

Tax law outdated, should be revised

BY DAVID BLAIN

Tax collection in Pennsylvania has been a source of great debate recently.

A few weeks ago, an audit of the Capital Tax Collection Bureau reported that millions of dollars of taxpayers' money have either not been distributed to the appropriate governing body or have not been readily identified to the appropriate authority.

To most people that seems incredibly hard to believe. How, in the days of increased accounting regulation and oversight, could tax collection organizations get away with this?

While the tax collection system appears to be in disarray, there is legislation in place that was meant to guide tax collection in Pennsylvania.

Act 511 was passed by the Legislature in the mid-1960's as a guide to local earned income tax collectors for collection and disbursement of tax receipts.

While Act 511 was meant to regulate the tax collection process, no meaningful revisions to this act have occurred since its inception.

When Act 511 was passed, earned income tax collection was a much more simplified process than it is today.

Tax rates statewide for earned income tax were mostly 1 percent.

Most employees stayed in one job their entire careers.

People rarely traveled out of the municipality in which they lived to work.



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Therefore, tax collection did not have the complexities inherent in the system today.

Now, tax money must be transferred between tax collection agencies because of changing employers, commutes from where employees work to their home municipality to which the tax is paid and residency changes.

In plain English, the law just doesn't fit anymore.

What the tax collection system and Act 511 need is a complete overhaul to make the process more streamlined, efficient and less costly. Here are some ways to overhaul the system:

- The tax collection process needs state oversight. A governing board should oversee the operations of all tax collection bureaus. The current system does not provide any accountability for tax collection agencies. In fact, the South Middleton Twp. audit of the Capital Tax Collection Bureau inadvertently identified that there is no governing body within the local or state government that has enough jurisdiction over tax collection agencies for anyone to even report abuse.

- Expand Act 511 to account for the complexities of today's socioeconomic environment. Revisions to the act could require that tax collection bureaus have standard operations statewide. Uniform tax returns, collection and distribution processes should be required. We cannot have an effective watchdog unless we have standards for it to keep watch over.

- Uniform standards for tax collection agencies could promote best practices across tax bureaus. This would allow for more open dialogue between the state and tax collection organizations to share operational practices and to ensure that cost-effective and efficient operations are implemented uniformly.

- Improved corporate governance through adoption of certain standards of the Sarbanes-Oxley Act. Sarbanes-Oxley reforms were put in place to protect public investors from shoddy and fraudulent bookkeeping by management. Although SOX is not required for nonprofits or governments, certain initiatives within SOX could provide for stronger controls and oversight over the tax collection system.

The requirement to establish an audit committee, ensuring that every board has qualified members and developing a whistle-blower policy for taxpayers, would help ensure that appropriate controls are in place.

The tax collection system within Pennsylvania is in need of overhaul. It's time we put those best lessons to use in protecting our tax dollars.