



Pennsylvania Association of School Business Officials

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Testimony of Joseph P. Lubitsky

Administrator, Chester County Tax Collection Committee

Director of Administrative Services, Chester County Intermediate Unit

House Finance Committee

Act 32 of 2008

October 6, 2015

Good morning Chairpersons O'Neill and Wheatley, as well as other members of the House Finance Committee, and thank you for allowing me this opportunity to present information on earned income tax collection under Act 32 as you give consideration to the changes proposed in House Bill 245. My name is Joseph Lubitsky, and for the past fourteen years I have served as the Director of Administrative Services for the Chester County Intermediate Unit. Prior to joining the Intermediate Unit, I served as the Director of Business Operations for the Kennett Consolidated School District in Chester County. During my career, I have been actively involved with the Pennsylvania Association of School Business Officials (PASBO), including committees geared toward implementing efficiency initiatives in the areas of tax collections.

Shortly after Act 32 was enacted in 2008, I helped coordinate a Chester County Study Group made up of county, municipal, and school district officials to help determine how to best implement the collection of earned income taxes under the new statute. Chester County was one of three early implementer Tax Collection Districts statewide that began to collect earned income tax (EIT) under the Act 32 guidelines in 2011, one year ahead of the mandated date. Since that

time, I have continued to serve as the administrator of the Chester County Tax Collection Committee (CCTCC). The responsibilities of this role include:

1. Assisting with the development of the monthly meeting schedule and agenda, distributing information and minutes for CCTCC meetings.
2. Maintaining a database and directory of CCTCC delegate information and assisting with the ongoing communication to the delegates.
3. Coordinating the checking and investment accounts with selected financial institutions. Providing accounting, bookkeeping, monthly reconciliation, and management reports to the CCTCC. Assisting with the development of the annual CCTCC budget and coordinate the annual financial audits.
4. Assisting with the development of all policies and assisting the CCTCC Right-to Know Officer with the dissemination of information.
5. Assisting with the administration of the Tax Appeals Board and delinquent taxpayer interest and penalty policies.
6. Serving as a liaison with Keystone Collections Group, as well as other tax collectors, and serving as the primary point of contact for the CCTCC with taxpayers, payroll processing companies, tax collection committees, DCED and other organizations.
7. Negotiating the renewal of the agreement with Keystone Collections Group for tax collections.

The purpose of my testimony is to provide some background information about the impact of Act 32 on the school districts and municipalities.

What Parts of Act 32 Really Worked on a Statewide Basis:

- It was a great idea to consolidate the work of the mind boggling number of smaller tax collectors (64 in one county alone) into one central tax collection agency at the county level.
- The municipalities and school districts have recognized significant savings in collection fees and related costs.
- Mandatory employer withholding and remittance of EIT and the associate reporting requirements codified the somewhat haphazard system that was in place prior to Act 32.

- Collaborative efforts of the municipal and school district stakeholders as well as professional groups, (several of which are testifying today) to figure out the requirements of Act 32.
- Implementation and advocacy efforts by PASBO staff, committees and members.
- Legal interpretations and timely guidance from the law firm of Kegel Kelin Almy & Lord LLP, which was retained by PASBO and many TCCs.

What Parts of Act 32 Really Did Not Work on a Statewide Basis:

- Why were the county governments spared the responsibility of coordinating the collection of EIT? Instead, Act 32 required, with limited guidance and no funding stream, the creation of new Tax Collection Committees.
- The Department of Community and Economic Development (DCED) was not provided the time nor the resources to support the multitude of issues that came with the enactment of tax collection under Act 32.
- There was a lack of early, frequent, and consistent communications by DCED with employers and payroll companies on new requirements.

Chester County – What Really Worked Locally:

- The Tax Collector Request for Proposal (RFP) process using a RFP format developed by a committee of PASBO members resulted in a better contract that contained clear expectations for the tax collector.
- Early implementation, despite some early bumps in the road, was successful. Contributing to this success were the efforts of the Chester County Intermediate Unit, PASBO, our solicitor Jason Confair, and Keystone Collections Group.
- The development of TCC Bylaws, governance structure, meeting formats, and taxpayer/employer communications programs provided the newly formed group with a solid governance structure.
- Savings in collection fees for Chester County members. A three year summary of the over \$4 million in savings for the CCTCC members is included in my testimony. This was well worth any perceived problems with early implementation of tax collections under Act 32.
- The initial and ongoing intergovernmental agency cooperation.

- Chester County also consolidated the collection of Local Service Tax (LST) with EIT collections to realize additional savings.
- There has been good collaboration with other TCC's for SOC 1 audit services which has saved over \$50,000 annually.

Chester County – What Could Have Worked Better Locally:

- The transfer of records between previous tax collectors and the new Act 32 tax collector could have been cleaner.
- There were times when DCED needed to exhibit more cooperation and flexibility with early implementation efforts.
- The employers and payroll companies were caught off guard by Act 32, which led to problems with compliance and development of software program changes during early implementation in 2011.
- There was an unfavorable ruling by the courts to the CCTCC request to overturn the “Philadelphia Super Credit” which costs the five county TCC's in Southeastern Pennsylvania millions of dollars in lost revenue each year.
- Some frustration by TCC members with changes in cash flow, reporting, and nuances of Act 32 Collections.

Suggestions

Earned income tax collection under Act 32 has been an overall success, helping to increase collections from \$125 million in 2012 to over \$165 million in 2014 in Chester County alone. Likewise, the cooperative efforts between the municipalities and school districts have resulted in a reduction of over \$1 million annually in collection costs during the same time period.

The need for a continued and coordinated communication and education campaign by the local TCC is paramount. This needs to be done in conjunction with the selected tax collection agency to be successful. The person or organization responsible for the management of the TCC must be able to disseminate accurate information on a timely basis.

Overall, as you review and evaluate the impact of Act 32, I would suggest that no changes are necessary. The law is working as was intended and to prevent well-intended efforts that would inevitably lead to confusion and complication, it should simply be left alone. In fact, it is working so well that lessons learned and success achieved through EIT collection under Act 32 could be applied to the consolidation of real estate tax collection on a countywide basis. The current system of county, municipal, and school district tax collection agencies is both confusing to the taxpayer and inefficient and expensive for the government agencies.

Thank you for your consideration of my thoughts on the effectiveness of EIT collection under Act 32. I would be pleased to try to answer any questions that the Committee might have.

**Testimony on Act 32 to the
General Assembly of Pennsylvania, House of Representatives Finance Committee**

Submitted by: Joseph P. Lubitsky, Administrator, Chester County Tax Collection Committee

October 6, 2015

Municipality / District

**Total Tax Collection Cost
Savings Since 2012**

Avondale Borough	16,714
Caernarvon Township	35,325
Caln Township	42,199
Charlestown Township	34,062
Coatesville Area School District	177,083
Coatesville City	73,808
Downingtown Area School District	183,842
Downingtown Borough	12,321
East Bradford Township	45,304
East Brandywine Township	19,171
East Caln Township	12,370
East Coventry Township	64,303
East Fallowfield Township	14,497
East Goshen Township	64,381
East Nantmeal Township	27,456
East Nottingham Township	73,194
East Pikeland Township	96,002
East Vincent Township	86,190
East Whiteland Township	(39,479)
Elk Township	15,752
Elverson Borough	4,192
Franklin Township	19,784
Honey Brook Borough	10,845
Honey Brook Township	81,639
Kennett Consolidated School District	96,438
Kennett Square Borough	45,977
Kennett Township	78,274
London Grove Township	60,670
Lower Oxford Township	34,377
Malvern Borough	23,510
Modena Borough	303
New Garden Township	108,129
New London Township	29,566
New Morgan Borough	490

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Municipality / District

**Total Tax Collection Cost
Savings Since 2012**

North Coventry Township	75,509
Owen J Roberts School District	75,384
Oxford Area School District	99,486
Oxford Borough	19,983
Penn Township	34,514
Pennsbury Township	17,466
Phoenixville Area School District	252,134
Phoenixville Borough	26,450
Pocopson Township	4,158
Robeson Township	51,182
Sadsbury Township	18,567
Schuylkill Township	145,467
South Coatesville Borough	2,039
South Coventry Township	19,273
Thornbury Township (Chester County)	12,194
Thornbury Township (Delaware County)	24,333
Twin Valley School District	158,382
Upper Oxford Township	23,736
Upper Uwchlan Township	49,230
Uwchlan Township	50,514
Valley Township	9,774
Wallace Township	14,021
Warwick Township	27,590
West Bradford Township	33,161
West Brandywine Township	31,029
West Caln Township	28,033
West Chester Area School District	318,934
West Chester Borough	46,117
West Goshen Township	129,884
West Grove Borough	37,097
West Marlborough Township	1,364
West Nantmeal Township	18,217
West Nottingham Township	7,786
West Pikeland Township	38,735
West Vincent Township	89,202
West Whiteland Township	97,209
Westtown Township	25,997
Willistown Township	258,279
Total Savings in Collection Costs	4,033,768