

2575

**Gelnett, Wanda B.**

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**From:** Schalles, Scott R.  
**Sent:** Tuesday, October 31, 2006 7:26 AM  
**To:** Stephens, Michael J.; Wilmarth, Fiona E.  
**Cc:** Wyatte, Mary S.; Leslie A. Lewis Johnson; Gelnett, Wanda B.  
**Subject:** FW: PIT Regulations

2575 - public comments.

-----Original Message-----

From: Al [mailto:westshoretax@paonline.com]  
Sent: Monday, October 30, 2006 11:25 AM  
To: Schalles, Scott R.  
Cc: mdarrwstb@comcast.net; mabbott@mtlebanon.org  
Subject: PIT Regulations

Scott,

The following are my questions/concerns with the proposed DOR Regulations for the Local PIT:

§ 143.5 (a) (1) (2) (3) Does this regulation require employers to withhold the PIT on all employees? If so, at what rate does the employer withhold from the employees who are non-residents of the school district where the employer is domiciled?

§ 143.5 (f) (2) 2nd to last sentence "...the political subdivisions imposing the tax upon the person..." should be changed to read "...the political subdivision(s) where the tax was remitted..." This minor change would greatly improve the tax collector's ability to identify where the tax has been paid. If the tax was withheld from a resident taxpayer, but not received from the collecting tax office, this change would allow for an accurate "claim for tax not received" to be filed with the collecting tax office.

§143.5 (h) and (j) seem to conflict? If the employer fails to withhold the tax and the tax collector cannot collect the tax from the individual taxpayer, does the employer assume liability for the unpaid tax?

§143.5 (k) Requires the employer to make multiple quarterly and annual filings if the employer voluntarily withholds the PIT from non-resident employees. Couldn't the regulation mandate the filing of one quarterly and one annual tax return with the tax office where the employer is domiciled AND REQUIRE the collecting tax office to distribute the tax received to the appropriate tax office?

§144.1 (a) and (b) seem to conflict, in regard to out-of- state credits.

§144.1 (a) What is the limit on the credit to be allowed for other political subdivisions? For example, if the school district has a 1.5% PIT and its resident works in Philadelphia, will the tax office be required to allow the full 4% Philadelphia Wage Tax as a tax credit and make a refund of the difference (which is kept by Philadelphia and not received by the school district)? The Department of Revenue allows credit for out-of-state tax up to the amount of tax that would be due on the income taxed by the other state.

§144.1 (b) These same credits are allowed for Earned Income Tax purposes. Individual taxpayers may find it confusing when they can only apply their credit for out of state taxes paid against the EIT portion of their local income and not to the PIT portion.

§145.2 (b) Does this mean that a taxpayer can request and receive an extension beyond the October 15th Final Extension Deadline?

§145.3 (c) Earned Income Tax Returns are individually filed. To allow joint filing of the school district PIT will add another level of confusion to the process.

\$146.2 (d) Local PIT collectors will be charged a fee by the DOR for disclosure of tax information that would be used in the enforcement of the local PIT? Would this information from the DOR be limited in its use by local collectors to those residents who have not filed local PIT returns?

\$148.1 (a) and (b) If local collectors cannot challenge PIT amounts, why would an appeal process be necessary? Doesn't (b) negate (a)?

In my opinion, the following items on the Regulatory Analysis Form may be misstated or understated:

(17) There will be substantial costs for employers, taxpayers and collectors. Employers will be administering two local income taxes, with the likelihood of multiple tax rates for each tax. The increasing complexity may require employers to purchase or create payroll tax withholding software. Employers who contract their payroll preparation to payroll processing firms may incur higher fees because of the increased complexity of the local PIT and EIT withholdings.

Tax Collectors will be required to reassess and reprogram their collection software to properly administer the PIT, especially the distribution of collected funds. Since municipalities cannot share in the PIT, costs will be transferred back to the school districts. Tax Forms will need to be redesigned and in many cases new forms will need to be created. The initial year, mid-year tax rate and tax base change will require extensive instructions, worksheets, and notifications to be issued to employers and individual taxpayers - increasing postal expenses.

Individual taxpayers, as a result of the increased complexity of the dual tax base local income tax, may require professional services to complete local tax returns.

(18) There will be no increased costs for local governments because the local governments cannot levy the PIT in conjunction with their coterminous school district. As a result all increased costs for the administration of the tax will be passed on the school districts that enact a PIT.

(25) Pennsylvania employers may see the responsibility of withholding two different local income taxes at multiple rates as a burden. Section 143.5 (k) would require employers who "voluntarily" withhold the PIT at their employees' resident rate to make and file multiple quarterly tax returns and make multiple remittances of the tax. Year end would require employers to create and remit multiple annual reconciliations of the taxes withheld.