



1-800-362-1011

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## New Earned Income Tax Collection Law

Recently the State revised the municipal earned income tax collection system. The revisions will give rise to several insurance and bonding issues. Within each county (excluding Philadelphia and Allegheny) a tax collection committee will be established. Municipalities that collect an earned income tax will appoint a representative to the committee. The committee will then select officers and appoint an income tax officer. The income tax officer will be responsible for the collection of the earned income tax. The income tax officer can be an individual, third party firm or tax collection bureau.

The individual you appoint to the committee will be covered by your liability coverage. However, as a joint entity, the Tax Collection Committee can be sued in its name, so the Committee should purchase liability insurance coverage to cover itself. A blanket dishonesty bond should also be considered for the Committee. The Committee will also be responsible for bonding the tax collection officer. H.A. Thomson is ready to help municipalities and new committees as they are formed. Please keep us in mind as questions and coverage needs arise.

## Municipal Construction Issues

There are a number of issues that arise when local governments build new structures. Two areas where we field a number of questions are builders risk coverage and the bonds contractors are required to provide.

We often see two standard construction contract documents. One is the American Institute of Architects (AIA) Contract for Construction; the other is the Engineers Joint Contract Documents Committee (EJCDC) Construction Contract. Both documents contain

important indemnification, insurance, and bonding requirements in the standard conditions of the main contract. The documents also include supplementary conditions which usually **modify** the insurance language contained in the standard conditions.

Builders Risk coverage is a specialized coverage for buildings in the course of construction. When reviewing construction contract documents, it is important to find out whether the owner (municipality) or the contractor is responsible for securing the builders risk coverage. H.A. Thomson will assist you in reviewing your contract and if the municipality is responsible for the builders risk coverage, we will obtain the coverage for you. It is important that we be notified prior to construction commencing in order for us to analyze the contract and secure coverage if needed.

The functions of the various bonds that contractors are required to provide is another area that generates questions. These bonds are the performance bond, payment bond, and bid bond. The performance bond guarantees that the contractor will perform the work as specified in the contract. The payment bond guarantees that suppliers and sub-contractors will be paid for their work and materials. This prevents liens from being placed against the property. Generally, these bonds are written at 100% of the contract amount.

The bid bond accompanies the contractor's bid and ensures that if the bid is accepted that the contractor won't back out of the job. If the contractor does have second thoughts, the bid bond pays the difference between the low bid and the next lowest bid. This bond is usually written as a percentage of the contract amount.

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## PIRMA Workers' Compensation Fund Dividend

Over 300 municipalities participated in the Fund during its 1993 to 1999 existence and the remaining surplus is being returned to the membership as a dividend. The total current payout is \$44,580. The total of all the Fund's dividends was over \$2,000,000.

The PIRMA Workers' Compensation Fund Board of Trustees had retained this surplus to offset potential costs associated with reactivating the Fund as a self-insured program. After a number of years reviewing the state of the commercial workers' compensation marketplace, the Board voted to return the remaining surplus to the membership. The carrier that many members are currently with, EMC Insurance Company, continues to provide competitive pricing in the marketplace. After monitoring their performance for a number of years, the Board did not foresee the need to reactivate the Fund in the near future.

## Route Newsletter To:

Supervisors/Council \_\_\_\_\_ Manager \_\_\_\_\_  
Secretary \_\_\_\_\_ Treasurer \_\_\_\_\_

## Pennsylvania Facts:



**State Bird:** Ruffed Grouse

**State Flower:**  
Mountain Laurel



**State Tree:** Eastern Hemlock

## Heart and Lung Act Publication

H.A. Thomson Company recently published an informational manual on the Pennsylvania Heart and Lung Act. It has been our experience that the Heart and Lung Act has been a source of confusion for municipal administrators over the years. Our manual provides background on the Act, answers to common questions, and sample material for our clients' use. The manual was mailed to all our customers who have a police department. If you would like a copy, please contact us at 1-800-362-1011. Coverage for Heart and Lung Act claims is available.

### Account Managers:

Phone: 1-800-362-1011      Fax: 610-321-1001

Janice Fiandra      Ext. 133

Georgette Gilman      Ext. 140

Mary Ann Knowlan      Ext. 141

Pat Trevisan      Ext. 143