



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

Pennsylvania Act 32

By now, you as an employer have probably already received information, or have read about the upcoming changes to the collection and submission of tax for local wage withholding taxes beginning in 2012 for Pennsylvania residents.

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Act 32 provides a restructuring of the local tax collection system for our State's municipal governments and school districts. Part of these changes requires counties to provide a sole collector for applicable local taxes withheld at the employer level. Some of you may already be in compliance with the changes, if the municipality where your business is located has implemented this change within their collection systems.

Act 32 was passed in the State of Pennsylvania to help local governments in determining what monies they can rely on, and to assist them in collecting tax dollars more efficiently throughout the year. The Act has helped to standardize the collection process within localities, and has aided in determining proper withholding requirements for individuals. In order to achieve this goal, however, the 'burden of proof' regarding proper recording and reporting has been placed on employers.

Previously, employers were only required to withhold local tax for employees residing in the same district as their employer's business. With Act 32, consideration is given to both the employer location, and the employee's residence, in determining the rate of local tax to be withheld. What this means is the new regulations require that local taxes be withheld based on the higher rate, either that of the employee's residence, or that of the business location, whichever rate is greater.

Making sure you will be in compliance with collection regulations is a must going forward. Herein we will define several tools to help make this compliance process easier on you and your employees.

What to do now to be in compliance for 2012.

The first step is to determine the tax collection office (TCO) for your location. This is determined by your county of residence. If not yet registered with your TCO, you should look into completing this process as an employer. You should have this registration in place prior to the fourth quarter, 2011.

During the fourth quarter, you will need to provide your employees with Residency Certification forms, which collects information such as name, address, social security number, contact information and locality in which they reside. This information will be used to register them with the TCO. Collection of this information is necessary for proper determination of withholding and reporting of local taxes collected. Each time an employee submits an address change, a new Residency Certification form must be completed, and reported timely to the TCO. The Residency Certification forms must be kept on file similar to the record-keeping requirements of the federal Form W-4.

Residency Certification Form

Below is a link to the required registration form.

http://www.newpa.com/webfm_send/1605

PSD Codes

Additionally, the Residency Certification form requires employees to indicate a PSD code. This code will be used to determine the correct school district, municipality or local taxing office for the employee. These codes can be found at the following site.

http://www.newpa.com/webfm_send/1627

Local Tax Rates

If you need to determine your local withholding rate, or confirm your home or office location's municipality, the following link allows you to enter information, and will assist you in this search. Local tax rates are also available at this link.

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



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 PO Box, please include 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	
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		

EMPLOYER INFORMATION - EMPLOYMENT LOCATION			
EMPLOYER NAME (Use Federal ID Name)			EMPLOYER FEIN
FIRST LINE OF ADDRESS (If PO Box, please include 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	
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		

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.newPA.com
 Select Get Local Gov Support, >Municipal Statistics