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Solving the Mysteries of Pennsylvania Act 32

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HR. Payroll. Benefits.

Housekeeping

- This is one of a number of complimentary webinars that ADP offers to Finance and HR professionals each year
- Today's webinar will last for 60 minutes, ending at 2 pm Eastern
- The last 10 minutes of today's program have been reserved for Q&A
- A .pdf copy of today's slides **AND a handout are available right now** for download
- CPE and/or RCH certificates will be emailed to those who qualify within 30 days of today's broadcast
- Please participate in our brief survey at the conclusion of today's webinar



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- A. CPE Credit Only
- B. RCH Credit Only
- C. Both CPE & RCH Credits
- D. No
- E. Not Applicable

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\$1 Trillion annually

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technology-based SaaS solutions to employers**

Presenters



Debbie Mathewson, CPP
Senior Learning Specialist

Agenda

- PA Earned Income Tax
- How Employers Withhold
- Political Subdivision Codes
- PA Municipality Website
- Philadelphia

Pennsylvania Earned Income Tax (EIT)

Key Points

- Imposed by the employee's resident municipality
- Collected by the worked-in municipality collector
- If the resident and worked-in rates are different, the employer must withhold the higher of the two rates
- Collection process has been restructured to create county-wide Tax Collection Districts (TCDs)
- Collection for School Districts and Municipalities will no longer be separated

Handout Page 1

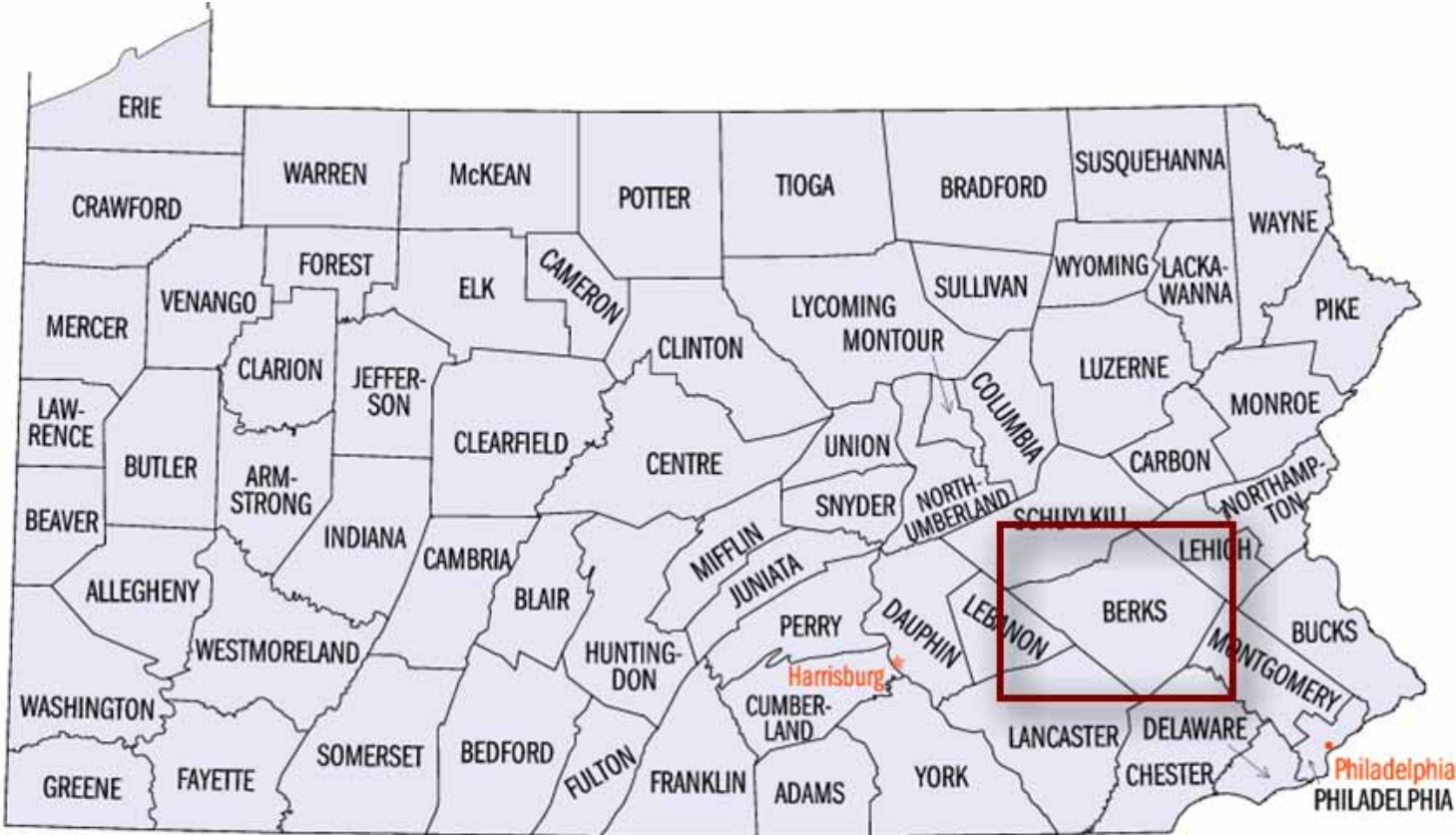
Pennsylvania Earned Income Tax (EIT)

Key Points

- Voluntary or courtesy withholding eliminated
- Employer must withhold and remit Earned Income Tax for all employees working in a TCD
- Number of Tax Collectors reduced from 560 to 21
- Political Subdivision (PSD) codes now required for both worked-in and resident TCDs

Handout Page 1

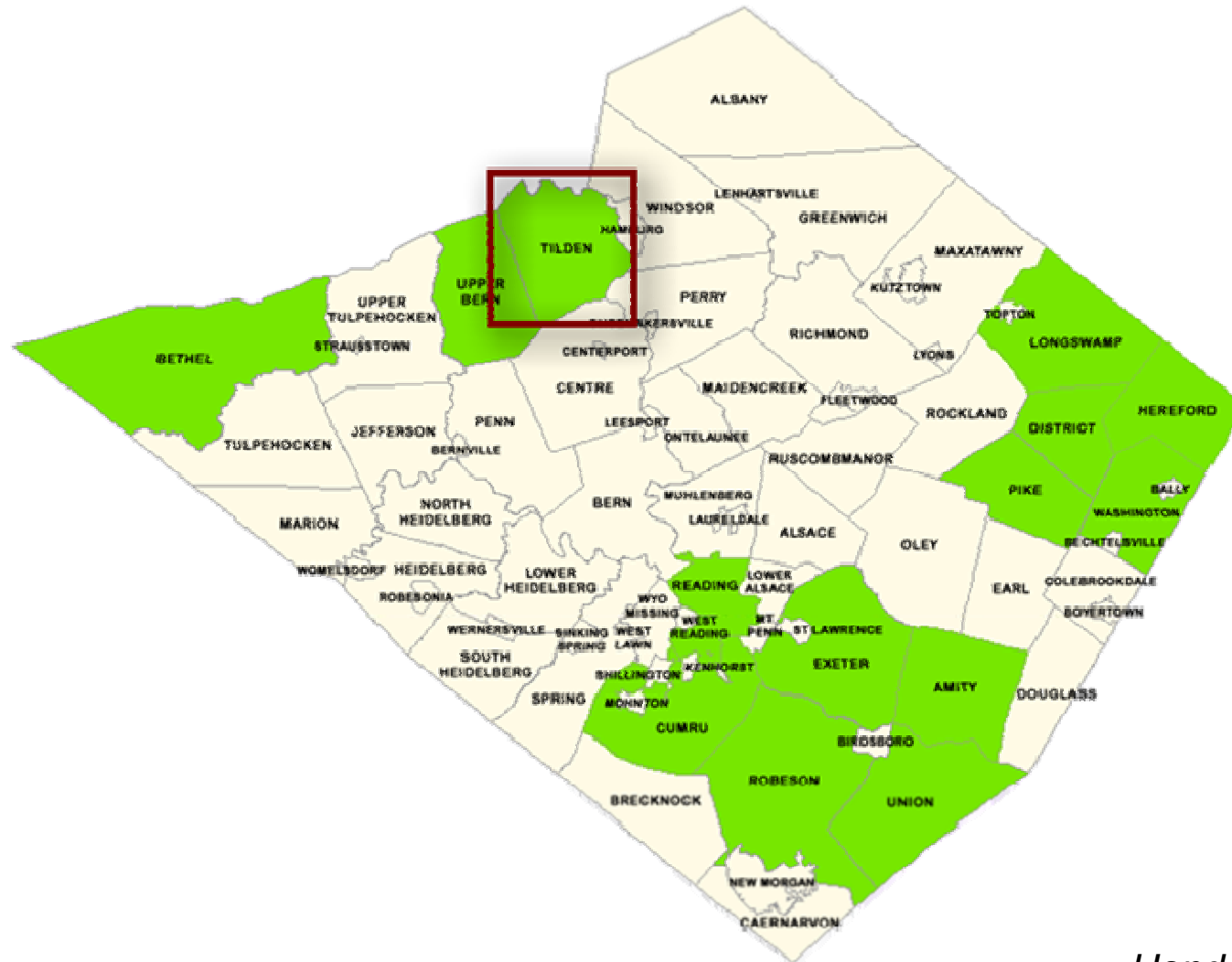
Tax Collection Districts



Handout Page 2



Political Subdivisions



Handout Page 2

Pennsylvania Municipalities

Tilden Township

Hamburg, PA
19526

Polling Question #1

An employer has a business location in Adams Township in Cambria County. Some employees live in Adams, but others live in Dean Township and Lorain Borough. How should the employer remit their taxes?

- A.** All employees' taxes should be remitted to Adams Township
- B.** The employer is only responsible for the Adams Township residents
- C.** The employer should send each employee's taxes to their lived-in jurisdiction
- D.** The employer should check with each employee to see what they prefer
- E.** The employees should be instructed to file their own earned income taxes
- F.** The employer should remit these local taxes to the state for distribution

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Answer to Polling Question #1

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Residency Certification Form

ISSUE 03/2012 (2/13)
COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
GOVERNOR'S CENTER FOR LOCAL GOVERNMENT SERVICES

LOCAL EARNED INCOME TAX RESIDENCY CERTIFICATION FORM

TO EMPLOYERS/TAXPAYERS:
 This form is to be used by employers and/or taxpayers to report essential information for the collection and distribution of Local Earned Income Taxes. This form must be utilized by employers when a new employee is hired or when a current employee notifies employer of a name and/or address change.

EMPLOYEE INFORMATION - RESIDENCE LOCATION

NAME (Last, First, Middle Initial)		SOCIAL SECURITY NUMBER	
FIRST LINE OF ADDRESS (If PG Box, please indicate actual street address)			
SECOND LINE OF ADDRESS			
CITY	STATE	ZIP CODE	DAYTIME PHONE NUMBER
MUNICIPALITY (City, Borough, Township)			
COUNTY	PSD CODE		TOTAL RESIDENT EIT RATE

EMPLOYER INFORMATION - EMPLOYMENT LOCATION

EMPLOYER NAME (Last, First and Middle Initial)		EMPLOYER P.O.	
FIRST LINE OF ADDRESS (If PG Box, please indicate actual street address)			
SECOND LINE OF ADDRESS			
CITY	STATE	ZIP CODE	PHONE NUMBER
MUNICIPALITY (City, Borough, Township)			
COUNTY	PSD CODE		MUNICIPAL NON-RESIDENT EIT RATE

CERTIFICATION

SIGNATURE OF EMPLOYEE	DATE
PHONE NUMBER	EMAIL ADDRESS

For information on obtaining the appropriate MUNICIPALITY (City, Borough, Township), PSD CODES and EIT (Earned Income Tax) RATES, please refer to the Pennsylvania Department of Community & Economic Development website:

www.hewPA.com

Select Get Local Gov Support - Municipal Statistics

Handout Page 3

Withholding and Reporting

Employee	Work PSD	Work Rates	Resident PSD	Resident Rates	Withholding Rate	Remitted to:
John	Tilden Twp 060905	Res - 1.0% NonRes - 1.0%	Tilden Twp 060905	1.00%	1.00%	Tilden Twp (Berks)
Mary	Tilden Twp 060905	Res - 1.0% NonRes - 1.0%	East Union Twp 400513	1.50%	1.50%	Tilden Twp (Berks)
Joe	Tilden Twp 060905	Res - 1.0% NonRes - 1.0%	Bern Twp 061401	1.00%	1.00%	Tilden Twp (Berks)

Handout Page 4

Pennsylvania Website

<http://munstatspa.dced.state.pa.us/Registers.aspx>

The screenshot shows the 'Municipal Statistics Tax Reports' page. The top navigation bar includes links for 'NewPA.com', 'Contact Municipal Statistics', 'About Municipal Statistics', 'FAQs', and 'Log In'. The main content area is titled 'EIT/PIT/LST Tax Registers' and features two main sections: 'Select Register' and 'Select County/Municipality of Interest'. The 'Select Register' section offers three radio button options: 'Earned Income Tax/Personal Income Tax (with tax collector information)', 'Local Services Tax (with tax collector information)', and 'Earned Income Tax/Personal Income Tax and Local Services Tax (no tax collector information)'. The 'Select County/Municipality of Interest' section includes a search box, a 'Map Search' button, and a 'View Report' button. A sidebar on the left contains a navigation menu with categories like 'Tax Reports', '2009 WITHHOLDING RATES', '2009 TAX REPORTS', and 'HISTORICAL TAX REPORTS'. A 'NEWS' section at the bottom of the sidebar contains notices about municipal statistics e-filers and 2010 form due dates.

Handout Pages 6-7

Pennsylvania Website

1 Click **Find Your Withholding Rates by Address**

2 Type the employee's home address in the top section, and the business location address in the lower section

3 Click **View Report**

The screenshot shows the 'Municipal Statistics Tax Reports' page on NewPA.com. The page title is 'Municipal Statistics Tax Reports'. The main heading is 'Find Your Withholding Rates by Address'. Below the heading, it states 'Both Home and Work Location Addresses are required.' There are two sections for address entry: 'Enter your Home Address' and 'Enter your Work Location Address'. Each section has input fields for Street Address, City, State, and Zip. The 'Home Address' section has the following values: Street Address: 909 w leesport, City: leesport, State: PA, Zip: 19533. The 'Work Location Address' section has the following values: Street Address: 752 hex highway, City: hamburg, State: PA, Zip: 19526. A 'View Report' button is located below the work address section. A disclaimer is provided at the bottom of the form, and a note mentions the US Census Bureau's AmericanFactFinder.

1 Click **Find Your Withholding Rates by Address**

2 Type the employee's home address in the top section, and the business location address in the lower section

3 Click **View Report**

Handout Pages 6-7

Pennsylvania Website

This site displays the employee's resident earned income tax liability, the employer's withholding requirement, the PSD codes, and the collector information

The screenshot shows a web interface with a blue header bar containing navigation links and a 'Municipal Statistics' title. Below the header, there is a section for 'Rates as of 12/22/2011 12:24:19 PM'. A table is displayed with columns for 'PSD Code', 'Resident EIT', and 'Nonresident EIT'. The table lists four municipalities: BERN TWP (Home), SCHUYLKILL VALLEY S D (Home), TILDEN TWP (Work), and HAMBURG AREA S D (Work). The first two rows are grouped under the red text 'LIVED-IN LOCAL', and the last two rows are grouped under 'WORKED-IN LOCAL'. Below the table is a 'Tax Collectors' section with two columns: 'EIT' and 'Municipal LST'. The 'EIT' column lists contact information for the Berks Earned Income Tax Bureau, and the 'Municipal LST' column lists contact information for Dorothy McLaughlin at the STA Hill Highway in Hamburg, PA.

	PSD Code	Resident EIT	Nonresident EIT
BERN TWP (Home)	061401	0.500 %	
SCHUYLKILL VALLEY S D (Home)	061401	0.500 %	
TILDEN TWP (Work)	060905		1.000 %
HAMBURG AREA S D (Work)	060905		0.000 %

Tax Collectors	
EIT	Municipal LST
Berks Earned Income Tax Bureau 820 Van Reed Road Wyomissing, PA 19610-1755 (610) 372-5430 Toll-Free: (855) 372-8438 Fax: (610) 372-1102 berks@berksnet.com http://www.berksnet.com	Dorothy McLaughlin STA Hill Highway Hamburg, PA 19526 (610) 562-9804 Fax: (610) 562-5490

Handout Page 8

Polling Question #2

ACME Retail Services has an office with employees working in Duquesne City, where the earned income tax rate is 1.65% for residents and 1.30% for nonresidents. One of their employees lives in Edgewood Boro where the earned income tax rate is 1.00%. In 2012, what rate will ACME be required to withhold from this employee?

- A.** 1.00%
- B.** 1.65%
- C.** 1.30%
- D.** 0.50%
- E.** 2.65%
- F.** 0.35%

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Answer to Polling Question #2

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- E.** 2.65%
- F.** 0.35%

Philadelphia

- Not part of Act 32
- Possible Philadelphia scenarios

Handout Page 9

Polling Question #3

An employer has a business location in Plymouth Township, where the nonresident rate is 1.0%. One of the employees working at this location lives in Philadelphia. How should the employer handle the tax for this employee?

- A.** Withhold the Philadelphia tax; remit it to Philadelphia
- B.** Withhold the Plymouth Township tax; remit it to Plymouth Township
- C.** Withhold the Philadelphia tax; remit it to Plymouth Township
- D.** Withhold the Plymouth Township tax; remit it to Philadelphia
- E.** The employer is not required to withhold the earned income tax in this situation
- F.** Withhold both the Plymouth Township and Philadelphia taxes and remit to both collectors accordingly

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- B.** Withhold the Plymouth Township tax; remit it to Plymouth Township
- C.** Withhold the Philadelphia tax; remit it to Plymouth Township
- D.** Withhold the Plymouth Township tax; remit it to Philadelphia
- E.** The employer is not required to withhold the earned income tax in this situation
- F.** Withhold both the Plymouth Township and Philadelphia taxes and remit to both collectors accordingly

Q&A



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