Dear Senator,

I am writing on behalf of the 22,000 members of the Pennsylvania Institute of Certified Public Accountants (PICPA) to respectfully request your support for House Bill 245, which amends Act 32 of 2008. As noted in earlier e-mails to you, House Bill 245 provides clarity and consistency to the local earned income tax crediting provisions for all taxpayers. Some tax collectors have used Act 32 as an opportunity to limit the local earned income tax crediting provisions historically available to Pennsylvania taxpayers. House Bill 245 simply reverts back to the long-standing terminology used before the 2008 changes went into effect, and strengthens the crediting language to ensure that no taxpayer is subjected to double taxation at the earned income tax level.

Below, for your information, you will find the actual worksheet from Berkheimer’s Taxpayer Annual Local Earned Income Tax Return, which clearly shows that the taxpayer is entitled to the full credit. In the example below, Column 7 shows the “Credit Allowed for Tax Withheld” which is the full credit of the “Home Location Residential Rate” of 1.25%. So in this example, the taxpayer would not be subject to double taxation. However, without HB 245’s crediting provisions, this taxpayer could be subject to double taxation.

The Local Tax Enabling Act (LTEA), which Act 32 amended, does not limit tax credits to only 1 percent of taxes paid, as some are erroneously claiming. In fact, Section 317 of the LTEA allows Pennsylvania taxpayers to take a credit against their local earned income tax in the amount of any income tax paid to another state or political subdivision to the extent those out-of-state taxes apply to salaries, wages, commissions, or other compensation on net profits. This position is held by the vast majority of tax collection districts in the state. It has only been since Act 32 went into statewide effect on Jan. 1, 2012, that some tax collection districts have attempted to limit the credit to 1 percent.

Once again, the severity of the claims of loss of revenue are unfounded. We urge your support for HB 245.

Thank you,

Peter Calcara

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