Local Taxes You May Not Know About

Alabama, Indiana, Kentucky, Michigan, & Missouri

An ADP ® Webcast

Friday, November 4, 2011

1 PM Eastern

Housekeeping

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- **The last 10 minutes of today's program have been reserved for Q&A.**

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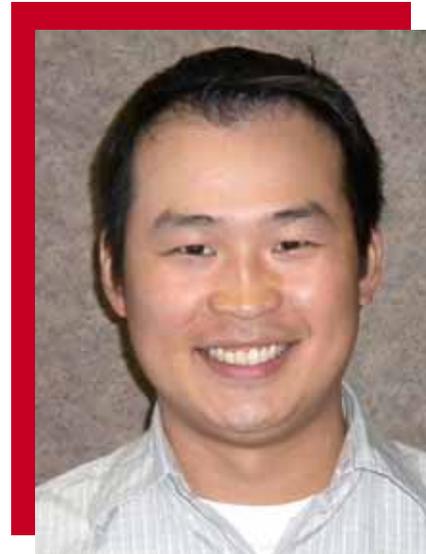
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Agenda

- **Local Tax Guidelines**

- **Local Tax Calculations**

- **Alabama Occupational Taxes**

- **Indiana County Income Taxes**

- **Kentucky Occupational License Fees**

- **Michigan Local Income Taxes**

- **Missouri Earnings Taxes**

- **Q&A**

General Local Tax Guidelines

- **Most local taxes are based on the work location**

- **Some localities impose taxes on residents**

- **Generally, employers are required to withhold the worked-in taxes**

- **Generally, employers are not required to withhold resident taxes**

Workbook Page 1

Local Tax Calculations

- **Method 1**
  Percentage of the employee's taxable wages

- **Method 2**
  Same factors as FIT and SIT (Tax Tables)

- **Method 3**
  Flat dollar amount

- **Method 4**
  Local Services Tax (Pennsylvania only)

Workbook Page 2

Alabama

Key Points

- **Worked-in taxes (license fees)**

- **Employers required to withhold for any tax imposed by the worked-in city or county**

Workbook Page 3

Indiana

Key Points

- **Lived-in county tax**

- **Collected by the state**

- **Employer is responsible for withholding taxes for the county in which the employee lives**

- **Resident and non-resident rates**

- **Lake County – the only county with no tax**

Workbook Page 4

Polling Question #1

- **Which statement is true about Indiana County Taxes?**

A. Employers in Indiana must withhold the county tax based on where the employee works and lives

B. Employers in Indiana must withhold the county tax from Indiana resident employees based on where they work

C. Withholding the county tax is optional

D. Employers in the state of Indiana must withhold the county tax from Indiana resident employees based on where they live

E. Not applicable/Don't know

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Kentucky

Key Points

- **Worked-in tax (occupational license fees)**

- **Employers' responsibilities**
  - Mandatory to withhold the worked-in tax
  - Lived-in school tax may also apply

- **Some special situations/exceptions**

Workbook Page 5

Kentucky Counties

- **If a business is located in a city that imposes a tax and that city is located in a county that also imposes a tax, then both taxes must be withheld**
 - Kenton County is particularly sensitive

Louisville Metro Area

- **Louisville is located in Jefferson County and has been merged into the Louisville Metro Area**

- **This area has both a resident and a non-resident rate**

  – Resident – Occupational License Fee, Transit Authority, and School Board (2.2%)

  – Non-resident – Occupational License Fee and Transit Authority (1.45%)

Workbook Page 6

Boone County

- **Boone County has both resident and non-resident rates**

  - Resident – Occupational Fee, Mental Health Fee, and Board of Education Fee (1.45% total)

  - Non-resident – Occupational Fee and Mental Health Fee (.95% total)

  - Occupational Fee and Mental Health Fee each have own wage limit

Workbook Page 7

Boone County

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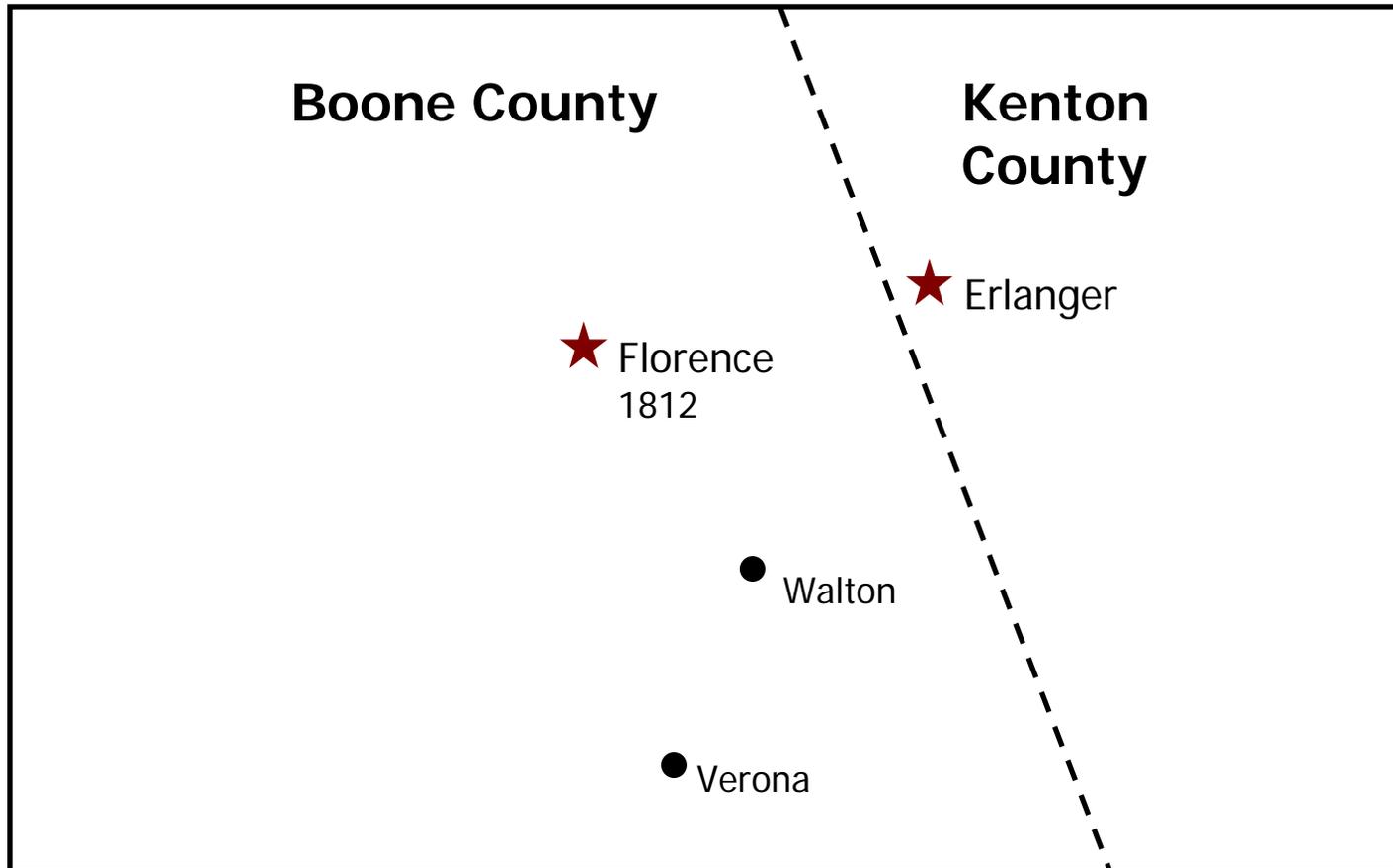
Georgetown/Scott County

- **Georgetown is a city in Scott County**

- **Employers in Georgetown must withhold city, county, and school district tax for residents**

- **Employers in Georgetown must withhold city and county tax for non-residents**

Workbook Page 10

Lexington/Fayette

- **Lexington is a city in Fayette County**

- **Occupational License Fee combines city and county tax into one**

- **Employers in Lexington/Fayette must also withhold Fayette County Public School District tax from residents**

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Polling Question #2

- ## Which statement is true about Kentucky locals?

A. Resident taxes are always optional

B. If a city and county both have their own occupational tax, the employer must withhold both

C. The county taxes are optional

D. School District taxes are always optional

E. Not applicable/Don't know

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Michigan

Key Points

- **Worked-in and lived-in taxes**

- **Cities allow credits to employees for worked-in and lived-in taxes**

- **Employers' responsibilities**

  – Mandatory to withhold the worked-in tax

  – Optional to withhold the lived-in tax

Workbook Page 12

Polling Question #3

- **Which statement is true about Michigan locals?**

A. The employer is obligated to withhold both worked-in and resident taxes

B. If an employee has a tax in the city where they work and a tax in the city where they live, the highest rate would get split between the two cities

C. If an employee has a tax in the city where they work and a tax in the city where they live, they only have to pay the worked-in tax

D. If an employee has a tax in the city where they work and a tax in the city where they live, they have to pay the full amount to both

E. Not applicable/Don't know

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Missouri

Key Points

- **Worked-in and lived-in tax**

- **Employers' responsibilities**
  - Mandatory to withhold worked-in tax
  - Optional to withhold lived-in tax

- **Two cities impose taxes**
  - St. Louis
  - Kansas City

- **St. Louis has an employer-paid payroll expense tax**

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Polling Question #4

- ## True or False?
  The St. Louis Payroll Expense Tax is paid by employers.

  A. True

  B. False

  C. Not applicable/Don't know

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ADP

Q&A

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