

VIEWPOINT

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PULSE SURVEY

WE ASKED

HAVE YOU EVER USED ANOTHER LOCAL AIRPORT OTHER THAN PITTSBURGH INTERNATIONAL AIRPORT?

YOU ANSWERED

Total responses — 144



WHICH AIRPORT?

Latrobe	98	68.1%
Cleveland	57	39.6%
Youngstown, Ohio	17	11.8%
Erie	10	6.9%
State College	5	3.5%
Morgantown, W.Va.	5	3.5%
Johnstown	2	1.4%
Franklin	1	0.7%
Altoona	1	0.7%

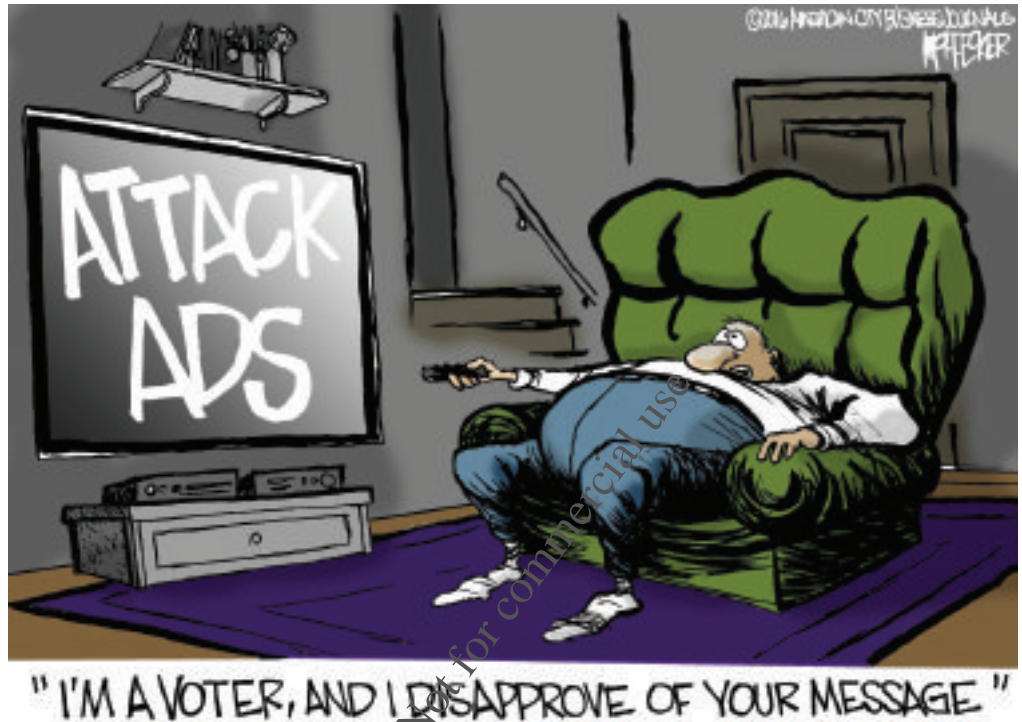
THIS WEEK'S QUESTION

Should the Senate take up the Supreme Court nomination of Merrick Garland?
Vote here: bizj.us/1lqvq2

▶ WHAT DO YOU THINK

We want to hear your opinion on the issues you read about in the Pittsburgh Business Times. Submit letters to the editor to PittsburghBusinessTimes.com or call Managing Editor Jennifer Curry at 412-208-3820 with questions.

A few guidelines: Keep it brief and civil and remember to mention which news story you're writing about. No anonymous letters will be printed. All submissions become the property of the Pittsburgh Business Times. Submissions may be edited and may be published or otherwise used in any medium.



BRIAN JENSEN

Tax reform paves way for Clairton comeback

The City of Clairton, a community that helped build our region into the steel center of the world but more recently became a symbol of municipal distress, achieved a major milestone in its journey toward financial solvency when late last year, it emerged from Act 47, a state-wide recovery program that helps fiscally distressed municipalities contain costs, generate additional revenue and operate more efficiently.

Clairton was a once-thriving Mon Valley community with a strong economy, low unemployment and a vibrant business district. But as the steel industry declined in the '70s and '80s, unemployment spiked, the population plummeted and tax base collapsed.

Clairton's fate mirrored that of many steel towns across the region. To help these distressed communities, the Pennsylvania Economy League in 1985 began collaborating with the commonwealth and others to develop Act 47, which was signed into law in 1988. Clairton was among the first municipalities in the state to seek protection through Act 47, and the commonwealth appointed the PEL to draft the city's recovery plan and serve as the recovery plan coordinator.

The city's key fiscal challenge was the collapse of its real estate and earned income tax bases. Collecting the taxes owed to them is a big challenge for municipalities, especially for those enduring financial distress. Not only are populations transient, but at the time, the Earned Income Tax collection



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process was extremely fragmented, inefficient and subject to errors.

As originally written, the law authorized every municipality and school district to name its own EIT collector. Five hundred and sixty EIT collectors operated throughout the state. It was possible, and in some cases likely, that a different tax collector would collect an individual's municipal and school district EIT even though the tax bases, rates, geographies and payers were exactly the same. Furthermore, employers were not required to withhold EIT for nonresident employees, who make up the vast majority of workers. Instead, nonresident employees were required to estimate and submit EIT payments quarterly.

However, employers were required to withhold EIT for resident employees. In the case of banks, restaurant chains, grocery stores and other businesses with multiple branches, stores and sites, the employer was required to determine

each employees' municipality and school district of residence and then calculate and remit to multiple taxing bodies the taxes owed. These fragmented, inefficient and error-prone EIT collection processes burdened employees and employers alike. Not surprising, an enormous amount of tax revenue fell through the cracks of this "system."

The state Department of Community and Economic Development made the reform of EIT collection as a top priority, requesting the assistance of the newly consolidated Allegheny Conference on Community Development and affiliates, which included the PEL. The PEL estimated in 2006 that more than \$237 million in EIT revenue went uncollected each year across the state.

Armed with this research and analysis, the commonwealth drafted the historic reform bill. In 2008, it became law, 20 years after Clairton entered Act 47.

EIT collection reform became an important tool used to bring Clairton out of its severe fiscal decline. Clairton's EIT collection rose from \$359,000 in 2010 to \$947,000 in 2013 – a nearly threefold increase due in part to EIT collection reform and in part to an EIT rate increase.

Today, Clairton is better positioned than it has been in a generation to attract business investment and new jobs. It just shows what can happen when partnership and persistence, over the long term, remain values of our region.