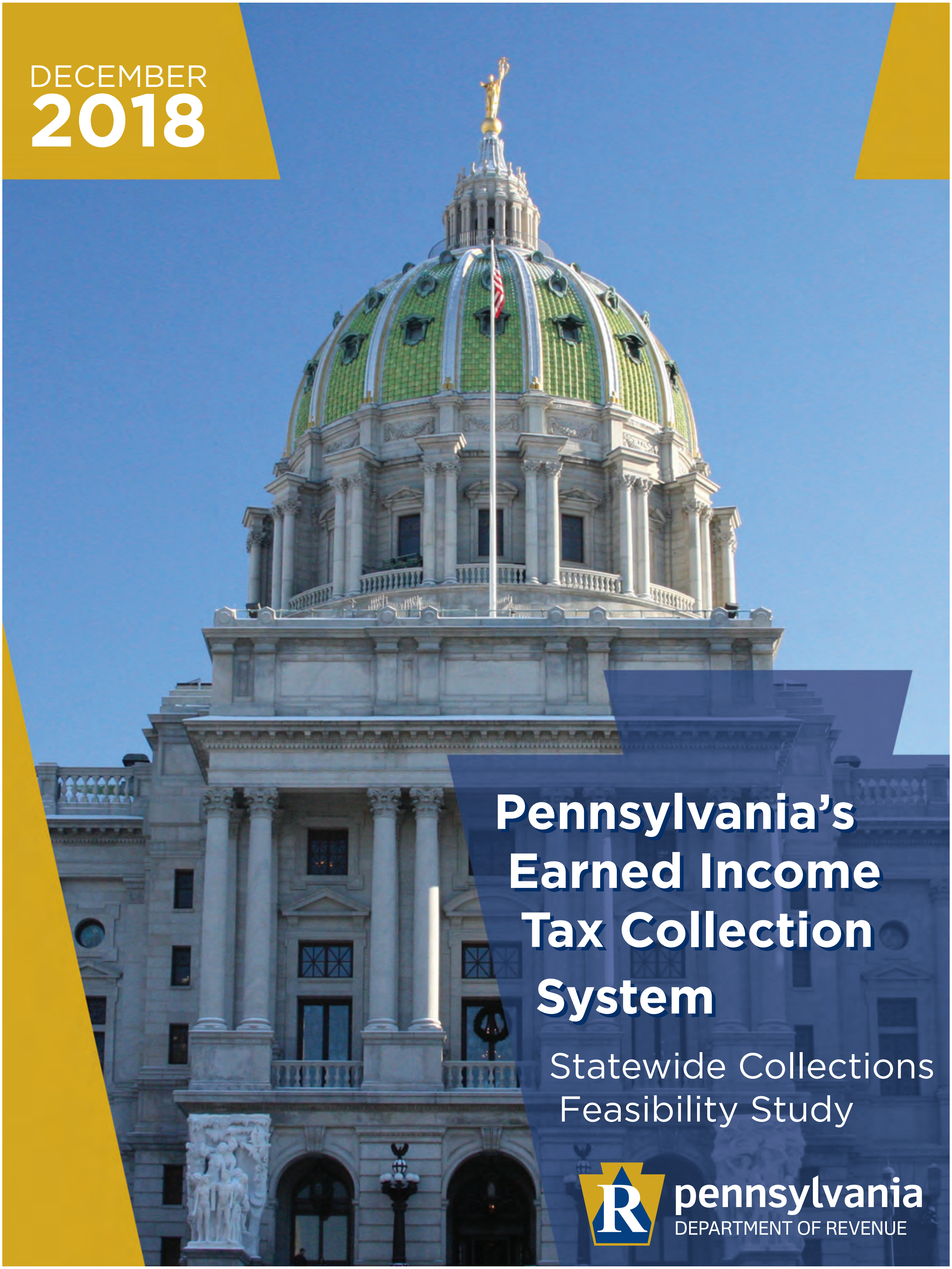

Pennsylvania's Earned Income Tax Collection System

Statewide Collections Feasibility Study

pennsylvania
DEPARTMENT OF REVENUE

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EXECUTIVE SUMMARY

House Resolution No. 291 required the Department of Revenue ("Department") to conduct a feasibility study on the potential for a statewide collection process for the local earned income tax ("EIT") housed at the Department. To conduct the study, the Department spent several months meeting and corresponding with various stakeholders to gather their input. The information obtained through that dialogue was also considered along with the potential costs and administrative challenges that would result from implementing a statewide collection process for EIT.

Ultimately, the Department identified three options. The options and their respective costs are listed below:

	The current process remains unchanged	**The Department implements a statewide process for EIT**	**The Department only assumes the front-end processing of EIT returns**
First Year Costs	N/A	$56 million	$75 million
Recurring/Annual Costs	$45 million[1]	$36 million	$61 million
Pros	Revenue has increased; improved cash flow; increased accountability	Lower future administrative costs; easier taxpayer compliance with EIT; increased electronic filing	Easier taxpayer compliance with EIT; local Tax Officers remain in place; increased electronic filing
Cons	Inconsistency among the Tax Officers; broad range of fees charged by the Tax Officers	Loss of local control; sunk costs by Tax Officers; loss of local jobs; loss of direct customer service; high initial investment	Administrative costs could be higher than in the current process; high initial investment

[1] *Please note the summary analysis only includes data from Act 32 annual audit reports. 183 Tax Collection Committee's ("TCCs") audit reports (61 per year) were retrieved. 24 TCCs' audit reports (8 per year) were not retrieved and data from these TCCs is excluded in the summary figures. The exclusion of 24 TCCs' audit reports should be considered when interpreting total figures. Amounts vary significantly between TCCs and caution should be used when extrapolating known amounts for the missing data. The best interpretation of the total figures provided is that they are less than 100% of the total for 69 TCCs and therefore the current cost of collection is in excess of $45 million.*

To put this information into context, it is important to note that the passage of Act 32 of 2008 ("Act 32") that reformed Pennsylvania's EIT administration has been widely viewed as a success. Local taxing jurisdictions are receiving more revenue and are receiving that revenue faster with the changes that Act 32 brought about. Local taxing jurisdictions overwhelmingly support the current process. Most tax practitioners are supportive of the Act 32 process. However, individuals and some businesses view a statewide collection process as a potential improvement to the current process due to the convenience of filing a single combined state and local tax return.

As noted in the table above, the Department administering the EIT would require a significant investment in personnel and technology. However, Departmental administration of EIT may lead to slightly lower costs and a marginal increase in revenue for local taxing jurisdictions. Alternatively, the Department and the current Tax Officers could coexist with the Department administering the front-end process, while the Tax Officers maintain all other functions.

BACKGROUND

House Resolution No. 291

House Resolution No. 291 directed the Department to commence a study to investigate the feasibility and potential cost savings associated with the replacement of EIT collection methods by local taxing committees with a statewide collection method domiciled in the Department. The Department commenced this study in consultation with the Department of Community and Economic Development ("DCED") and the Independent Fiscal Office ("IFO"), and with input from counties, municipalities, and school districts within Pennsylvania ("PA"). The Department also utilized Boyer & Ritter, LLC ("B&R") as a third-party consultant for the study.

House Resolution No. 291 examines PA's current EIT collection methods utilized under The Local Tax Enabling Act of December 31, 1965, No. 511 that was subsequently amended by Act 32 of 2008 and Act 18 of 2018.[2]

The Local Tax Enabling Act of December 31, 1965, No. 511

The Local Tax Enabling Act of December 31, 1965, No. 511 ("Act 511") established PA's EIT outside of Philadelphia.[3] Act 511 authorized municipalities[4] and school districts[5] throughout PA to levy, assess, and collect EIT. The EIT is a proportional tax levied on the wages, salaries, commissions, net profits or other compensation of persons subject to the jurisdiction of the municipality or school district.

The Pennsylvania Economy League – Structuring Healthy Communities, Part 1: Revenue Generation and Fiscal Health

In 2007, the Pennsylvania Economy League ("PEL") released "Structuring Healthy Communities, Part 1: Revenue Generation and Fiscal Health" that analyzed PA's municipal revenue from 1970 to 2003. The study revealed that municipal fiscal distress was widespread and often inevitable under the existing state laws that governed PA's municipalities. The study stated that revenue generation by municipalities was most threatened by PA's outdated tax laws that have not kept pace with the realities of today's local governments and regional economies.

PEL recommended various options to avoid future municipal fiscal distress, which included targeted regionalization of core services and functional consolidation of programs to gain economies of scale and to help municipalities maintain the current level of services. The consolidation of local tax collections was among the many options recommended. The structure of EIT collection under Act 511 was reviewed and ultimately amended by Act 32.

2 *The Local Tax Enabling Act of December 31, 1965, No. 511 has been amended by other Acts as well; however, Act 32 of 2008 and Act 18 of 2018 specifically related to the restructuring of EIT collection.*

3 *The Sterling Act of August 5, 1932, No. 45 ("Act 45") established EIT for cities of the first class. Philadelphia is the only city of the first class within PA. Philadelphia's EIT was established under Act 45; and therefore, is excluded from Act 511.*

4 *Municipalities include cities of the second class, cities of the second class A, cities of the third class, boroughs, towns, townships of the first class, and townships of the second class. A city of the first class (i.e. Philadelphia) has been excluded for the purposes of Act 511.*

5 *School districts include school districts of the second class, school districts of the third class, and school districts of the fourth class including independent school districts.*

Act 32 of 2008

Act 32 amended Act 511 with reforms to EIT collection. Originally, PA's 2,900 jurisdictions[6] were authorized to select an EIT collector, which resulted in approximately 560 EIT collectors. With Act 32, these authorized jurisdictions were consolidated by establishing Tax Collection Districts ("TCDs") at the county level instead. Philadelphia is excluded from Act 511 and therefore any amendments to Act 511. The remaining 66 counties each established a TCD except for Allegheny County, which was required by Act 32 to be divided into four TCDs.[7] Therefore, a total of 69 TCDs were established in PA under Act 32.

A Tax Collection Committee ("TCC") was established to govern each TCD for the purpose of EIT collection. A TCC is composed of one delegate and one or more alternates from each political subdivision[8] within a TCD. The TCC's purpose is to ensure the effective and efficient collection of EIT.

Act 32 granted TCCs various powers and duties, including appointing and overseeing a Tax Officer[9] for the TCD. A Tax Officer is a political subdivision, public employee, tax bureau[10], county (except a county of the first class), or private agency that administers and collects income taxes for one or more TCDs.[11] EIT shall be collected and administered by one Tax Officer in each TCD. Two or more TCDs may appoint the same Tax Officer. PA has 16 Tax Officers that administer and collect EIT for the 69 TCDs (See Exhibit 1), a significant decrease from the approximately 560 EIT collectors that existed prior to Act 32's implementation.

[6] *Jurisdictions include municipalities and school districts.*

[7] *Act 32 required all counties of the second class to be divided into four TCDs. Act 32 required counties below the second class to establish one TCD. Allegheny is PA's only county of the second class; and therefore, the only county required to establish four TCDs.*

[8] *Any city, borough, incorporated town, township, or school district.*

[9] *A Tax Officer was previously known as an EIT collector.*

[10] *A tax bureau is a public non-profit entity established for the administration and collection of taxes by a TCC.*

[11] *If two or more TCDs form a joint TCC, the joint TCC shall appoint a single Tax Officer.*

Exhibit 1: *PA's Tax Officers and the Number of TCDs that have Appointed Each Tax Officer*

Pennsylvania's Tax Officers	No. of TCDs
Berkheimer Tax Administrator	32
Berks Earned Income Tax Bureau	1
Blair County Tax Collection Bureau	1
Cameron County Earned Income Tax Bureau	1
Capital Tax Collection Bureau	5
Centre Tax Agency	1
Cumberland County Tax Bureau	1
Danville Area Earned Income Tax Office	1
Franklin County Area Tax Bureau	1
Jordan Tax Service, Inc.	2
Keystone Central School District Tax Office	1
Keystone Collections Group	16
Lancaster County Tax Collection Bureau	1
MiffCo Tax Service*	1
Municipal and School Earned Income Tax Office	1
Southwest Regional Tax Bureau	1
York Adams Tax Bureau	2
Total TCDs	**69**

**For 2018, MiffCo Tax Service, the prior Tax Officer for the Mifflin County TCC, ceased operations. Keystone Collections Group is now Mifflin County's Tax Officer.*

DCED was granted the following additional powers and duties in relation to EIT collection under Act 32:

- Prescribe standardized forms, reports, notices, returns and schedules in consultation with the Department and promulgate regulations as necessary for administration of EIT under Act 32.
- Promulgate temporary regulations, for a period of two years, as necessary, which shall be published in the PA Bulletin.
- Receive a copy of the required annual audit report of each TCC's Tax Officer on or before September 1.
- Commence a study on existing EIT collection methods and practices within this Commonwealth, and furnish a report with findings and recommendations from the study no later than December 31, 2009 to each TCC.
- Adopt the regulations, guidelines, and procedures necessary to provide mandatory education to Tax Officers.
- Establish the qualifications and requirements a Tax Officer must meet prior to being appointed, and for continuing appointment.[12]

Act 32 required the Legislative Budget and Finance Committee ("LBFC"), in consultation with the Auditor General, to audit and evaluate the effects of Act 32 prior to 2017. In October 2016, LBFC fulfilled this requirement through its report, "The Impact of Act 32 on the Collection of Local Earned Income Taxes." The report stated such highlights as:

- Municipalities, school districts, employer groups, CPAs, and others involved in EIT collections stated that Act 32 had been successful in improving timeliness as well as simplifying and increasing the amount of EIT collected.
- EIT collections had increased by an estimated $173 million annually since 2012.
- Tax Officers' rates to TCCs varied from 0.85% of annual collections to 5%; however, most Tax Officers charged between 1 to 2% of collections.
- Numerous non-compliance items were noted in the 2014 annual audits of Tax Officers, such as audits not filed with DCED, incomplete audits, and nonconformity with DCED suggested formats.
- DCED has since finalized a regulation to require Tax Officers to undergo a Statement on Standards for Attestation Engagements No. 16[13,14] audit at least once every two years, which significantly strengthened the required level of internal controls.[15]

Based on their findings, LBFC recommended the following improvements:

- DCED should monitor the TCCs to ensure that annual audits of Tax Officers are submitted as required.
- DCED should post summary information on Tax Officer costs on its website.
- DCED should continue its efforts to promulgate regulations regarding the administration of Act 32.

Act 18 of 2018

Act 18 of 2018[16] ("Act 18") further amended Act 511 and Act 32 with reforms to the EIT collection system.[17] Act 18 provided DCED additional oversight responsibilities on the TCCs and Tax Officers, which included providing the public with a method to report tax collection issues and also ensured that all ordinances, rules, regulations, and forms adopted in the collection of EIT are those promulgated by DCED.[18] Act 18 further clarified that the examination should be conducted on a calendar year basis. An examination conducted on any other basis shall not be accepted by DCED, and failure to comply with this requirement shall be considered noncompliance.

[12] *A TCC may establish additional qualifications and requirements a Tax Officer must meet prior to being appointed and must meet for continuing appointment.*

[13] *Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, serves as the guidance for service auditors reporting on a service organization's controls relevant to user entities' internal control over financial reporting. A service organization (i.e. Tax Officer) is an entity that performs a specialized task or function for other entities. A user entity (i.e. TCC) is an entity that outsources a task or function to a service organization.*

[14] *SSAE No. 16 has since been superseded by SSAE No. 18 which expanded on SSAE No. 16 to increase the usefulness and quality of reports on controls at a service organization.*

[15] *The regulation requires a Tax Officer to undergo a SSAE No. 16 audit (or other fiscal control audit meeting or exceeding SSAE No. 16 audit standards and approved by DCED in writing) at least once every two years.*

[16] *Act 18 was dated May 14, 2018 and took effect 60 days from this date.*

[17] *Act 18 amended Act 511 and Act 32 in various other ways, which included: revised the crediting provision language to avoid double taxation of EIT; revised the taxpayer definition to avoid penalizing non-filing taxpayers with no income (i.e. no EIT liability); established safe harbor exceptions to avoid penalizing taxpayers who make estimated payments; established a 90-day threshold for employee temporary job assignments to avoid complicated taxing rates; and revised the W-2 reporting requirement to include the full political subdivision code to clarify taxing rates. (paraphrased from https://www.picpa.org/advocate/legislative-accomplishments/act-18-of-2018)*

[18] *Beginning January 1, 2020, no political subdivision, TCC, or Tax Officer may use any form other than that which DCED promulgates unless, for religious reasons, DCED expressly grants an exception to this requirement.*

APPROACH

Report Methodology

The Department appointed a senior staff member to serve as project manager for this study and report. As noted above, the Department hired B&R as a consultant and also consulted with DCED and the IFO throughout the process.

Stakeholder Feedback

Stakeholder Identification

House Resolution No. 291 stated that the Department should gather input from the counties, municipalities, and school districts in the Commonwealth. The Department determined input should be gathered from all relevant stakeholders. The Department identified additional stakeholders not specifically listed in House Resolution No. 291. The following additional stakeholders were identified: Tax Officers, TCCs, practitioners, industry groups, and the general public (business taxpayers, individual taxpayers, and payroll providers).

Meetings

As of July 2018, there were 16 different entities serving as Tax Officers. The Department emailed a letter to each of the 16 Tax Officers inviting them to attend a meeting at the Department on July 11, 2018 to discuss the pros and cons of the current EIT process and ideas on statewide collection. The letter explained the Department would not be meeting directly with the TCC members due to the number of people involved, but invited the Tax Officers to attend as a representative of the TCC, as well as in their role as Tax Officer. The Department's focus for this report was to gather a thorough understanding of how the administration of the tax is conducted.

Each of the 69 TCCs were also mailed a letter informing them of the opportunity to provide comments to the Department as part of this process, either directly in writing or through their Tax Officer. The letter encouraged the TCCs to submit any thoughts, questions, and concerns they felt should be addressed at the July 11th meeting. The July 11th meeting with the Tax Officers was conducted to gather input from the Tax Officers' perspective, as well as input from the TCCs, municipalities, and school districts who provided comments to their Tax Officer to address at the meeting. Twelve of the Tax Officers attended the meeting in person. Two participated via telephone. One Tax Officer had a last moment conflict and could not attend, and one Tax Officer declined to attend but sent a letter in advance of the meeting.

In addition to the Tax Officers, the Department met with various other organizations *(See Exhibit 2)* as well.

Exhibit 2: List of other stakeholder meetings

County Commissioners Association of PA (“CCAP”)

National Federation of Independent Business (“NFIB”)

Pennsylvania Association of Boroughs (“PSAB”)

Pennsylvania Association of School Business Officials (“PASBO”)

Pennsylvania State Association of Township Supervisors (“PSATS”)

Pennsylvania Chamber of Business & Industry

Pennsylvania Economy League (“PEL”)

Pennsylvania Institute of Certified Public Accountants (“PICPA”)

Pennsylvania Municipal League (“PML”)

Pennsylvania School Boards Association (“PSBA”)

Pennsylvania Society of Enrolled Agents (“PSEA”)

Pennsylvania Society of Tax & Accounting Professionals (“PSTAP”)

The Department accepted an invitation to conduct a site visit with Berkheimer Tax Administrator (“Berkheimer”) to tour the Berkheimer operations and to gain a better understanding of the administration of EIT. The Department also conducted a visit with the Cumberland County Tax Bureau.

Written Correspondence

As noted above, the Department mailed a letter to each of the 69 TCCs to encourage their participation in this study either directly in writing or through their Tax Officer. A few TCCs did write directly to the Department and the Department received written correspondence from numerous other stakeholders. A list of those stakeholders that sent written correspondence may be found in Appendix A. Copies of the correspondence are available on the Department’s website.

Survey

To gather feedback from taxpayers (e.g. the general public), the Department posted a survey on its website from June 21, 2018 through August 20, 2018 (two months). The survey categorized respondents by taxpayer type (business, individual, payroll provider, or other). The survey included three questions:

- Are you satisfied with the current process being used for local earned income tax collection?

- Do you think there should be a centralized statewide system for collecting the local earned income tax?
- What would you change about the current process for collecting local earned income taxes?

DCED posted the same survey on its website to expand the reach and potentially increase feedback.

Analysis of Audit Reports

Act 32 required DCED to receive a copy of the required annual audit report of each TCC's Tax Officer(s) on or before September 1 of each year. The received audit reports were to be uploaded and made available on DCED's website. Each TCC should have at least one annual audit report each year.[19,20]

Please note the summary analysis only includes data from Act 32 annual audit reports. 183 TCCs' audit reports (61 per year) were retrieved. 24 TCCs' audit reports (8 per year) were not retrieved and data from these TCCs is excluded in the summary figures presented below. The exclusion of 24 TCCs' audit reports should be considered when interpreting total figures presented below. Amounts vary significantly between TCCs and caution should be used when extrapolating known amounts for the missing data. The best interpretation of the total figures provided is that they are less than 100% of the total for 69 TCCs.[21]

A summary analysis of these audit reports, as well as a breakdown by TCD, can be found at the Department's website.

Net Collections

The tabulated audit reports indicated that net collections under Act 32 between 2015 and 2017 were approximately $2.9 billion annually.

Collection Fees

Collection fees charged by Tax Officers were approximately $45 million per year. In aggregate, the average collection fee was 1.55%. The average collection fee charged by a for-profit Tax Officer was 1.45% (ranging from 1.24% to 3.00%). The average collection rate charged by a non-profit Tax Officer was 1.82% (ranging from 0.62% to 4.99%). The average collection fee charged by a for-profit Tax Officer was about $644,000 per year. The average collection fee charged by a non-profit Tax Officer was about $1.15 million.

[19] *York County TCC and Adams County TCC combine to use York Adams Tax Bureau as their Tax Officer and are only required to submit one, combined Act 32 audit report for the two TCCs.*

[20] *A TCC may have multiple annual audit reports if they have switched to a new Tax Officer for current collection; maintain delinquent collections with the former Tax Officer. For example, in 2015 Northumberland County TCC has an annual audit report of Keystone Collections Group (their current Tax Officer as of 2015) and Berkheimer Tax Administrator (their former Tax Collector who is still responsible for delinquent collections for the years 2014 and prior in which they were Northumberland County TCC's Tax Officer).*

[21] *For simple extrapolation purposes, the presented total figures can be assumed as 88% of the actual total for all TCCs; however, this simple extrapolation method should be used as a very rough estimate due to the large variation between TCCs. Obtaining actual audited data from the 24 TCCs' missing audit reports would be more reliable and accurate than performing an extrapolation of the known TCC data.*

Ending Cash on Hand

At any time, a TCC's cash balance represents the amount of EIT collected by the Tax Officer, but not yet distributed to the appropriate municipality or school district.[22] Ending cash balance represents undistributed EIT as of December 31.[23] From 2015 through 2017, the average ending cash balance of TCCs with a for-profit Tax Officer was $265,015. The average ending cash balance of TCCs with a non-profit Tax Officer was $4,487,772.

[22] *The appropriate municipality or school district includes members and non-members of the Tax Collection District.*
[23] *Except for Lycoming County TCC which was operating with a June 30 year end for the years 2015 through 2017.*

STAKEHOLDER FEEDBACK

Summary of Meetings and Written Correspondence

Input received from the taxing jurisdictions, taxing officers, practitioners, industry groups, and the statewide associations that represent the taxing jurisdictions indicates that Act 32 has been a success. These groups touted the following benefits as a result of Act 32 being implemented:

- Increased Revenue – As affirmed by the LBFC, revenue as a whole to the taxing jurisdictions has increased under Act 32.
- Improved Cash Flow – Taxing jurisdictions receive funds quicker now than they did before Act 32. Act 32 requires that municipalities receive their EIT funds within 30 days of identification. However, there are many TCCs that have contracts with Tax Officers requiring quicker turnaround of funds (e.g. once per week).
- Local Control - TCCs have the authority to appoint a Tax Officer to collect EIT for their TCD. This authority provides the TCCs with control over the cost and quality of the collection services. If the TCC is dissatisfied with the service provided by their current Tax Officer, the TCC has the authority to change Tax Officers as needed.
- Increased Accountability – A significant issue with the process before Act 32 was a lack of accountability. This has greatly improved under Act 32.
- Trust in the System - The taxing jurisdictions have developed a trustful relationship with their TCCs and Tax Officers.
- Enhanced Enforcement - The taxing jurisdictions believe the local level of enforcement of EIT regulations has increased under Act 32. This is directly related to the Tax Officers close working relationship and communications with local employers/subcontractors, complete censuses, and a number of other factors that allow them to rely upon their local knowledge and environment.
- Decrease in Disputes Among Tax Officers – Fewer collectors has fostered greater cooperation among the Tax Officers.
- Competition Among Tax Officers - The current Act 32 system forces the Tax Officers to compete against each other. This competition improves the quality of collection services and drives prices down for the TCCs. Additionally, the underperforming Tax Officers have been driven out of the marketplace due to its competitive nature.
- Fewer Forms – With fewer Tax Officers, there are fewer forms. This makes it easier for those who may need to file with multiple taxing jurisdictions.

The entities providing feedback also noted the following concerns related to Act 32:

- Inconsistent Application of the Definition of EIT – Act 32 revised the EIT definition to create more congruency between the definition of EIT and PIT. Although this revised EIT definition allowed EIT to be applied with more consistency between jurisdictions, a few rogue jurisdictions have not applied this revised definition as intended. Therefore, complete consistency between jurisdictions has yet to be applied.

- Inconsistent Treatment of Act 511 Taxes - EIT is administered differently than the other Act 511 taxes (e.g. Local Services Tax ("LST")). Uniform treatment of EIT and Act 511 taxes would create additional efficiencies in the collection process.
- Restricted Information Sharing - The Tax Officers noted they are not currently permitted to share a list of non-filing individuals with the Department due to confidentiality issues.
- Disparity amongst Taxing Officers - The practitioners mentioned that certain Tax Officers are easier and better to work with than other Tax Officers. The practitioners specifically noted the disparity between the for-profit Tax Officers and the municipal based (non-profit) Tax Officers. The practitioners noted a few issues; such as the municipal based Tax Officers creating their own tax forms which are not as good as the for-profit Tax Officers' tax forms. The practitioners mentioned the reliability of the municipal based Tax Officers as an issue and offered a potential solution that all Tax Officers be required to obtain Service Organization Control ("SOC") reports to attest to their reliability. The practitioners noted that although some Tax Officers obtain SOC reports, it is not a requirement of being a Tax Officer, and it is much more difficult to convince the municipal based Tax Officers to obtain these reports. The practitioners explained that if all Tax Officers were required to obtain SOC reports, this could help minimize the disparity in reliability of the Tax Officers. The practitioners further explained that not every municipal based Tax Officer is a problem and acknowledged the municipal based Tax Officers who are difficult to work with have made improvements since the implementation of Act 32.
- Lack of Security - The industry groups mentioned lack of taxpayer security (e.g. identity theft) as an issue for both business and individual taxpayers. The industry groups noted that some of the larger Tax Officers may have the necessary security measures in place; however, it is unlikely the smaller Tax Officers maintain the necessary controls to ensure taxpayer security.

The taxing jurisdictions, practitioners, industry groups, and the statewide associations that represent the taxing jurisdictions expressed the following benefits regarding the Department's administration of EIT:

- Potential Economies of Scale – There is a potential for increased revenues and a decrease in administrative costs because of economies of scale.
- Better Enforcement of Delinquent Collections - The Department may further collection efforts beyond what is implemented by the current Tax Officers (e.g. attempt to collect on the estate of a deceased delinquent taxpayer).
- Consistent Application of the Revised Definition of EIT - A statewide collection process with one combined state and local tax form would create further consistency with the application of the revised EIT definition across all jurisdictions. However, one tax form would require a reconciliation between state and local tax due to the different EIT and PIT definitions.
- Easier Filing for Employers - Employers would no longer have to identify the correct Tax Officer for filing purposes; as all would file with the Department.

- Refund Efficiency - The practitioners noted their clients must often wait a very long time before receiving local refunds; and, in many cases, must have their practitioners contact the Tax Officers in search of their refund. The practitioners explained that obtaining refunds for taxpayers who moved throughout the year creates additional issues; especially if the taxpayer moved into PA from another state or if the taxpayer moved between different municipalities/school districts during the tax year.
- Increased Security - The practitioners expressed confidence the Department would be able to implement enhanced security measures and provide additional assurance of taxpayer security.
- Increased Standardization - The Department serving as the statewide collector of EIT would eliminate the standardization issues caused by having multiple officers.
- Eliminate the Need to Complete Forms for Multiple Jurisdictions - A statewide collection process with one combined state and local tax form would eliminate the need to complete multiple jurisdiction forms within a tax year for taxpayers who changed residences; and therefore, create efficiencies within the tax preparation process for practitioners.

The Taxing Officers offered some recommendations to enhance the existing Act 32 process. Those enhancements are:

- Quicker Access to Department PIT Information – Currently the Department provides information from the PIT returns to the Tax Officers on a two-year lag. The Tax Officers would like to have this information sooner.
- More Detailed Information from the Department – The PIT return makes no distinction between passive business income (e.g., S-Corporation income) and non-passive business income. All business income is reported on Line 4 of the PIT return. Passive business income is not taxable for EIT purposes. Therefore, business income provided to the Tax Officers includes both income taxable and non-taxable for EIT.

The aforementioned entities expressed the following concerns regarding the Department's administration of EIT:

- Decreased Cash Flow - Act 32 requires the local taxing jurisdictions to receive their money within 30 days of identified collections from the taxpayer. However, many TCCs require their Tax Officers to turn over funds on a weekly basis. The TCCs believe it will be a challenge for the Department to process returns, payments, and distribute funds as quickly. These local taxing jurisdictions have become accustomed to the fast receipt of cash.
- Reduced Revenue – The local taxing jurisdictions believe there will be reduced overall revenue with the Department administering the EIT.
- Increased Costs - There is a general concern that the Department will be able to charge any price and provide any level of service without contractual consequence. The TCCs will lose their ability to competitively select a Tax Officer and they will receive less accountability from the Department.

- Loss of Local Control – The taxing jurisdictions want to be involved in the EIT collection process. Should the Department take over as the statewide collector, they would lose the local control that they consider valuable.
- Complexities with EIT – EIT has certain complexities that make it different from PIT in some ways. One of those is the disbursement of the taxes collected. Disbursement is a complicated process (e.g. taxpayers provide incorrect Political Subdivision ("PSD") codes) and the local jurisdictions are doubtful that the Department could accurately collect and disburse the monies.
- Lack of Trust in the Department - The taxing jurisdictions have developed a trustful relationship with the Tax Officers. They do not feel they can trust the Department in the same way (e.g. to process money quickly and accurately). The municipalities expressed concern that "when money goes to Harrisburg, it never comes back." The taxing jurisdictions are also concerned with the Department's handling of disputes between taxing jurisdictions over taxes collected.
- Other Act 511 Taxes – Taxing jurisdictions are concerned about what happens to the collection of other Act 511 taxes should the Department take over as the statewide collector of EIT. Administratively, the municipalities desire to maintain the flexibility that is provided with the Act 511 taxes and are concerned if the Department takes over as the statewide collector of EIT, the Act 511 taxes may be drastically altered or eliminated. If the Department would not administer these taxes, the municipalities question whether the efficiency of having one statewide collector of local income taxes will really be achieved.
- Reduced Enforcement - The taxing jurisdictions believe the local level is better at enforcement than the Department. At the local level, they are able to find individual non-filers. This is aided by their close communication with local employers/subcontractors, complete censuses, and a number of other factors that allow them to better maneuver and understand the local environment.
- Audit Concerns - The taxing jurisdictions expressed concern for the audit process in a system where the Department acts as the statewide collector of EIT. The improved auditing was noted as one of the biggest benefits of Act 32. There is concern regarding how the Department would be held accountable.
- Lack of Customer Service – The taxing jurisdictions expressed concern the Department will not be able to provide the same level of customer service that is currently provided by the Tax Officers. The Tax Officers maintain a local presence the Department may not be able to maintain. This lack of personalized service applies both to the individual taxpayers as well as service to the taxing jurisdictions. The TCCs noted they currently receive considerable individualized client service from their Tax Officer (e.g. customized monthly reports detailing collection activity, quick response time to questions).
- Sunk Costs - Implementation of the Act 32 collection process required a large investment of resources (e.g. time, money, staff, buildings, technology) and it seems extremely wasteful to eliminate this investment since the current system is working effectively.

- Elimination of Local Jobs - The Department acting as the sole statewide collector will create new jobs at the Department in the Harrisburg area. However, many more local jobs throughout the state will be eliminated.
- Loss of Transparency – Transparency that exists between the Tax Officers and the local taxing jurisdictions will be lost in a statewide collection system. The TCCs explained they are receiving a SOC report from their Tax Officer as an assurance of effective collection activities. They believe that the Department's collection activities would not be as transparent, and the local taxing jurisdictions would have to take the Department at its word that their collection activities are effective.

Survey Results

To gather feedback from taxpayers and the general public, the Department posted a survey on its website from June 21, 2018 through August 20, 2018. DCED posted the same survey on its website to expand reach and increase feedback from taxpayers.

A total of 5,381 respondents completed the survey: 3,279 businesses, 1,399 individuals, 473 payroll providers, and 230 other respondents.[24]

When asked "Are you satisfied with the current process being used for local earned income tax collection?" 2,479 respondents indicated "yes"; 2,843 respondents indicated "no"; and 59 respondents did not answer the question.

When asked "Do you think there should be a centralized statewide system for collecting the local earned income tax?" 3,514 respondents indicated "yes"; 1,793 respondents indicated "no"; and 74 respondents did not answer the question.

Survey participants were allowed to provide open-ended responses to the question "What would you change about the current process for collecting the local earned income tax?" The Department received 4,150 open-ended responses. Those in favor of the current process generally cite the same reasons as the local taxing jurisdictions and those favoring a statewide process usually favor a single point to file the EIT return and the PIT return.

See Appendix B for a further breakdown of the responses. Open-ended comments are available at the Department's website.

[24] *189 respondents selected "other"; 41 respondents did not select a category.*

OPTIONS

The Department has considered a variety of options as result of the meetings, stakeholder input and research that has been conducted over the last several months. After a careful review, the Department has determined the three following options as the most viable.

Option 1 – The Current Process Remains Unchanged

The TCCs and Tax Officers are overwhelmingly opposed to any change to Act 32 that would move the administration of the EIT to a statewide process housed at the Department. These stakeholders provide persuasive reasons to support this position. Chiefly among those are additional revenue, reduced costs and increased cash flow that has been realized under Act 32. As the October 2016 LBFC report showed, Act 32 is estimated to have increased annual revenue by $173 million. Furthermore, as noted above in a review of the audit reports, cost of collections currently averages 1.55%, with the lowest cost and the best cash flow coming from the for-profit Tax Officers. The TCCs also expressed considerable concerns about the Department administering the EIT. These concerns range from the loss of local control, reduced customer service, potential increased costs, loss of revenue and slow distribution of funds. Analysis of audit reports are indicative of slower cash flows when EIT is administered by a non-profit, such as the Department.

Based upon the documented success of Act 32 and despite several concerns raised about the current process, there is strong support to maintain the current process. Keeping the current administration of the EIT with the TCCs via the Tax Officers is a feasible option.

Option 2 – Pennsylvania Department of Revenue Administration of EIT

The Department administers over 40 different tax types, annually processes more than 10 million tax returns and collects over $30 billion in general fund revenue. Despite the complexities with EIT and the differences from PIT, the Department could administer the EIT with appropriate funding and staffing.

The Department has hired a contractor, FAST Enterprises, LLC, to update many of its tax systems. The project will result in the implementation of GenTax, a commercial off-the-shelf (“COTS”) tax system, to replace a number of its legacy tax systems, including those for PIT, motor and alternative fuels, inheritance and realty transfer taxes, and the Property Tax/Rent Rebate Program. These legacy systems have been operational for almost 40 years and the technology used to build the systems has been obsolete for many years. The business taxes are currently not scheduled to be integrated into this new system, although that issue may be reevaluated at a later date.

If the Department were to administer EIT, then it would need to incorporate employer withholding tax in the current modernization project to allow the integration between PIT, EIT and employer withholding for both taxes. GenTax would allow the reconciliation between the taxpayer’s account to the taxpayer’s withholding. This would not be possible if employer withholding is not integrated into the new system.

Employer withholding for EIT would follow the Department's current employer withholding process for PIT. Employers would be required to remit EIT withheld along with the state personal income tax withheld. The current timelines for remittance of state tax are as follows:

- Semi-Weekly if the total PIT withholding is $5,000 or greater per quarter
- Semi-Monthly if the total PIT withholding is $1,000 to $4,999 per quarter
- Monthly if the total PIT withholding is $300 to $999 per quarter
- Quarterly if the total PIT withholding is less than $300

Employers would file a combined quarterly return to reconcile taxes withheld. This reconciliation would include the amounts withheld per employee. Employers would annually file W-2's as currently required. The current employer withholding forms would be modified to include EIT and the electronic filing system would be enhanced for the inclusion of all aspects of EIT withholding. Currently, 98.5% of state employer withholding tax returns, 92.9% of payments and 99.5% of the total dollars are remitted electronically. It is not expected that the inclusion of EIT with PIT withholding would change these percentages. It is also noted that the current Tax Officers have a high percentage of electronic filing for EIT withholding.

The estimated payment process for individuals not subject to EIT withholding would be incorporated into the Department's current estimated withholding process for PIT. The PIT estimated payment, PA 40-ESR(I), would be adapted to allow individuals to declare and remit PIT as well as EIT. The dollar thresholds and timeframes for PIT would also apply to EIT. The Department does currently offer electronic options to make estimated PIT payments. However, those options are not widely utilized and more estimated payments are remitted via paper check than electronically. GenTax will have a robust online customer portal, which should increase the number of estimated payments made electronically.

The PA-40 would be modified by adding a third page, which would be the EIT return. Because not every individual who files a PA-40 needs to file an EIT return, and not every individual that needs to file an EIT return needs to file a PA-40, the return would process if all three pages are completed, if only the first two pages (the PA-40) are completed or if the third-page (the EIT return) is completed. Alternatively, lines specific to EIT could be integrated into the PA-40 and all lines would be entered as necessary. The PA-40 would have separate lines for non-passive business income, which is taxable for both PIT and EIT, and passive business income, which is taxable for PIT but not EIT.

The Department receives approximately 86% of PIT returns electronically. EIT has a notably lower electronic filing percentage. Most of the PIT returns are electronically filed through the joint federal-state electronic filing system known as Modernized e-File ("MeF"), and all efforts would be made to ensure that this figure does not drop due to administering EIT. The Department would collaborate with software providers on the necessary changes to ensure an expanded PA-40 would continue to be filed electronically at rates at least similar to the current rate. The Department also maintains an option to file the PA-40 directly with the Department outside of the current MeF process. This option would also be altered to include EIT. Recognizing that there will still be paper returns, both returns and correspondence modifications would be needed to the imaging process. However, due to the number of documents that the Department scans each year, these modifications are minimal. It is noted that there is a lower percentage of individual EIT returns filed electronically.

As stated above, the Department would utilize GenTax for all return and payment processing as well as taxpayer accounting for both employers and individuals. All functions such as refunds, billing, audit, assessment and collections would be processed in this system. In particular, delinquent collections would meld into the Department's current PIT collection process. Adjustments to the law to allow the Department to administratively garnish wages, levy bank accounts and file liens in the manner that the Department currently employs for PIT would be needed. The Department would also assume the appeals process, which would follow the process for PIT appeals.

The distribution process would be a significant challenge for the Department. The Department's experience with distribution is limited to the distribution of sales tax to Allegheny County and the City of Philadelphia. The current county sales taxes are required by law to be distributed within ten days of the end of each month. Neither of these distributions are as complex as EIT. There are over 2,000 local taxing jurisdictions to which the Department would distribute EIT funds.

For PIT, the Department is not concerned about an individual that moves within the state. However, properly distributing EIT would require the Department to accurately track where and when an individual had income subject to EIT. The Department would need to ensure that employers are withholding at the proper rates, which vary greatly among the taxing jurisdictions. Non-residents also pose a challenge as the rates may differ for EIT for residents and non-residents.

No current system exists for the Department to distribute funds on the scale that is required for EIT. However, GenTax does contain the capability to process distributions, so the distributions to the local taxing jurisdictions would be done in this system. The frequency of the distribution would adhere to the current Act 32 requirement that distributions be made monthly. It should be noted that all payments made by the Commonwealth are subject to a review by the Pennsylvania Treasury Department.

The Department would need to create and staff a new bureau in order to administer EIT. Based upon analysis of the various Tax Officer structures, the Department envisions a bureau staffed as follows:

- Bureau management comprised of a director, an assistant director and an administrative assistant (3 positions)
- An employer withholding division that would serve as a point of contact for employers as well as to conduct various employer reconciliations (60 positions)
- An individual division to be the main customer service, review and resolution division for individuals (65 positions)
- A government division to reconcile tax dollars among the taxing jurisdictions as well as to serve as a point of contact for the taxing jurisdictions (30 positions)

- An analytics division to provide EIT analysis and collection projections to local governments (10 positions)
- Total bureau complement would be 168 positions

Other positions would be needed in the Department as follows:

- Field staff to provide customer service (24)
- Information Technology staff to maintain the EIT system (6)
- Front-end staff to aid in the prepping and scanning of additional returns and payments (15)
- Appeals staff (2)
- Total additional positions: 47

The total positions that the Department estimates would be needed to administer the EIT is 215.

The transition to the Act 32 process took approximately five years. A lead-time of at least five years would be needed in order to ensure an orderly transition from the current process. Since the Department would administer EIT via the GenTax system, additional time would be needed to transition employer withholding from the current Business Tax System to GenTax. In addition, the Department would require at least two full years of PIT processing within GenTax before adding EIT so as to ensure all transition complications from the old PIT system to the GenTax system have been successfully mitigated.

Certain caveats about Department administration should be noted:

- The Tax Officers provide significant customer service at a local level. Additional field staff is noted in the above estimated positions needed to administer EIT. However, these positions would be placed in current Department field offices. The number of field offices has steadily decreased over the last 20 years from more than twenty to the current thirteen. The Department would not increase the number of locations that it currently deploys field staff because of administering EIT. Instead, in order to hold costs down the Department would add customer service staff to handle additional phone calls and emails relating to EIT, and attempt to provide as much customer service through an online portal as possible.
- The Tax Officers provide audit reports to the TCCs and have bonding requirements. The Department would continue to be subject to financial statement audit and performance audits by the Department of the Auditor General and the Comptroller. As an agency of the Commonwealth, the Department would not need to be bonded.
- The Tax Officers, both the municipal based and for-profit, have made significant financial investments to make the EIT collection process efficient and profitable. All of these investments in the ten years since Act 32 would be sunk costs should the Department be required to administer the EIT.
- EIT is in many instances just one of the taxes that the EIT Tax Officers administer. The LST and per capita taxes are two examples of additional taxes collected by the Tax Officers. These taxes do not provide enough revenue for the

current Tax Officers to remain viable entities. How these other taxes continue to be administered, if the Department is charged with administering EIT, should be considered.

- As noted above, the Department estimates that 215 positions are needed to administer EIT. This could have the effect of eliminating jobs in both the private and public sector as the Department's workforce will be staffed almost entirely out of the Harrisburg region. It would also mean that these private sector jobs, along with the municipal based Tax Officer job losses, would mostly move to Harrisburg and not be spread across Pennsylvania and at fewer levels than currently exists.
- Legislation authorizing the Department as the administrator of the EIT would need to be carefully crafted. It is important to note that the Department is generally governed by Title 72 P.S. Taxation and Fiscal Affairs and EIT is governed by Title 53 P.S. Municipal and Quasi–Municipal Corporations. Legislation would need to ensure that all relevant aspects of EIT across the various statutes are transformed in such a way to ensure clarity and consistency.

It should also be noted that there are benefits to the Department for administering EIT. Those benefits are:

- The Department currently only receives summary information on a quarterly basis from employers. Individual level detail is only provided to the Department when the W-2's are filed. Having this information sooner would allow the Department to more accurately reconcile employer withholding remittances and could potentially allow for faster and more accurate PIT refund processing.
- Wage garnishment is a collections tool that is only effective when the Department has accurate employer information. The Department often times only has a record of a previous employer instead of the current employer. Receiving quarterly individual level detail will enhance the Department's wage garnishment program.
- Act 80-1980 requires the Department to provide a list of taxpayers' names and addresses to be reviewed by school districts for each tax year. Funding for school districts is partially determined by this process. School districts are able to make corrections to a list of names and addresses of taxpayers who reported to the Department on their Pennsylvania personal income tax returns they are residents of the school district on December 31st of a given tax year. This process is often contentious because taxpayers often report the incorrect school district on their tax returns. Administering the EIT would improve the accuracy and timeliness of the Act 80 process as the Department would be receiving the individual EIT withholding information instead of relying upon taxpayers to accurately state his or her school district as of year-end on the PA-40. Consideration should be given to amending Act 80 as part of any EIT legislation in order to take full advantage of the new system.

In addition, in this scenario it may be advisable to create a permanent forum for interaction with local governments to increase transparency and build trust. The Department would support authorization of an Advisory Council to discuss any issues and provide feedback to the Department on local EIT collections.

Option 3 – Departmental Administration of Return Processing Only

A prominent shortcoming of the current process for individuals and a few tax practitioners is having to file a return with the Department for PIT and then having to file a separate return for EIT. If an employee moves or works in multiple areas that fall under two different Tax Officers, individuals are required to file multiple EIT returns.

The Department is skilled at processing returns and payments, and the possibility exists to leverage these efficiencies to create a system whereby employers would file withholding returns and make deposits for both PIT and EIT in one system administered by the Department. The Department would then provide the return information and deposits to each of the Tax Officers to distribute and reconcile. On the individual side, the Department would accept EIT returns via paper or electronically as well as tax due payments and push the information to the appropriate Tax Officer for distribution and reconciliation. All functions, other than processing of tax returns and the depositing of funds, would remain with the current Tax Officers. In this scenario, the Department would serve as a central clearinghouse for submission processing, but all other tax administration functions would remain with the Tax Officers.

As stated under Option 2, this option would also need significant lead-time in order to implement. The Department estimates that a five-year lead time would be necessary.

The Department would require employer withholding for EIT to follow the Department's current employer withholding process for PIT. That schedule is noted in Option 2. The Department would need to make extensive changes to the existing employer withholding process to accommodate this combined filing. Given the scope of the changes the Department would incorporate employer withholding into the current modernization project.

As in Option 2, employers would file a combined quarterly return to reconcile taxes withheld. This reconciliation would include the amounts withheld per employee. Employers would annually file W-2's as currently required. The current employer withholding forms would be modified to include EIT and the electronic filing system would be enhanced for the inclusion of all aspects EIT withholding.

The estimated payment process for individuals not subject to EIT withholding would follow the process described in Option 2 whereby the PIT estimated payment coupon would be adapted to allow individuals to declare and remit EIT as well as PIT.

Modifications to the PA-40 would not be necessary along the lines of Option 2 above. The EIT return would be separately filed with the Department and processed. Most importantly, the Department would under this option work in partnership with electronic filing and software providers on the necessary changes to MeF process. Modifications, similar to Option 2, would be needed to the document imaging process for this option.

The Department will be responsible for processing tax returns, depositing money and distributing EIT return and payment information for the employers to the appropriate Tax Officer. Tax Officers will be responsible for distribution to the local taxing jurisdictions. All other functions such as taxpayer accounting, refunds, billing, audit, assessment and collections would also be administered by the current Tax Officers.

A new bureau within the Department with significant staffing would not be needed under this option. However, additional personnel would still be required. These personnel include:

- An EIT coordinator with a staff of ten individuals to resolve any issues arising between the Department and the Tax Officers (11 positions)
- Information technology staff (3 positions)
- Front-end processing (25 positions)
- Employer withholding reconciliation staff (30 positions)

Total additional employees under this option would be 69.

The benefits of this option include:

- Allowing a single filing for both employers and individuals
- Departmental access to individual withholding data to assist with the Act 80 process as well as with the Department's collections process
- The Tax Officers would remain in place

It is noted that additional research and study with the Tax Officers regarding this option would be needed. Many of the Tax Officers have made significant investments in the front-end processing and data capturing of returns. In addition, not having to process returns and payments may not significantly lower the Tax Officers costs and thereby making this option more costly than the current process. Finally, as noted under Option 2, any legislation will need to be carefully crafted to ensure all relevant EIT statutes are altered in a consistent and clear manner.

ESTIMATE OF EIT REVENUE GAP

In order to measure the amount of revenue that could potentially be gained by further consolidation of EIT collection processes, the Department has compared actual EIT revenue to an estimate of theoretical EIT tax due derived from state PIT return processing.

The estimate provided in this section utilizes a method similar to that employed by the Pennsylvania Economy League of Southwestern Pennsylvania ("PELSW") in 2007 to estimate the potential revenue gain from a consolidated EIT collection process prior to the passage of Act 32. The PELSW report estimated a revenue gap totaling $237 million, comprised of $127 million for school districts and $109 million for municipalities.[25] This amount was 13.9% of total EIT revenue at that time. In order to determine if the revenue gap has been reduced since it was last measured, the same methodology was used as explained below.

The Department has used 2015 data as available from the Pennsylvania Department of Education. The chart below calculates a tax gap between EIT and PIT of $33.6 million for school districts and $19.5 million for municipalities, for a total of $53.2 million.[25]

Earned Income Tax Collections Comparison
2015-16 School Year Collections ($Millions)
2015-16 Data

Reported School District Collections	$1,537.1
Estimated School District Collections	$1,570.7
School District Difference	$33.6
School District % Change	2.2%
Reported Municipal Collections	$1,599.1
Estimated Municipal Collections	$1,618.6
Estimated Municipal Difference	$19.5
Estimated Municipal % Change	1.2%
Total EIT Revenue Gap	$53.2
Total EIT Revenue Gap %	1.7%

With the EIT revenue gap now reduced from 13.9% to 1.7% of EIT revenue, this estimate confirms that the EIT system has been significantly improved under Act 32. It is also roughly consistent with the findings of the 2016 LBFC report that EIT collections have increased by $173 million annually.

[25] *Items do not sum to total due to rounding.*

While a smaller revenue gap remains, it may not be useful as a point estimate of potential revenue gain. Due to the limitations of the source data, it should not be inferred that collections would rise by this amount under a consolidated statewide system.

Additional information on this estimate as well as the methodology may be found in Appendix C.

COSTS

Option 1

The costs for this option would be the same as the current costs outlined in the "Analysis of Audit Reports" section of this report. The current average cost is 1.55% of collections.

Option 2

Option 2 - First Year Costs

Staffing	Pay Grade	Salary Per Position*	Benefits Per Position**	Total Salary & Benefits Per Position	Number of Positions	Total Costs Per Pay Grade
Director	11	$91,302	$60,259	$151,561	1	$151,561
Assistant Director	10	$89,037	$58,764	$147,801	1	$147,801
Senior Management/-Senior Analysts	9	$87,062	$57,461	$144,523	6	$867,138
Division Chiefs/ Analysts	8	$85,125	$56,183	$141,308	11	$1,554,383
First Level Supervisors	7	$83,365	$55,021	$138,386	11	$1,522,245
Second Level Examiner/Customer Service Reps	6	$81,487	$53,781	$135,268	60	$8,116,105
First Level Examiner/Customer Service Reps	5	$79,629	$52,555	$132,184	125	$16,523,018
				Totals	215	$28,882,250

**Salary is Step 10 of the Stadard Pay Scale Effective July 1, 2018*
***Benefits are approximately 68% of salary*

Staffing Start-Up	Number of Positions	Start-Up Cost	Total Start-Up Cost
Computers, Chairs, Supplies, etc.	215	$4,996	$1,074,140

Operating	Number of Positions	Per Employee	Total Operating Budget
Operating Budget	215	$5,000	$1,075,000

Rent	Total Square Footage Needed	Cost Per Square Foot	Annual Rent Cost
Office Space based upon 100 to 250 square feet per employee	23,550	$16.50	$4,662,900

Document Management	Annual Rent Cost
Document Management System Change - One Time Fee	$170,000
Document Management System - Annual Fee to Process Larger Return	$187,000

Tax System	Cost
Implement EIT into GenTax***	$20,000,000

****Cost is contingent upon Employer Withholding processed in GenTax*

Total First Year Costs	**$56,051,790**

Option 2 - Second Year/Recurring Costs

Staffing	Pay Grade	Salary Per Position*	Benefits Per Position**	Total Salary & Benefits Per Position	Number of Positions	Total Costs Per Pay Grade
Director	11	$94,498	$62,368	$156,866	1	$156,866
Assistant Director	10	$92,153	$60,821	$152,974	1	$152,974
Senior Management/- Senior Analysts	9	$90,109	$59,472	$149,581	6	$897,487
Division Chiefs/ Analysts	8	$88,104	$58,149	$146,253	11	$1,608,786
First Level Supervisors	7	$86,283	$56,947	$143,229	11	$1,575,523
Second Level Examiner/Customer Service Reps	6	$84,339	$55,664	$140,003	60	$8,400,169
First Level Examiner/Customer Service Reps	5	$82,416	$54,395	$136,811	125	$17,101323
				Totals	215	$29,893,129

**Salary is Step 10 of the Stadard Pay Scale Effective July 1, 2018 plus 3.5%*
***Benefits are approximately 66% of salary*

Rent	Total Square Footage Needed	Cost Per Square Foot	Annual Rent Cost
Office Space based upon 100 to 250 square feet per employee	23,550	$16.50	$4,662,900

Operating	Number of Positions	Per Employee	Total Operating Budget
Operating Budget	215	$5,000	$1,075,000

Document Management	Annual Rent Cost
Document Management System - Annual Fee to Process Larger Return	$187,000

Tax System	Cost
Annual Maintenance Fee	$500,000

Total Second Year/Recurring Costs **$36,318,529**

FY 2015/16 Reported EIT Collections	**$3,124,300,000**
Estimated Recurring Annual Costs of Department Administration	**$36,318,529**
Estimated Recurring Annual Costs of Department Administration as Percent of Collections	**1.16%**

Option 3

Option 3 - First Year Costs

Staffing	Pay Grade	Salary Per Position*	Benefits Per Position**	Total Salary & Benefits Per Position	Number of Positions	Total Costs Per Pay Grade
EIT Coordinator	10	$89,037	$58,764	$147,801	1	$147,801
Senior Analysts	9	$87,062	$57,461	$144,523	5	$722,615
Analysts	8	$85,125	$56,183	$141,308	7	$989,153
First Level Supervisors	7	$83,365	$55,021	$138,386	6	$830,315
First Level Examiner/Customer Service Reps	5	$79,629	$52,555	$132,184	50	$6,609,207
				Totals	69	$9,299,091

**Salary is Step 10 of the Stadard Pay Scale Effective July 1, 2018*
***Benefits are approximately 66% of salary*

Staffing Start-Up	Number of Positions	Start-Up Cost	Total Start-Up Cost
Computers, Chairs, Supplies, etc.	69	$4,996	$344,724

Operating	Number of Positions	Per Employee	Total Operating Budget
Operating Budget	69	$5,000	$345,000

Rent	Total Square Footage Needed	Cost Per Square Foot	Annual Rent Cost
Office Space based upon 100 to 250 square feet per employee	8,350	$16.50	$1,653,300

Document Management	Annual Rent Cost
Document Management System Change - One Time Fee	$170,000
Document Management System - Annual Fee to Process EIT Return	$187,500

Tax System	Cost
Implement EIT into GenTax***	$15,000,000

****Cost is contingent upon Employer Withholding processed in GenTax*

Tax Officer Fees	FY 2015/16 EIT Collections	Current Average Fee	Estimate Tax Officer Fees
Fees charged by Tax Officer	$3,124,3000,000	1.55%	$48,426,650
Total First Year Costs			**$75,426,265**

Option 3 - Second Year/Recurring Costs

Staffing	Pay Grade	Salary Per Position*	Benefits Per Position**	Total Salary & Benefits Per Position	Number of Positions	Total Costs Per Pay Grade
EIT Coordinator	10	$92,153	$60,821	$152,974	1	$152,974
Senior Analysts	9	$90,109	$59,472	$149,581	5	$747,906
Analysts	8	$88,104	$58,149	$146,253	7	$1,023,773
First Level Supervisors	7	$86,283	$56,947	$143,229	6	$859,376
First Level Examiner/Customer Service Reps	5	$82,416	$54,395	$136,811	50	$6,840,529
				Totals	69	$9,624,559

**Salary is Step 10 of the Stadard Pay Scale Effective July 1, 2018 plus 3.5%*
***Benefits are approximately 66% of salary*

Rent	Total Square Footage Needed	Cost Per Square Foot	Annual Rent Cost
Office Space based upon 100 to 250 square feet per employee	8,350	$16.50	$1,653,300

Operating	Number of Positions	Per Employee	Total Operating Budget
Operating Budget	69	$5,000	$345,000

Document Management	Annual Rent Cost
Document Management System - Annual Fee to Process EIT Return	$187,000

Tax System	Cost
Annual Maintenance Fee	$500,000

Tax Officer Fees	FY 2015/16 EIT Collections	Current Average Fee	Estimate Tax Officer Fees
Fees charged by Tax Officer	$3,124,3000,000	1.55%	$48,426,650

Total Second Year/Recurring Costs	**$60,737,009**

FY 2015/16 Reported EIT Collections	**$3,124,300,000**
Estimated Recurring Annual Costs of Department Administration	**$60,737,009**
Estimated Recurring Annual Costs of Department Administration as Percent of Collections	**1.94%**

Note: For Option 3, the Department used the current average fee charged by the Tax Officers. However, it is anticipated that if the Department were to take over front-end processing, these fees should be reduced.

APPENDIX A – STAKEHOLDER RESPONDENTS

Response #	TCC Name	Respondent	For	Against	Open for Discussion/ Depends on Results of Study	Notes
1	Armstrong Tax Collection Committee	Armstrong Tax Collection Committee		1		
2	Bradford Tax Collection Committee	Bradford Tax Collection Committee		1		a
3	Bradford Tax Collection Committee	Bradford Tax Collection Committee		1		x
4	Butler Tax Collection Committee	Butler Tax Collection Committee		1		
5	Crawford Tax Collection Committee	Crawford Tax Collection Committee		1		
6	Lawrence Tax Collection Committee	Lawrence Tax Collection Committee		1		
7	Lehigh Tax Collection Committee	Lehigh Tax Collection Committee		1		e
8	Monroe Tax Collection Committee	Monroe Tax Collection Committee		1		
9	Montgomery Tax Collection Committee	Montgomery Tax Collection Committee		1		
10	Montgomery Tax Collection Committee	Montgomery Tax Collection Committee		1		d, x
11	Montour Tax Collection Committee	Montour Tax Collection Committee		1		
12	Allegheny Southeast Tax Collection Committee	Allegheny Southeast Tax Collection Committee		1		
13	Bucks Tax Collection Committee	Bucks Tax Collection Committee		1		d
14	Chester Tax Collection Committee	Chester Tax Collection Committee		1		
15	Clarion Tax Collection Committee	Clarion Tax Collection Committee		1		
16	Lebanon Tax Collection Committee	Lebanon Tax Collection Committee		1		
17	Northampton Tax Collection Committee	Northampton Tax Collection Committee		1		e
18	Northampton Tax Collection Committee	Northampton Tax Collection Committee		1		b, x
19	Washington Tax Collection Committee	Washington Tax Collection Committee		1		
20	Adams Tax Collection Committee	Adams Tax Collection Committee		1		c
21	York Tax Collection Committee	York Tax Collection Committee		1		c
22	Dauphin County Tax Collection Committee	Dauphin County Tax Collection Committee		1		
23	Bradford Tax Collection Committee	Towanda Area School District		1		a
24	Lawrence Tax Collection Committee	Wilmington Area School District		1		
25	Mercer Tax Collection Committee	Sharpsville Area School District		1		
26	Westmoreland Tax Collection Committee	Kiski Area School District		1		
27	Cumberland Tax Collection Committee	West Shore School District		1		
28	Chester Tax Collection Committee	West Chester Area School District		1		
29	Lebanon Tax Collection Committee	Lebanon School District		1		
30	Washington Tax Collection Committee	Burgettstown Area School District		1		
31	Washington Tax Collection Committee	Bentworth School District		1		
32	Washington Tax Collection Committee	Charleroi Area School District		1		
33	Allegheny Southeast Tax Collection Committee	Elizabeth Forward School District		1		
34	Adams Tax Collection Committee	Gettysburg Area School District		1		
35	Adams Tax Collection Committee	Upper Adams School District		1		
36	Bradford Tax Collection Committee	Sheshequin Township		1		
37	Bradford Tax Collection Committee	Athens Township		1		
38	Lackawanna Tax Collection Committee	Elmhurst Township		1		
39	Lackawanna Tax Collection Committee	Madison Township		1		
40	Lackawanna Tax Collection Committee	South Abington Township		1		
41	Lackawanna Tax Collection Committee	Borough of Mayfield		1		
42	Montgomery Tax Collection Committee	Township of Worcester		1		
43	Centre Tax Collection Committee	College Township		1		
44	Cumberland Tax Collection Committee	Middlesex Township		1		
45	Cumberland Tax Collection Committee	Lemoyne Borough		1		
46	Cumberland Tax Collection Committee	Borough of Newville		1		
47	Bucks Tax Collection Committee	Chalfont Borough		1		
48	Bucks Tax Collection Committee	Springfield Township			1	
49	Bucks Tax Collection Committee	Wrightstown Township		1		
50	Chester Tax Collection Committee	Pennsbury Township			1	
51	Chester Tax Collection Committee	London Grove Township		1		
52	Chester Tax Collection Committee	East Bradford Township		1		
53	Chester Tax Collection Committee	East Goshen Township		1		
54	Chester Tax Collection Committee	Borough of Kennett Square			1	
55	Chester Tax Collection Committee	East Brandywine Township		1		
56	Chester Tax Collection Committee	Warwick Township		1		
57	Chester Tax Collection Committee	East Goshen Township		1		x
58	Chester Tax Collection Committee	Wallace Township		1		
59	Chester Tax Collection Committee	West Bradford Township		1		
60	Forest Tax Collection Committee	Borough of Tionesta		1		
61	Lebanon Tax Collection Committee	Lebanon City		1		
62	Lebanon Tax Collection Committee	North Londonderry Township		1		
63	Mifflin Tax Collection Committee	Granville Township		1		
64	Mifflin Tax Collection Committee	Borough of Burnham		1		
65	Mifflin Tax Collection Committee	Derry Township		1		

Response #	TCC Name	Respondent	For	Against	Open for Discussion/ Depends on Results of Study	Notes
66	Mifflin Tax Collection Committee	McVeytown Borough		1		
67	Mifflin Tax Collection Committee	Union Township		1		
68	Northampton Tax Collection Committee	Hanover Township		1		b
69	Northampton Tax Collection Committee	Pen Argyl Borough		1		
70	Northampton Tax Collection Committee	Tatamy Borough		1		
71	Northampton Tax Collection Committee	Borough of Fountain Hill		1		
72	Northampton Tax Collection Committee	Borough of Stockertown		1		
73	Northampton Tax Collection Committee	Lehigh Township		1		
74	Northampton Tax Collection Committee	Borough of Hellertown		1		
75	Northampton Tax Collection Committee	Portland Borough		1		
76	Northampton Tax Collection Committee	East Allen Township		1		
77	Northampton Tax Collection Committee	Borough of Bath		1		
78	Northampton Tax Collection Committee	Bethlehem Township		1		
79	Washington Tax Collection Committee	McDonald Borough		1		
80	Washington Tax Collection Committee	Midway Borough		1		
81	Washington Tax Collection Committee	City of Monongahela		1		
82	Washington Tax Collection Committee	Ellsworth Borough		1		
83	Washington Tax Collection Committee	North Franklin Township		1		
84	Washington Tax Collection Committee	Borough of California		1		
85	Washington Tax Collection Committee	Fallowfield Township		1		
86	Fayette Tax Collection Committee	Upper Tyrone Township		1		
87	Fayette Tax Collection Committee	North Union Township		1		
88	Fayette Tax Collection Committee	Connellsville Township		1		
89	Fayette Tax Collection Committee	Dunbar Township		1		
90	Fayette Tax Collection Committee	Wharton Township		1		
91	Fayette Tax Collection Committee	Nicholson Township		1		
92	Fayette Tax Collection Committee	Springhill Township		1		
93	Fayette Tax Collection Committee	Georges Township		1		
94	Fayette Tax Collection Committee	Newell Borough		1		
95	Fayette Tax Collection Committee	Dawson Borough		1		
96	Fayette Tax Collection Committee	Franklin Township		1		
97	Fayette Tax Collection Committee	Bullskin Township		1		
98	Fayette Tax Collection Committee	Brownsville Township		1		
99	Fayette Tax Collection Committee	Saltlick Township		1		
100	Fayette Tax Collection Committee	Smithfield Borough		1		
101	Fayette Tax Collection Committee	South Union Township		1		
102	Fayette Tax Collection Committee	Perry Township		1		
103	Fayette Tax Collection Committee	Luzerne Township		1		
104	Fayette Tax Collection Committee	Stewart Township		1		
105	Fayette Tax Collection Committee	Lower Tyrone Township		1		
106	Adams Tax Collection Committee	East Berlin Borough		1		
107	Adams Tax Collection Committee	Straban Township		1		
108	Adams Tax Collection Committee	Hamilton Township		1		
109	Adams Tax Collection Committee	Liberty Township		1		
110	Adams Tax Collection Committee	McSherrystown Borough		1		
111	Adams Tax Collection Committee	Bendersville Borough		1		
112	Adams Tax Collection Committee	Highland Township		1		
113	Adams Tax Collection Committee	Berwick Township		1		
114	Adams Tax Collection Committee	Hamiltonban Township		1		
115	Adams Tax Collection Committee	Reading Township		1		
116	Adams Tax Collection Committee	Gettysburg Borough		1		
117	Adams Tax Collection Committee	Biglerville Borough		1		
118	Adams Tax Collection Committee	Huntington Township		1		
119	York Tax Collection Committee	East Manchester Township		1		
120	York Tax Collection Committee	Lower Windsor Township		1		
121	Lackawanna Tax Collection Committee	Moscow Borough		1		
122	Lackawanna Tax Collection Committee	Jefferson Township		1		

Notes:

a, b, c, d, e — Respondent represented multiple stakeholders due to various roles (e.g. TCC Chairman and Township Manager) - response was counted separately for each stakeholder represented

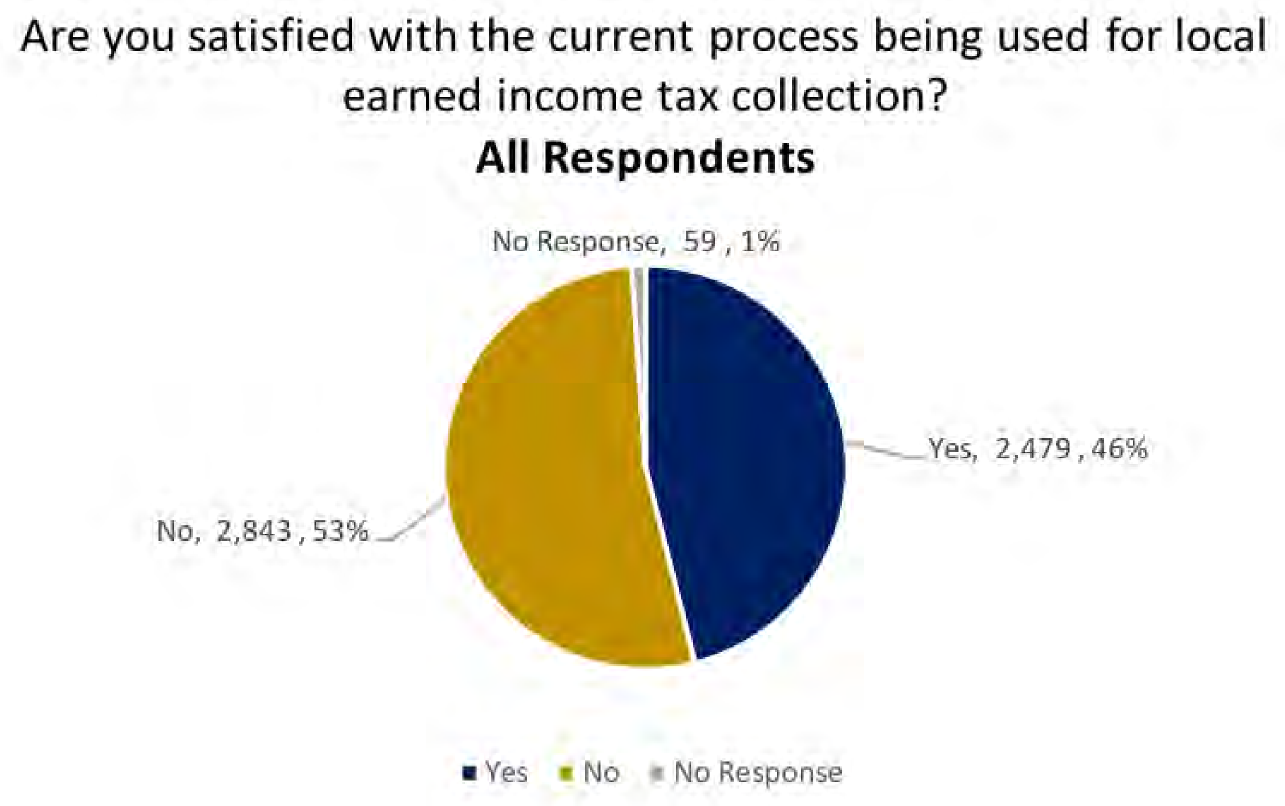
x — Concurring response previously received from the same stakeholder; response excluded from count to avoid double counting

For	Against	Open for Discussion/ Depends on Results of Study
0	115	3

Response #	Respondent	Type	For	Against	No Position Noted	Notes
123	Bucks County Association of Township Officials	Municipality Organization		1		
124	Fayette County Township Supervisors Association	Municipality Organization		1		
125	Lackawanna County Association of Boroughs	Municipality Organization		1		
126	Solicitor for Pennsylvania Association of School Business Officials; Berks County Earned Income Tax Collection Bureau; Lancaster County Tax Collection Bureau; Chester County TCC; Huntington County TCC; Lebanon County TCC; Mifflin County TCC; and Susquehanna County TCC	Solicitor for School District Organization, Tax Officers, and TCCs		1		
127	Municipal and School Earned Income Tax Office	Tax Officer		1		
128	Southwest Regional Tax Bureau	Tax Officer		1		
129	Just Harvest	Practitioner Organization	1			
130	James J Newhard, CPA	Practitioner			1	
131	Pennsylvania Economy League	Industry Group			1	

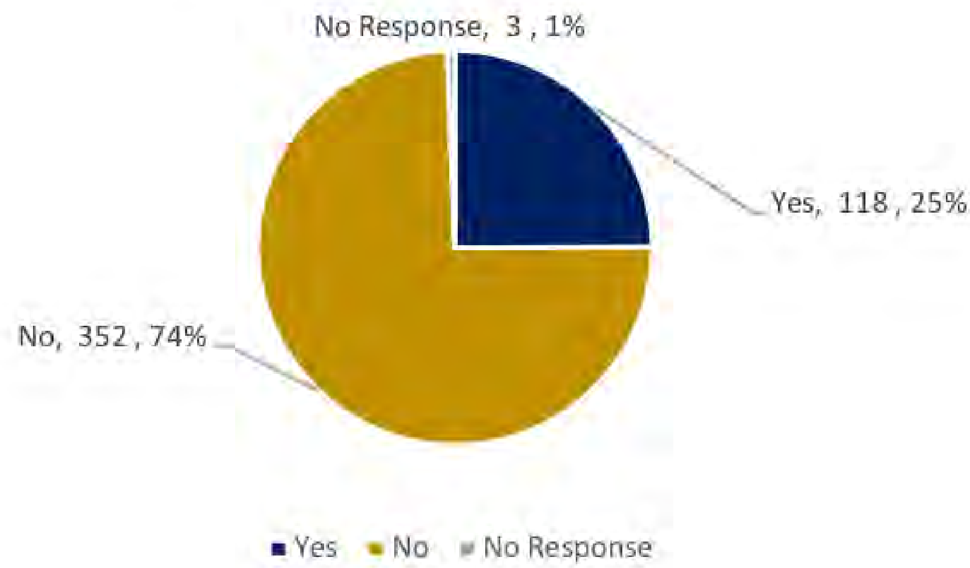
For	Against	No Position Noted	Total
1	6	2	9

APPENDIX B – SURVEY RESPONSES



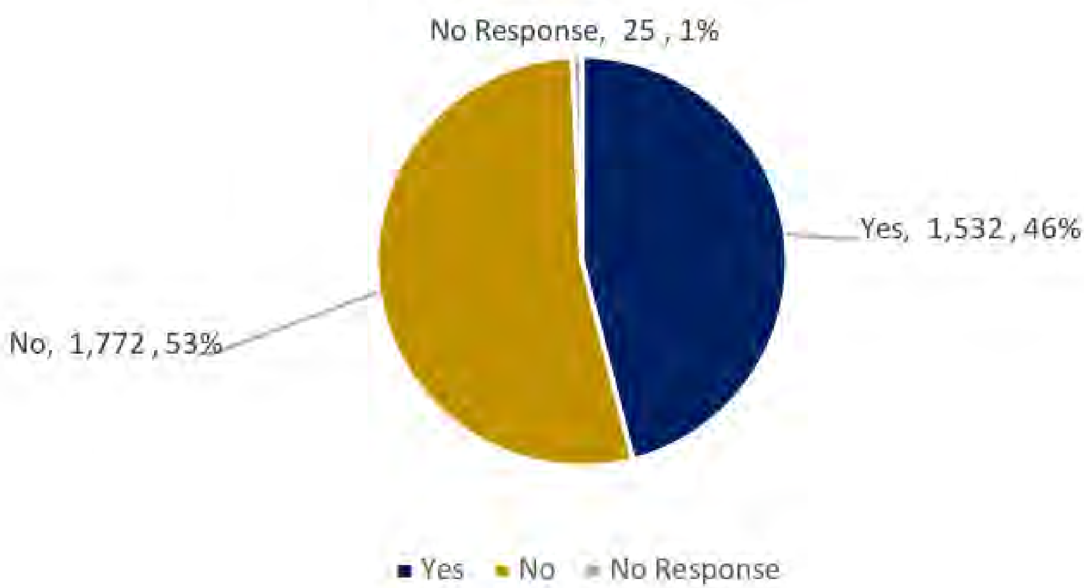
Are you satisfied with the current process being used for local earned income tax collection?

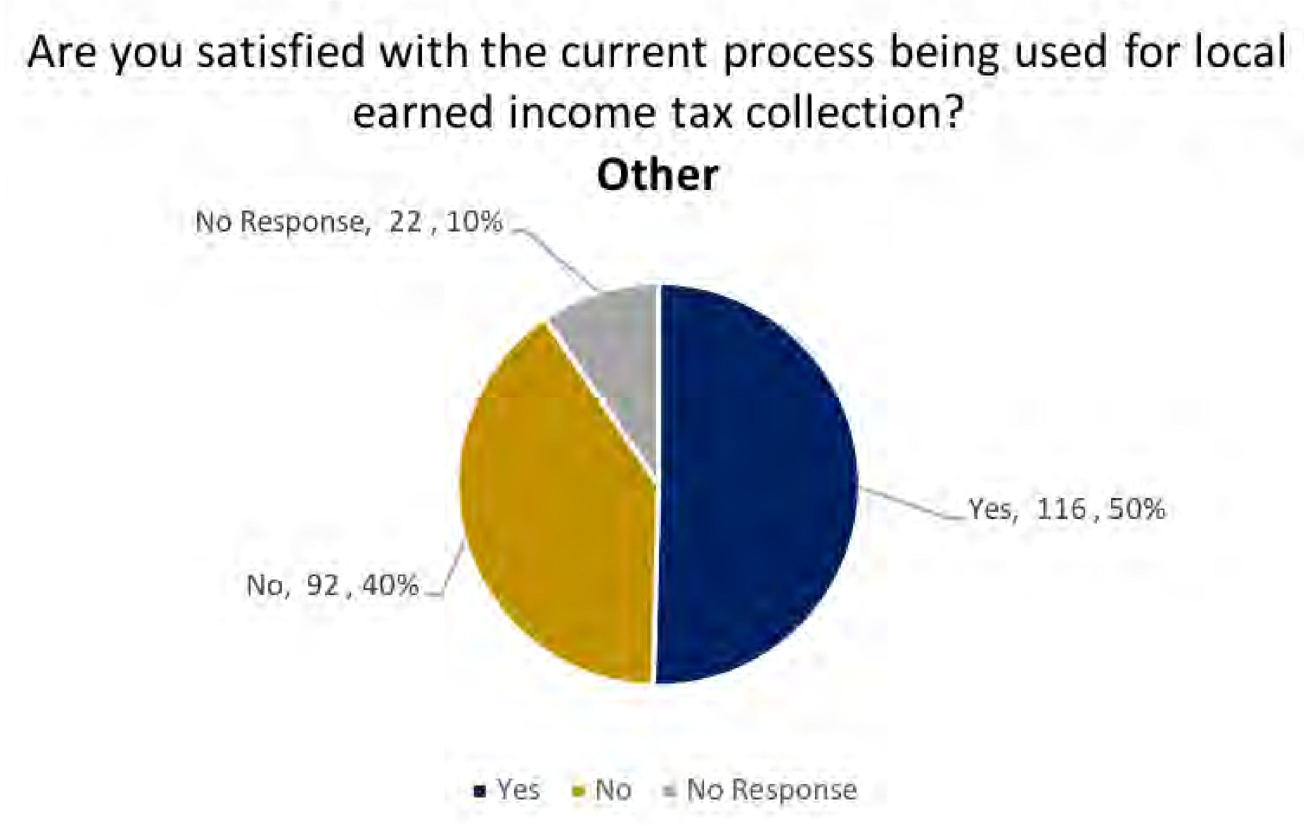
Payroll Providers

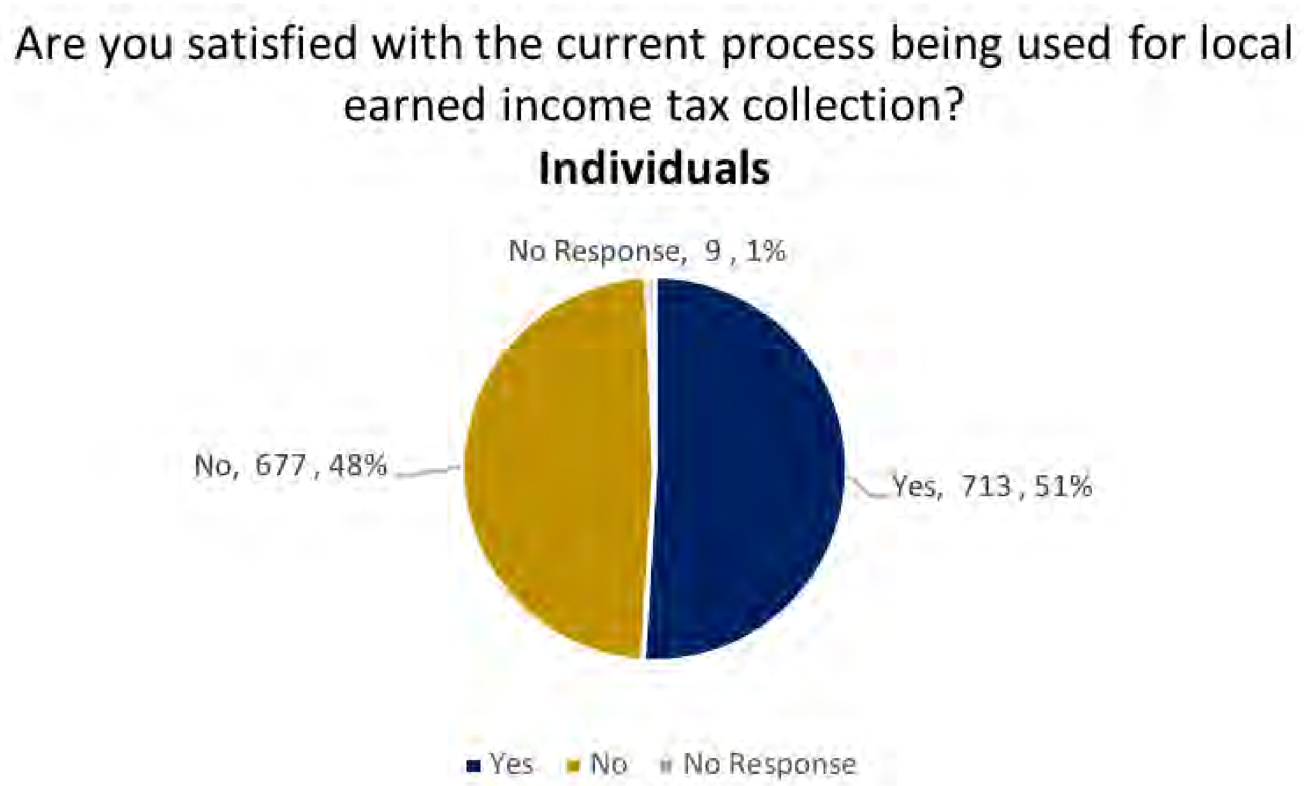


Are you satisfied with the current process being used for local earned income tax collection?

Businesses

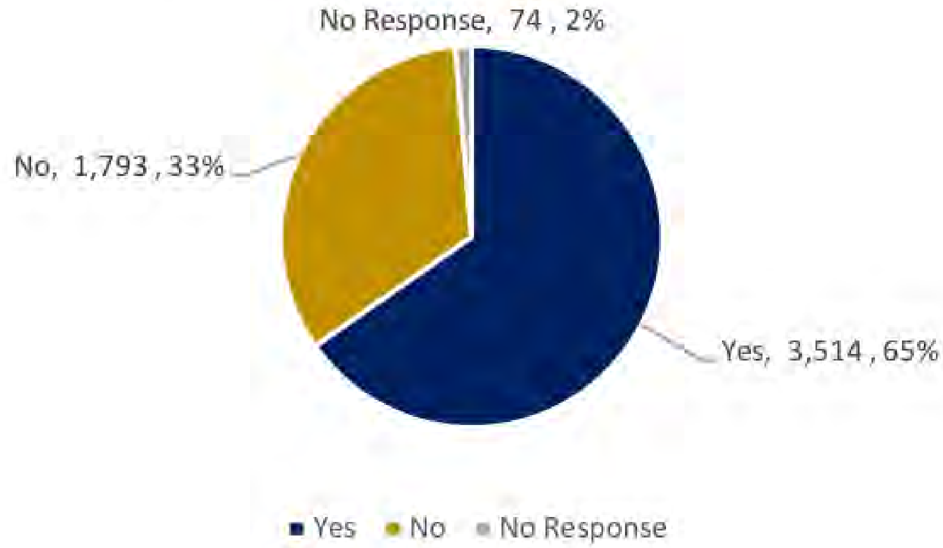


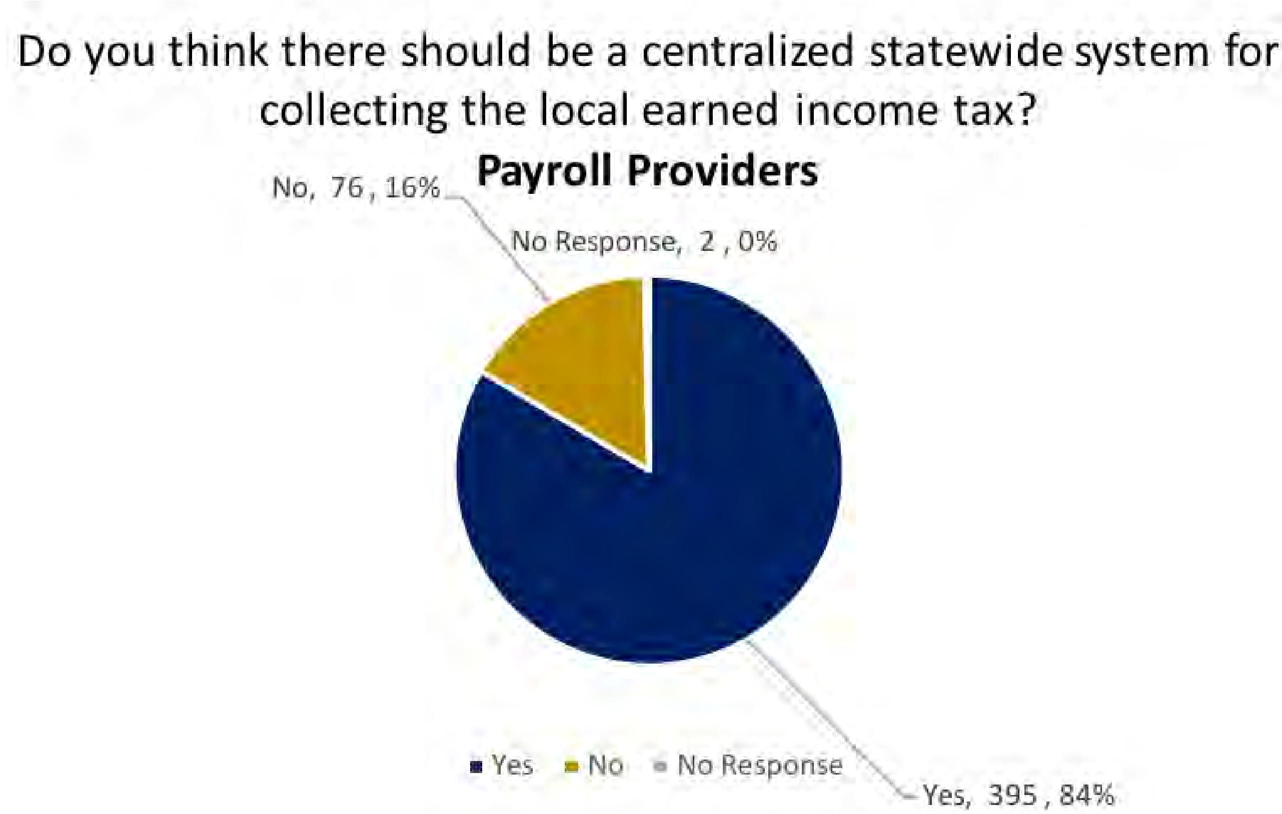

Are you satisfied with the current process being used for local earned income tax collection?
Other
No Response, 22 , 10%
Yes, 116 , 50%
No, 92 , 40%
Yes
No
No Response

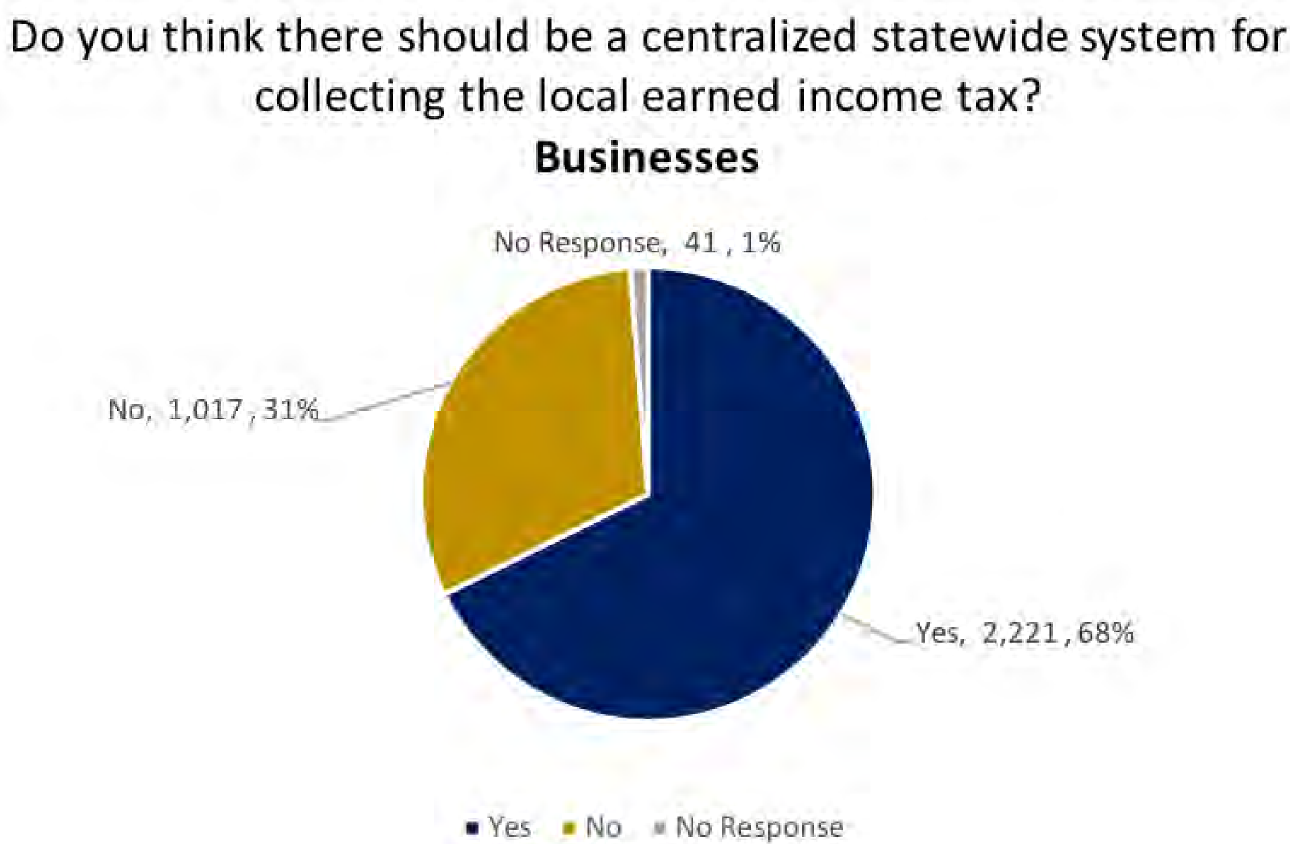

Are you satisfied with the current process being used for local earned income tax collection?
Individuals
No Response, 9 , 1%
No, 677 , 48%
Yes, 713 , 51%
Yes
No
No Response

Do you think there should be a centralized statewide system for collecting the local earned income tax?

All Respondents

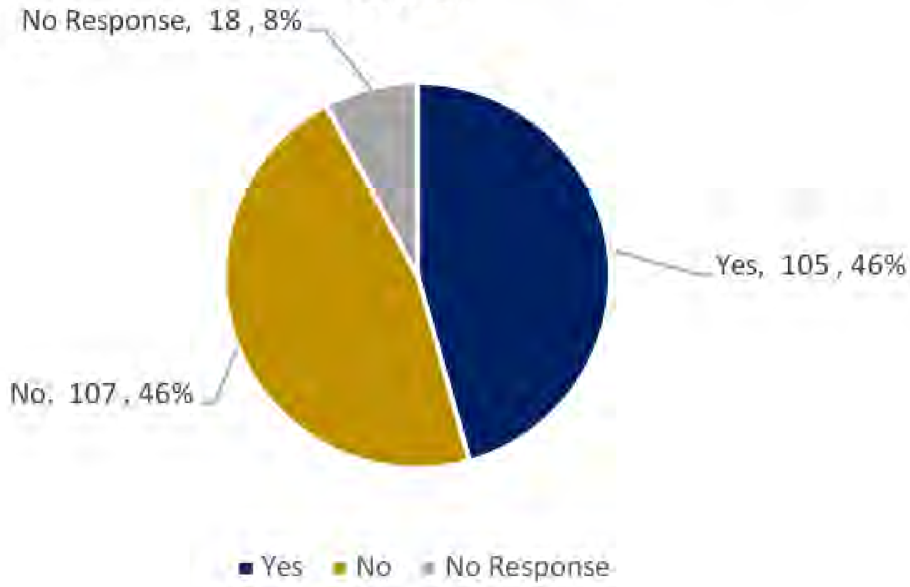



Do you think there should be a centralized statewide system for collecting the local earned income tax?
Payroll Providers
No, 76, 16%
No Response, 2, 0%
Yes, 395, 84%
Yes
No
No Response


Do you think there should be a centralized statewide system for collecting the local earned income tax?
Businesses
No Response, 41, 1%
No, 1,017, 31%
Yes, 2,221, 68%
Yes
No
No Response

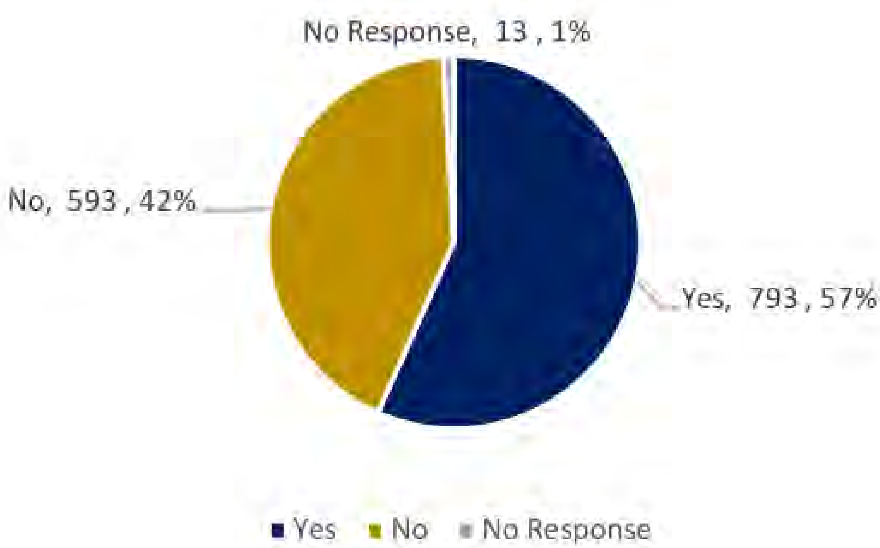
Do you think there should be a centrealized statewide system for collecting the local earned income tax?

Other



Do you think there should be a centralized statewide system for collecting the local earned income tax?

Individuals



APPENDIX C – REVENUE ESTIMATE METHODOLOGY

The Department started with Net Compensation reported on the PA-40 ("wage base") for 2015, which is an accrual basis. Both those with a valid school district code as well as those with an invalid code were added. This figure is $276.0 billion. A slight adjustment was made to account for the PIT being reported on a calendar year with school districts being on a fiscal year. This adjustment adds a slight amount of revenue to the wage base and brings the total to $277.8 billion.

Reductions were then made for counties that have residents likely to be working within the City of Philadelphia as they can claim an EIT credit against the city's wage tax. This adjustment reduces the wage base to $267.6 billion. Another reduction was made to account for PA residents who may work in Delaware, New York or Ohio and may claim a credit on EIT for taxes paid to the other state. This reduction further reduces the wage base to $263.7 million. A final adjustment was made to account for individuals who had PIT withholding but did not file a PA-40. This increases the wage base to a total of $281.9 billion.

Next, Net Profits from the PA-40 ("net profits base") were added. Both valid and invalid school district codes were added to a net profits base of $33.9 billion. As with the wage base, a slight adjustment was made to account for the PIT being reported on a calendar year with school districts being on a fiscal year. This adjustment adds a slight amount of revenue to the net profits base and brings the total to $34.0 billion.

As with the wage base, adjustments were made for Philadelphia commuters, which brings the net profits base down to $31.9 billion. This is further reduced to $31.5 billion to account for those working in Delaware, New York or Ohio and claiming a credit on EIT for taxes paid to the other state. One final adjustment is made to reduce the net profits base to account for S Corporation income that is not subject to EIT. This final reduction brings the net profits base to $21.5 billion. Adding the wage base to the net profits base brings the total PIT compensation base to $303.5 billion.

The EIT for school districts was then averaged (weighted by school district). This rate is 0.5%. Multiplying this rate by the total PIT compensation base of $303.5 billion equals an estimated EIT base of $1.57 billion. The reported EIT collections, which is a cash basis, from the Pennsylvania Department of Education website was $1.53 billion for a difference of $33.6 million.

The same process was applied to municipal collections as reported on the DCED website and found a difference of $19.5 million when subtracted from the reported municipal collections from the DCED website and the estimated municipal EIT base as derived by the Department.

Earned Income Tax Collections Comparison
2015-16 School Year Collections ($Millions)
2015-16 Data

Reported School District Collections	$1,537.1
Estimated School District Collections	$1,570.7
School District Difference	$33.6
School District % Change	2.2%
Reported Municipal Collections	$1,599.1
Estimated Municipal Collections	$1,618.6
Estimated Municipal Difference	$19.5
Estimated Municipal % Change	1.2%
Total EIT Revenue Gap	$53.2
Total EIT Revenue Gap %	1.7%

[1] *The data compare school district earned income tax (EIT) collections as currently collected and reported with potential EIT collections were the process to be consolidated at the state level.*

[2] *Reported EIT collections are reported by the PA Department of Education, under 'Local Revenue'; https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Detailed-.aspx#.VZwC6mXD-Uk*

[3] *Estimated collections are based on TY 2015 PIT Booklet data by school district for income from compensation and net profits: https://www.revenue.pa.gov/GeneralTaxInformation/News%20and%20Statistics/ReportsStats/SDIncome/Totals/Pages/default.aspx . Those amounts were subject to several adjustments.*

[a] *For both compensation and net profits, income amounts from returns classified as invalid were distributed proportionally by school district. A return is considered invalid if a valid PA county code has been entered, but not a valid school district code. Compensation and net profits were also adjusted on a county basis for commuters to Philadelphia subject to the city's local taxes and for PA residents commuting outside PA.*

[b] *Net profits amounts were also adjusted to reflect differences in taxable income between Pennsylvania's personal income tax (PIT) and school district EITs. S corporation income is subject to PIT, but not to EIT. Data from TY 2015 PA 65/PA 20S partnership and S corporation informational returns and from PA-40 Schedule C forms were used to calculate the percentage of net profits income attributable to S corporations.*

[c] *Compensation income was also adjusted for nonfilers using Form W2 data for workers who received wages in 2015 but did not file a PA Personal Income Tax return in TY 2015.*

*[SD Compensation] = [TY 2015 PIT Booklet Taxable Comp + Apportioned Invalid Returns] * [1 + 2015-16 Growth Adj] * [1 - Philly Commuter Adj] * [1 - OOS Commuter Adj] * [1 + Nonfiler Adj]*

*[SD Net Profits] = [TY 2015 PIT Booklet Net Profits + Apportioned Invalid Returns] * [1 + 2015-16 Growth Adj] * [1 - Philly Commuter Adj] * [1 - OOS Commuter Adj] * [1 - S Corporation Adj]*

[4] *School district EIT rates were obtained from DCED's Municipal Statistics data for calendar years 2015 and 2016. For the estimate, a blended rate was used to more accurately represent any districts with rate changes between the two years. http://munstats.pa.gov/Reports/ReportInformation2.aspx?report=MuniTaxInformationByYear*

[5] *The loss of municipal EIT revenues was calculated by using the ratio of the lowest municipal EIT rate in each school district to the school district EIT rate and applying this to the previously calculated difference of school district tax revenues. Actual collections are for calendar year 2015 and reported by DCED.*

[6] *The estimate may be over or understated to the extent that statewide proportions for adjustments may not be representative for individual school districts, impacting the statewide totals.*

Methodology for Adjustments to 2015 PIT to Mimic 2015-16 School District EIT

Net Compensation	273,504,127
Distribute the Compensation from Invalid SD Codes	2,543,640
Subtotal	**276,047,767**
Growth of 2015 PIT to 2015-16 EIT	0.66%
Subtotal	**277,879,800**
Percentage of County Residents who Commute to Philadelphia	
Lower County Totals by these Percentages	
Bucks County	*11.2%*
Chester County	*5.0%*
Delaware County	*19.8%*
Montgomery County	*14.8%*
Subtotal	**267,658,340**
Percentage of PA residents that commute to other non-reciprocal states and may claim a credit against EIT	
Delaware	*0.5%*
New York	*0.7%*
Ohio	*0.2%*
	1.46%
Subtotal	**263,714,368**
Nonfiler Adjustment	6.9%
Total	**281,910,659**

Net Profits	33,088,100
Distribute the Net Profits from Invalid SD Codes	872,083
Subtotal	**33,960,183**
Growth of 2015 PIT to 2015-16 EIT	0.14%
Subtotal	**34,006,162**
Percentage of County Residents who Commute to Philadelphia	
Lower County Totals by these Percentages	
Bucks County	*11.2%*
Chester County	*5.0%*
Delaware County	*19.8%*
Montgomery County	*14.8%*
Subtotal	**31,996,799**
Percentage of PA residents that commute to other non-reciprocal states and may claim a credit against EIT	
Delaware	*0.5%*
New York	*0.7%*
Ohio	*0.2%*
	1.46%
Subtotal	**31,530,764**
Percentage of Net Profits from S Corporations	31.5%
Total	**21,598,574**
Total Compensation + Net Profits	303,509,233
Average EIT rate (weighted by School District)	0.5%
Estimated EIT	**1,570,739**
Reported EIT	**1,537,061**
Difference	**33,678**

Methodology for Adjustments to 2015 PIT to Mimic 2015-16 Municipal EIT

Net Compensation	273,504,127
Distribute the Compensation from Invalid SD Codes	2,543,640
Subtotal	**276,047,767**
Growth of 2015 PIT to 2015-16 EIT	0.66%
Subtotal	**277,879,800**
Percentage of County Residents who Commute to Philadelphia	
Lower County Totals by these Percentages	
Bucks County	*11.2%*
Chester County	*5.0%*
Delaware County	*19.8%*
Montgomery County	*14.8%*
Subtotal	**267,658,340**
Percentage of PA residents that commute to other non-reciprocal states	
Delaware	*0.5%*
New York	*0.7%*
Ohio	*0.2%*
Subtotal	**263,714,368**
Nonfiler Adjustment	6.9%
Total	**281,910,659**

Net Profits	33,088,100
Distribute the Net Profits from Invalid SD Codes	872,083
Subtotal	**33,960,183**
Growth of 2015 PIT to 2015-16 EIT	0.14%
Subtotal	**34,006,162**
Percentage of County Residents who Commute to Philadelphia	
Lower County Totals by these Percentages	
Bucks County	*11.2%*
Chester County	*5.0%*
Delaware County	*19.8%*
Montgomery County	*14.8%*
Subtotal	**31,996,799**
Percentage of PA residents that commute to other non-reciprocal	
Delaware	*0.5%*
New York	*0.7%*
Ohio	*0.2%*
	1.46%
Subtotal	**31,530,764**
Percentage of Net Profits from S Corporations	31.50%
Total	**21,598,574**
Total Compensation + Net Profits	303,509,233
Average EIT rate (weighted by School District)	0.5%
Estimated EIT	**1,618,616**
Reported EIT	**1,599,084**
Difference	**19,532**

APPENDIX D – LIST OF STATE LOCAL TAXING JURISDICTIONS

Number of Local Income Tax Jurisdictions by State, 2011

State	Number of Local Income Tax Jurisdictions, 2011	Percent of US Total
Pennsylvania	2,961	59.9%
Ohio	774	15.7%
Kansas	535	10.8%
Iowa	297	6.0%
Kentucky	218	4.4%
Indiana	91	1.8%
Maryland	24	0.5%
Michigan	22	0.4%
Alabama	4	0.1%
New York	4	0.1%
Colorado	3	0.1%
West Virginia	3	0.1%
Missouri	2	0.0%
Oregon	2	0.0%
California	1	0.0%
Delaware	1	0.0%
New Jersey	1	0.0%
TOTAL	4,943	100.0%

Source: Tax Foundation
https://files.taxfoundation.org/legacy/docs/local-incometax-numberof_jurisdictions-bystate--2008-20110831.pdf

Number of Sales Tax Jurisdictions by State, 2014

State	Number of Sales Tax Jurisdictions, 2014	Percent of US Total
Texas	1,515	15.2%
Missouri	1,242	12.4%
Iowa	994	9.9%
Alabama	791	7.9%
Oklahoma	587	5.9%
Illinois	443	4.4%
Kansas	428	4.3%
Arkansas	370	3.7%
Washington	346	3.5%
Louisiana	341	3.4%
Utah	310	3.1%
Colorado	307	3.1%
South Dakota	251	2.5%
California	231	2.3%
Nebraska	209	2.1%
Virginia	174	1.7%
Georgia	162	1.6%
New Mexico	142	1.4%
North Dakota	137	1.4%
Arizona	131	1.3%
Tennessee	125	1.3%
North Carolina	105	1.1%
Alaska	103	1.0%
Ohio	96	1.0%
New York	84	0.8%
Puerto Rico	79	0.8%
Wisconsin	70	0.7%
Florida	56	0.6%
South Carolina	41	0.4%
Minnesota	35	0.4%
Wyoming	23	0.2%
Nevada	18	0.2%
Vermont	12	0.1%

Number of Sales Tax Jurisdictions by State, 2014

State	Number of Sales Tax Jurisdictions, 2014	Percent of US Total
West Virginia	11	0.1%
Idaho	9	0.1%
Mississippi	3	0.0%
Pennsylvania	3	0.0%
Hawaii	2	0.0%
New Jersey	2	0.0%
Connecticut	1	0.0%
District of Columbia	1	0.0%
Guam	1	0.0%
Indiana	1	0.0%
Kentucky	1	0.0%
Maine	1	0.0%
Maryland	1	0.0%
Massachusetts	1	0.0%
Michigan	1	0.0%
Rhode Island	1	0.0%
TOTALS	9,998	100.0%

Source: Tax Foundation
https://taxfoundation.org/state-sales-tax-jurisdictions-approach-10000/