



Tax Collection Committee

Chairman – William Lazor – City of Scranton
Vice Chairman – David Cerra – Carbondale SD
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June 26, 2015

Honorable John Blake
Oppenheim Building
409 Lackawanna Ave, Suite 210
Scranton, PA 18503

Dear Senator Blake:

I am Chairman of the Tax Collection Committee of Lackawanna County (TCC). Our Committee oversees the administration, collection, and disbursement of collections of over **\$70,000,000** of local Earned Income Taxes (EIT) for 46 PSD's in Lackawanna County including one PSD in Wayne County. Needless to say, these revenues are the lifeblood to all of the PSD's we represent and our job is of paramount importance to the fiscal health of each of the PSD's in our jurisdiction. The delegates of our TCC asked me to write to you on behalf of our TCC.

Representatives from each PSD are appointed by the governing body of the PSD to represent that entity as a delegate on the TCC. Our delegates are not compensated by the TCC for their service on the TCC.

As a matter of prudent business practice, we carry Directors' & Officers' (D&O) liability insurance on the TCC delegates. Although we are a very low risk entity since we ourselves do not handle any funds, the expense for the premium on this policy is substantial for us. Our approximate premium costs have risen from approximately \$1,700 when we were formed to \$2,400 this year. The only other quote which we were able to obtain for the coverage was for a premium in excess of \$8,000!

We have been told that the market for this coverage is shrinking and premiums will be more expensive in the future. If the other quote we received was an indicator of our future expense, this D&O coverage alone will consume far more than half of our annual budget. This will erode the savings we have achieved for all of our PSD's through consolidation of EIT collection and administration. This will truly be a shame.

We are not like some of the other TCC's who collect and administer their EIT process (Lancaster, Adams, York, State College, Williamsport, Etc). We hire an independent EIT collector who deals directly with each PSD. Although we are still responsible for the oversight of the EIT process, we have engaged experts in this area to keep our TCC's overhead low and to have the EIT process administered in as efficient manner as possible. (One of the *Ten Guiding Principles of Good Tax Policy* published by the American Institute of CPA's).

Mailing Address: 200 E Grove St, Clarks Summit, PA 18411

If the premium costs are rising due to the loss experience of these other TCC's it is not appropriate that TCC's such as ours be included in a risk pool associated with them. We should not be subsidizing their losses in the risk pool.

Perhaps, TCC's such as ours could receive some type of subsidy from the state to help underwrite the insurance coverage provided for TCC Volunteer/Delegates so that appropriate protection can be provided in a businesslike manner for their service on the TCC. A subsidy to keep our premium costs fixed at the current rate would go a long way to helping maintain the savings achieved through the implementation of Act 32 and the consolidation of the EIT collection process.

Another suggestion might be a state-sponsored program for D&O insurance for non-collecting TCC's like ours which would keep this coverage affordable for all TCC's similarly situated.

In any event, we welcome your comments on this situation and we would be pleased to meet with you or discuss possible solutions to this looming issue so that it may be addressed while we are "pre-need" rather than when we will be "at need" in the future.

Thank you for your time and attention to this important matter. My office phone number is 570-283-2727 and my cell phone number is 570-881-0160

Sincerely,

Tax Collection Committee of
Lackawanna County



William R Lazor, Chairman

Cc: TCC delegates