

# Franklin County Area Tax Bureau

Website: <http://www.fcatb.org>

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## Employer Withholding Instructions (rev: 1-2018)

### Earned Income Tax (EIT) and Local Services Tax (LST) Withholding Rates

Jurisdictions	PSD Code*	Earned Income Tax Rates		Comments See Below**	Local Services Tax Rates
		Resident	Non-Resident		
<b>Chambersburg Area School District</b>					
Chambersburg Borough	280101	1.7%	1.0%		52.00
Greene Township	280102	1.7%	1.0%		10.00
Guilford Township	280103	1.7%	1.0%	1	52.00
Hamilton Township	280104	1.7%	1.0%		10.00
Letterkenny Township	280105	1.7%	1.0%		10.00
Lurgan Township	280106	1.7%	1.0%		10.00
<b>Fannett Metal School District</b>					
Fannett Township	280201	1.0%	1.0%		
Metal Township	280202	1.0%	0%		52.00
Toboyne 2 <sup>nd</sup> (Perry County)	280203	1.0%	1.0%		
<b>Greencastle-Antrim School District</b>					
Antrim Township	280301	1.0%	0%		52.00
Greencastle Borough	280302	1.0%	.5%		52.00
<b>Tuscarora School District</b>					
Mercersburg Borough	280401	1.0%	.5%		52.00
Montgomery Township	280402	1.0%	0%	2	52.00
Peters Township	280403	1.0%	.5%	2	52.00
Saint Thomas Township	280404	1.0%	0%	2	
Warren Township	280405	1.0%	0%	2	
<b>Waynesboro Area School District</b>					
Guilford Township 5 <sup>th</sup>	280501	1.0%	1.0%	1	52.00
Mont Alto Borough	280502	1.0%	1.0%		52.00
Quincy Township	280503	1.0%	1.0%		52.00
Washington Township	280504	1.0%	1.0%		52.00
Waynesboro Borough	280505	1.0%	1.0%		52.00

\*These 6 digit PSD codes developed by the Pennsylvania Department of Community and Economic Development (DCED) are required to be used by all employers. For codes outside of our collection area refer to DCED's website: <https://munstats.pa.gov/public/findmunicipality.aspx>.

The above jurisdictions are within our collection area. For residents of these jurisdictions withhold the EIT Resident rate indicated regardless of where in our collection area the employee works. For your employees that work within our collection area; but reside outside of our collection area, you **MUST** withhold EIT at the rate they owe where they reside, or at the **non-resident** rate listed above for the jurisdiction where they work, **WHICHEVER RATE IS HIGHER!** **Contact the Tax Bureau for instructions on reporting withholdings from foreign employees working for you under a VISA.**

\*\* Comments to above table:

(1) There is one small voting precinct in Guilford Township that is in the Waynesboro Area School District (Guilford 5<sup>th</sup>). If you have employees that reside there, they are only liable for a 1% earned income tax. All other portions of Guilford Township are located in the Chambersburg Area School District and would be liable for a 1.7% earned income tax.

(2) This Tuscarora School District jurisdiction exempts residents who are under the age of 18 from the local earned income tax. Therefore, if you hire an employee who is under 18 who is a resident of this jurisdiction, you do not need to withhold the 1% earned income tax. If you do withhold, the employee may apply for a refund from the tax office at year-end. Begin withholding from the first pay on or after the employee's 18<sup>th</sup> birthday.

If your only work location(s) are within the jurisdictions listed above, you must submit all withholdings for all of your employees to this bureau and we will forward the withholdings to the proper jurisdictions based on where each employee lives. If you have work locations in any of the above jurisdictions but also have work locations elsewhere, under provisions of Act 32, you may submit all earned income tax withholdings to one location. If this applies to you, and it is something you would want to do, you may contact our office for information on how to set up reporting in this manner.

If you have employees who work out of their homes, **that is a work location**, and you are required to withhold the earned income tax and local services taxes based on that work location.

If you are not sure how much to withhold from a particular employee, call our office with the name of the county, school district, and municipality (township, borough, or city) where the employee resides and we should be able to provide you with the employee's tax rate. We have a list available of nearby school districts that levy higher tax rates on our website at <http://www.fcatb.org>. The following link to Pennsylvania's Department of Community and Economic Development website may help you in determining the correct tax to withhold as well: <https://munstats.pa.gov/public/findlocaltax.aspx>. Click on "Find Your Withholding Rates by Address."

### **Local Taxable Compensation (Earned Income) Subject To Withholding**

The basis for local taxable compensation (earned income) is the same as the basis for the Pennsylvania state personal income tax with only a couple of exceptions. Clergy housing allowance and active military pay for service within Pennsylvania are both taxable for the state income tax but are not taxable for Pennsylvania local income tax. Taxable compensation includes, but is not limited to: salaries, wages, tips, gratuities, commissions, bonuses, incentive payments, fees, termination pay and other amounts received for performing services. Qualified and non-qualified salary deferral plans provided for under the Internal Revenue Code (e.g. Section 401k's, 403b's, 457b's etc.) are taxed for the Pennsylvania local tax the same way they are taxed for Pennsylvania state income tax purposes. Except for the two items indicated above, if you must report the income as Pennsylvania Taxable Wages on the W-2, or it must be reported as taxable "compensation" for Pennsylvania purposes; then it must also be reported as Local Taxable Income.

### **What Is NOT Local Taxable Compensation (Earned Income)**

Items that are not taxable as compensation for Pennsylvania local tax include the same items that are not taxable for the Pennsylvania state income tax. Non-taxable items include employee IRC Section 125 payroll deductions to cover health insurance premiums and/or medical expense reimbursements, and non-cash compensation in the form of personal use of company property such as a company car.

### **Local Services Tax (LST)**

The LST is based on work location! The LST rates for each jurisdiction within our collection area are listed on the first page. As a result, employers that have multiple business locations must report their employees by work location. This is necessary to assure the proper taxing authority receives the tax.

For individuals **employed within a jurisdiction that levies the LST at a \$10.00 rate**, the full \$10.00 tax is to be deducted from the first paycheck you issue to an employee during the calendar year.

For individuals **employed within a jurisdiction that levies the LST at a \$52.00 rate**, a pro rata share of the tax is assessed for each payroll period in which the person is engaging in an occupation. Employer withholding shall be made on a payroll period basis for each payroll period, beginning with the first payroll period in which the person is engaging in an occupation.

The most common payroll periods and the amounts to withhold per pay are indicated below:

ANNUAL TAX LIABILITY	Number of Payroll Periods and Amount to Withhold Per Pay					
	52*	26*	24	12	6	4
	Weekly	Bi-Weekly	Semi-Monthly	Monthly	Bi-Monthly	Quarterly
52.00	1.00	2.00	2.16	4.33	8.66	13.00

\*For weekly and bi-weekly payrolls, there are calendar years where 1 extra pay is issued. For such years, set a maximum deduction amount of \$52.00 in your payroll system.

### **Exemptions to the Local Services Tax:**

The Local Services Tax (LST) shall be no more than \$52 on each person for each calendar year, irrespective of the number of political subdivisions within which a person may be employed.

All jurisdictions that levy the LST within our collection area exempt any person whose total earned income and net profits from all sources within the political subdivision is less than \$12,000 for the calendar year. Any employee that has LST withheld in one of the above jurisdictions and does not earn \$12,000 income within that jurisdiction, may apply for a refund of the tax withheld. If the employee knows, or expects not to earn \$12,000 within the jurisdiction, an upfront exemption form may be completed. See the next paragraph.

To be exempt from having the tax withheld during the year, an upfront exemption certificate must be completed by the employee each calendar year and submitted to their employer. A copy of the exemption certificate is available on our website. Upon receipt of the exemption certificate the employer shall not withhold the tax from the person during the calendar year or remainder of the calendar year for which the exemption certificate applies. With respect to a person who claimed an exemption from the Local Services Tax, upon notification to an employer by the person that he/she has received earned income and net profits from all sources within the jurisdiction equal to, or in excess of \$12,000, or upon an employer's payment to the person of earned income in an amount equal to or in excess of \$12,000 in that calendar year, an employer shall withhold the Local Services Tax from the person as follows:

The employer shall withhold from the person, for the first payroll period after receipt of the notification under the above paragraph, a lump sum (catch-up) equal to the amount of the tax that was not withheld from the person due to the exemption certificate filed by the person, plus the per payroll amount due for that first payroll period.

In the event the employment of a person subject to withholding of the Local Services Tax under the above "catch-up" provision is severed in that calendar year, the person shall be liable for any outstanding balance of tax due and the political subdivision levying the tax may pursue collection.

In addition to the low income exemption above, each political subdivision levying the Local Services Tax shall also exempt the following persons from the Local Services Tax:

- Any person who has multiple concurrent employers and is subject to a LST at their "Primary" job is not subject to the LST at their secondary employer(s).
- Any person who is an honorably discharged veteran with 100% service-connected disability.
- Any person on active military duty.
- Any person whose occupation is that of a clergy.

Employers shall be responsible for retaining a copy of all exemption certificates filed by employees within a given calendar year for a minimum of three (3) years from the Annual Reconciliation due date of the calendar year the certificate applies to. Employers who have failed to withhold the Local Services Tax from an employee or employees, AND do not have copies of the employee exemption certificate or certificates, will be held responsible for the payment of the Local Services Tax as if the tax had been originally levied against the employer.

### **Reporting Procedures**

**PLEASE check our website for information and instructions on filing your local tax withholdings electronically!**

## Form 511 – Employer Earned Income Tax and Local Services Tax Quarterly Return

Remit the taxes withheld each quarter using Form 511 (Employer quarterly tax return).

If you generate your own report that contains all the information required on Form 511, complete the “header” information and attach Form 511 as a cover to your own report.

For each quarter, report all Earned Income Tax withheld in the EIT column and all Local Services Tax in the LST column of the return. Add interest and penalty if paying late. To adjust a reporting error from a previous quarter in the same year, increase or decrease the reported withholdings on the current return and attach an explanation of the adjustment. Verify all information for accuracy, sign the return and return with a check made payable to the Franklin County Area Tax Bureau. You may issue one check for both the EIT and the LST due. **BE SURE TO ADD THE TOTAL FIGURES FROM BOTH COLUMNS TOGETHER WHEN ISSUING ONE CHECK!**

For employers with work locations that levy a \$52.00 LST, you will likely always have LST to report each quarter since you are to withhold a pro-rated portion of the \$52.00 tax from each paycheck you issue. Employers subject to withholding a \$10.00 LST who have withheld and reported the \$10.00 for all their employees in a previous quarter may not have LST to report in a given quarter. If this is the case, enter “NONE” or 0.00 on the return for the amount of LST withheld.

If you have multiple work locations within different taxing jurisdictions you should receive separate reporting forms for each location. Make sure you report withholdings for each location on the correct return. The work location of an employee determines who receives the LST you withhold and the work location can be a factor in who receives the EIT for an employee if the employee is a non-resident of our collection area.

Electronic filing of your quarterly Form 511 is now available. Refer to our website for information on reporting your withholdings electronically. This is by far the easiest way to report and pay your local tax withholdings.

## Form 541 – Annual Reconciliation of Earned Income Tax and Local Services Tax

At year-end, you must reconcile the total EIT and LST payments you made quarterly. You will receive an Annual Reconciliation of Earned Income Tax and Local Services Tax (Form 541) with your 4<sup>th</sup> quarter tax return.

Follow the line-by-line instructions on the form. Be sure to enclose a copy of every W-2 you issued to employees who worked within our collection area **EVEN** if the employee had no tax withheld because you were not required to withhold. Please put the W-2's in either alphabetical order by last name or in social security number order and include a calculator tape to verify the total “Local Income Tax” withheld on all W-2's.

If you do not report the total LST you withheld during the year on the employee's W-2 form, then you must submit an annual listing of LST withheld for each work location that reconciles to the total quarterly figures reported on your Form 541.

Beginning with your 2016 Tax Year Reconciliation, if you had employees that you did not withhold LST because they completed an Exemption Certificate, submit a listing of those employees with the annual reconciliation. Include their social security number, name, and reason code (1 to 5) for the exoneration. Form LST-E will be available from the Tax Bureau for this purpose.

### **Other forms you may need (Available on our website)**

Certificate of Residence - Any time you hire a new employee, or you have an employee that moves from one residence to another, or has a name change, you **MUST** have the employee complete a Certificate of Residence. Send a copy of the completed Certificate of Residence form to the tax office as they are completed, or you may submit them quarterly with your Form 511.

LST Exemption Certificate – To be used by employees requesting an exemption of the tax for one of the 5 reasons indicated on the form. **When the form is completed and signed, keep the original form on file for 3 years. You will need it when you complete your Annual Reconciliation (Form 541). You only need send them to the tax bureau if requested.**

If you have questions, please contact our Employer Department at (717) 263-5141 extensions 25 or 31 – Monday thru Friday 8 a.m. to 4:30 p.m.