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Note to Pittsburgh Tax Collectors

Evidently, the ink was hardly dry on the legislation approving new taxes for Pittsburgh before City officials began to look for ways to grab the most revenue possible from the new taxes. The newly released procedures for remitting the payroll tax and the new Emergency Municipal Services tax exhibit the disdain for taxpayers that has characterized the City for too long.

We offer modest changes in the remittance rules that will undo the worst aspects of the new rules.

One, rather than base the first quarter 2005 payroll tax on the fourth quarter of 2004 payroll and have it due by the end of February, the first quarter tax should be due the last week of March and be based on the company's best estimate of the complete quarter. At the end of the second quarter when the second payment is due, the company will have final numbers for the first quarter and can pay any shortfall resulting from an underestimate or withhold the amount of any first quarter overpayment resulting from overestimating the first quarter payroll. The procedure is repeated throughout the year.

Otherwise, the first 2005 payment will reflect a quarter that has substantial seasonal hiring, particularly by retailers. Thus, the City will get an undeserved amount of revenue from those firms. Since the law has gone into effect in 2005, this amounts to retroactive taxation and is unfair to firms which might have made other decisions regarding hiring in the fourth quarter. In the future, they will have an opportunity to make decisions that reflect the tax rate but that is of little consolation if they were overtaxed in the first quarter of 2005.

Two, the new Emergency Services Tax was intended to exempt workers who make less than \$12,000 per year. Under the City's rules, everyone working in the City will have \$52 deducted from their pay in January. Then it will be up to any worker who makes less than \$12,000 to file for a refund in 2006. The refund request will require W-2s and a federal tax return. Obviously, there will be many who will not be able or willing to go through the hassle of proving they did not make \$12,000 in 2005, which means the City will have collected far more taxes than they were actually entitled to.

That problem is easily remedied. Employers will know with almost virtual certainty which employees will make \$12,000 a year. The employer should withhold \$52 only from those employees on track to make \$12,000 or more during the year. They would be required to review, at midyear, to determine if any employee has moved from a pace of less than \$12,000 to a yearly rate exceeding \$12,000. For any employee whose status has been upgraded, the company would then withhold the \$52. The same rule would apply to any new hire during the year.

This is a good time to make a statement that Pittsburgh has turned over a new leaf with regard to tax collections and its attitude toward taxpayers.

Jake Haulk, Ph.D., President

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