


# Local Tax Overview

Earned Income Taxes  
Act 32 – Act 18


# Employer requirements

- ▶ Employers are required to register each of their work sites with the collector for that tax collection district.
  - ▶ Collector will provide unique identifier for each location to be used to file under.
  - ▶ Employer is required to obtain a Certificate of Residency for each employee of location and retain it on file.
  - ▶ Tax rates used for withholding are to be verified bi-annually. (Jan. 1 and July 1).
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# Employer Withholding Requirements

- ▶ There are two tax rates that an employer must consider when calculating the proper amount of tax to withhold. They are based on the DCED's Official Tax Register.
- ▶
  - The employees resident tax rate or, the non-resident tax rate for the jurisdiction where the business is located
- ▶ If a community where a person works has a non-resident tax, and that tax rate is higher than the tax rate where that person lives, the community where he or she works is entitled to the difference.

# Employer filing requirements

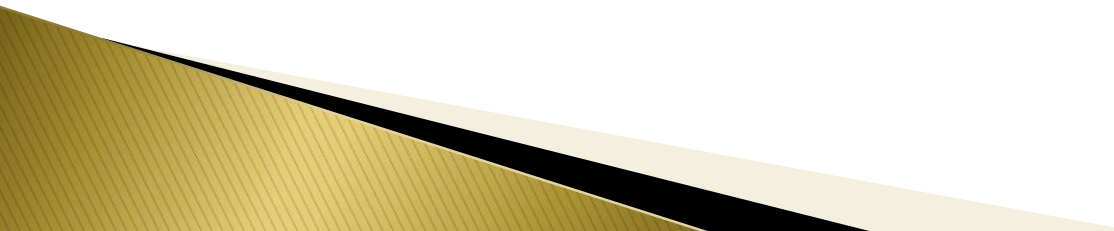
- ▶ Employers who have now assigned their employees to work from home are required to register the employee's home as a work site if:
    - Work assignment has been for a period exceeding 90 consecutive days
    - Or if the change has been made permanent for the foreseeable future.
    - This requirement applies to employers located in the City of Philadelphia as well.
    - Tax rate to be applied is employee's home rate including LST if one is in place in the jurisdiction.
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# Employer filing requirements

- ▶ Employers must file a quarterly return and are required to pay the amount of tax withheld during the preceding period at that time.
  - ▶ Businesses with places of employment in multiple counties can choose to submit all of their withholding information and payments to one county collector, to do so the employer must agree to:
    - Give 30 day notice to the Collector they intend to file with
    - Notify all of tax entities it has locations in of their intent to file one consolidated return
    - file electronically
    - file every 30 days
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# Employer Filing requirements

Employers must provide:

- Each employee's name, address, and social security number. (Address cannot be a PO Box, must be street name and house number)
  - Each employee's compensation during prior 3 months. (Or the prior month if using statewide option)
  - Tax amount deducted from each employee.
  - Provide the proper Political Subdivision Code for each employee.
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# Employer filing requirements

Employers must provide

- If an employee moves during the reporting period, the employer will need to list the employee's wages attributed to each PSD separately on the return filed.
- Beginning with the 2018 Tax Year, the information to be shown in the "Locality Box" on the W-2 will be the 6 digit PSD code for where the employee was employed for the wages shown. If the filer is utilizing the statewide option, they will be required to provide the 2 digit County code to whom the funds were sent to as well.

# W-2 Information

- ▶ Information in Box 18 should indicate total wages paid in 2023 as reported to PSD # shown in Box 20
- ▶ Box 19 should indicate taxes remitted to the county collector for PSD # in Box 20
- ▶ Information to be placed into Box 20 of the 2023 W-2 is to be the 6 Digit PSD # of the location that the wages are attributed to.
- ▶ If taxpayer had funds submitted for work in multiple PSD #'s (such as in wages reported to City of Philadelphia) these must be shown as separate line items or on separate W-2's.
- ▶ For employers using the statewide filing option they must also include 2 digit county code funds sent to as well. (Example – Wal Mart W-2: 460101-46)



22222		a Employee's social security number XXX-XX-9999		OMB No. 1545-0008			
b Employer identification number (EIN) 23-1234567			1 Wages, tips, other compensation 60725.76		2 Federal income tax withheld 7865.82		
c Employer's name, address, and ZIP code ABC SUPPLY CO. INC. 1234 WEST MANLEY RD WESTFALL, PA 99999			3 Social security wages 64373.57		4 Social security tax withheld 3991.21		
			5 Medicare wages and tips 64373.57		6 Medicare tax withheld 933.42		
			7 Social security tips		8 Allocated tips		
d Control number			9 Verification code		10 Dependent care benefits		
e Employee's first name and initial      Last name JOHN Q PUBLIC 123 WEST HALLOWEEN ST WEST FALL, PA 99999			11 Nonqualified plans		12a		
			13 Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b		
			14 Other		12c		
					12d D   4098.81		
f Employee's address and ZIP code							
15 State	Employer's state ID number 1201 9999	16 State wages, tips, etc. 64374.57	17 State income tax 1976.23	18 Local wages, tips, etc. 64374.57	19 Local income tax 643.75	20 Locality name 151203	

Form **W-2** Wage and Tax  
Statement

**2018**

Department of the Treasury—Internal Revenue Service

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1201 9999						19 Local income tax 320.75	
						20 Locality name 151203	
						32,300.00	
						1128.80	
						510101	

**Form W-2 Wage and Tax Statement**  
Copy 1—For State, City, or Local Tax Department

2018

Department of the Treasury—Internal Revenue Service

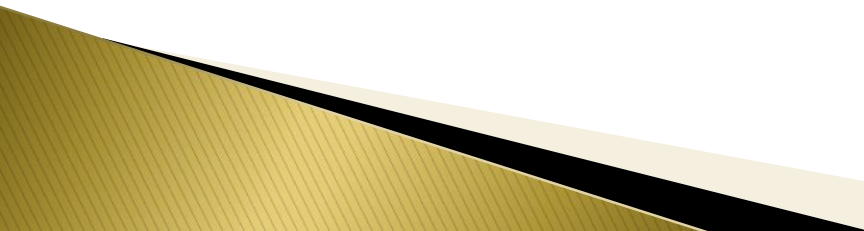
# Individual Filings

- Local filings are due on same date as Pennsylvania filings.
- Local returns are filed as individuals so spouse's income, withholdings and credits must be reported separately.
- Definitions of Earned Income and Net Profits mirror those of PA, so if taxable to PA, taxable locally. The exception is Clergy Housing allowance. Which is taxed by PA but is not taxed locally.
- Individuals may not utilize Net Losses from the operation of a business as an offset against W-2 wages earned. (Follows the same rules as PA)

# Individual Filings

- When filing a local return taxpayers are required to include the following information along with the return:
  - W-2 forms – listing local taxes being claimed
  - Supporting schedules for Net Profits/Losses reported
  - Copy of Non-resident Tax returns for non-reciprocating states for which credit is taken.
  - Copy of ACT 172 Volunteer Form if Credit is used.

# City of Philadelphia – Wage tax

- ▶ Credit for taxes paid (wage and/or net profits) to the city are eligible to be applied to taxes due on the taxpayer's wages/net profits earned regardless of where those wages were earned. This credit is often referred to as a "Super Credit".
  - ▶ They may also be applied against all tax types (Open Space/Occupation Elimination and Distressed) the taxpayer is subject to.
  - ▶ This credit cannot be transferred to a spouse.
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# City of Philadelphia – Wage tax

Gross Income	(1) \$100,000.00
Wages Taxed in Philadelphia	\$ 70,000.00
Local Tax 1% x .01	(2) \$ 1000.00
Tax paid to Philadelphia	(3) \$ 2425.50
Credit to be used against Local Tax	(4) \$ 1000.00

On Line 10 of the tax return, enter this amount (4)  
or the amount on Line 2 of worksheet, whichever is less

- ▶ If the taxpayer has also paid local taxes and the total credit due (city credit + PA local taxes) exceeds their tax liability, the taxpayer is eligible to receive a refund up to the PA local amount paid.

# Out of State Credit

- ▶ With the passage of ACT 18 of 2018, Out of state credits may now be applied to Open Space Taxes (ACT 153), or Occupational Elimination Taxes (ACT 24/130).
  - ▶ This change applies to Tax Year 2018 and forward only.
  - ▶ Out of State Credits are still not permitted to be applied to taxes levied under ACT 1 – Real Estate Reduction Taxes that are levied by a number of School Districts in the Commonwealth. In those areas credits are still capped at the tax rate not attributed to this levy.
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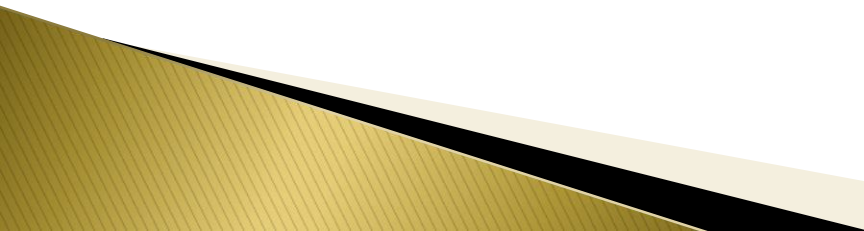
# Out of State Credit

- ▶ Example based on tax rate due Skippack Twp/Perkiomen Valley SD where rate is 1.65% (1% – ACT 511 – .25% – ACT 153 and .4% – ACT 24)

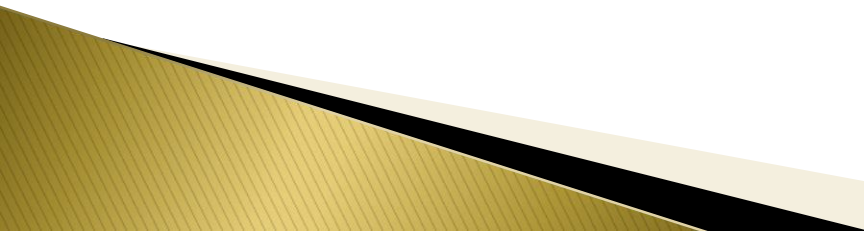
TOTAL TAXABLE EARNINGS	\$ 100,000.00
GROSS INCOME TAXED IN NY	\$ 70,000.00
TAX PAID TO NEW YORK (4.58%)	\$ 3,666.00
PENNSYLVANIA TAX DUE (3.07%)	\$ 2,149.00
REMAINING CREDIT LEFT (\$3,666 - \$2,456)	\$ 1,517.00
LOCAL TAX ON NY EARNINGS (1.65%)(70,000)	\$ 1,155.00
MAXIMUM CREDIT (CREDIT = TO TAX ON NY TAXABLE WAGES)	\$ 1,155.00
LOCAL LIABILITY ON FULL EARNINGS (\$100,000 *1.65%)	\$ 1,650.00
TAX LIABILITY AFTER CREDIT (\$1650 - \$1155 CREDIT)	\$ 495.00



# Act 172 of 2016/Act 191 of 2020

- ▶ Gives municipalities the right to provide a credit to resident volunteers who meet the criteria that has been established to qualify. (i.e. based on service time and # of calls responded to.)
  - ▶ The credit in most areas is restricted to municipal portion of taxes levied under Act 511 only. Unlike Out-of-State credits this one cannot be applied to Open Space or Occupation elimination levies in place.
  - ▶ School District's (Act 191) now have the ability to agree to allow the credit on their portion of Act 511 taxes as well.
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# Act 172 of 2016/Act 191 of 2020

- ▶ Qualifying volunteers will receive certificate of eligibility from their organization.
  - ▶ The form details maximum credit allowed and tax rate it can be applied to. It must be signed by an authorized representative of the volunteer organization and a representative of the taxing jurisdiction.
  - ▶ Form needs to be included with filing for the year it is earned in.
  - ▶ Credit given cannot exceed taxes paid to resident municipality and cannot be transferred to spouse.
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# LOCAL EARNED INCOME TAX – VOLUNTEER CREDIT CERTIFICATE

Tax Year \_\_\_\_\_

## **APPLICATION FOR REFUND OF MUNICIPAL EARNED INCOME TAX FOR VOLUNTEER SERVICES PROVIDED TO EMERGENCY SERVICE ORGANIZATION(S)**

A copy of this application for credit towards your Local Earned Income Tax (EIT) must be completed by the authorized representative for each organization you provided volunteer services to and have met Worcester Township, Montgomery County requirements to qualify for exemption in the above noted year. Once completed, the approved, signed copy of this certificate must be supplied with your Local Earned Income Tax Return for the above noted year.

**Credit will not be allowed without signature of the authorized representative.**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Social Security #: \_\_\_\_\_

Phone #: \_\_\_\_\_

The above named taxpayer has met all of the service requirements in place to be eligible to receive credit for .5% of their total EIT paid up to the maximum \$ 1000.00 established by Worcester Township, Montgomery County.

As the authorized representative of \_\_\_\_\_, I hereby affirm their eligibility to receive credit for the tax year named above.

Authorized Representative Name: \_\_\_\_\_

Authorized Representative Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## **TAXPAYER INFORMATION**

Once this application has been completed by the authorized representative, please complete the worksheet below and include original with your Local Earned Income Tax Return. Credit given may not exceed .5% of your total taxable wages paid for the year or the maximum credit (\$1000.00) allowed as specified by Worcester Township, Montgomery County. You should enter the smaller of the 2 figures below as credit on line 12, along with any other credit described for this line.

## **VOLUNTEER CREDIT WORKSHEET**

EARNED INCOME: As shown on line 8 of your return..... (1) \_\_\_\_\_

Local tax .5% (.005)..... X \_\_\_\_\_

(2) \_\_\_\_\_

Maximum Credit as noted on above..... (3) \$1000.00

CREDIT to be used against Local Tax on line 12 enter this amount

Or the amount on line 2 of worksheet, whichever is less..... (4) \_\_\_\_\_


# Credit Calculation where work rate is greater than home rate

- ▶ Non-resident rate higher than home location.

1	2	3	4	5	6	7
LOCAL WAGES	TAX WITHHELD	HOME RATE	WORK LOCATION	COLUMN 4 - COLUMN 3	DISALLOWED WI CREDIT	CREDIT ALLOWED
<u>(W2 BOX 16 OR 18)</u>	<u>(W2 BOX 19)</u>	<u>          </u>	<u>NON-RESIDENT TAX</u>	<u>(IF LESS THEN 0 - ENTER 0)</u>	<u>(COLUMN 1 X COL. 5)</u>	<u>(COLUMN 2 - COL. 6)</u>
\$ 50,000.00	\$ 640.00	1.00%	1.28%	0.28%	\$ 140.00	\$ 500.00
\$ 50,000.00	\$ 640.00	0.75%	1.28%	0.53%	\$ 265.00	\$ 375.00

1. Credit to be inserted on line 9 of local return is found in column 7 of the worksheet.

# Errors from the Field

- ▶ Common errors seen
  - 1. Taxable amounts reported to PA for early distributions from a retirement account (1099-R), not included on the local return. Since PA considers early withdraws (Code 1 or 2 – 1099-R) compensation. it needs to be reported as such locally as well.
  - 2. Requests for refunds on taxes withheld in work location that exceed the taxpayers resident tax rate. Funds remain in work location. If withheld in error – letter from employer stating such is required.
  - 3. Taxpayers on extension have not notified collector of this fact.
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# NEW FEATURES! Welcome to the BerkApp

- ▶ Berkheimer Tax Innovations has been hard at work developing an exciting new mobile app to help make filing your local taxes easier and more convenient than ever. New features on our mobile app are now LIVE!
- ▶ **New Features:**
- ▶ If you need to respond to a correspondence or inquiry from our office, you can simply type in a quick response and take a pic of the correspondence and any supporting documentation that has been requested. No need to write a letter or physically send in documents. Quick and easy is our goal.
- ▶ If you have received a balance due letter or delinquent tax notice from us, you can now pay it through the app.
- ▶ **The App currently supports two types of filers:**
- ▶ If you have just a W2 and no other Schedules or Forms, you can easily file by just taking a picture of the W2 and entering a few fields. This should be a quick and easy way to file.
- ▶ If you have a completed paper return that includes any type of schedule or form, you can use your phone or tablet to take pictures of each page and upload them as your filing.
- ▶ If you moved during the tax year or lived out of state, then unfortunately you cannot file using the app at this time.

# Berk-APP

## Share the BerkApp

Copy and paste the following link to share information about our mobile app on your website or social media!

<https://www.hab-inc.com/berk-app/>

**Get the Berk App now and see how simple filing can be!**



# Contact information

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  - (610) 588-5765 (fax)
  - [jhunt@hab-inc.com](mailto:jhunt@hab-inc.com)
  - [www.hab-inc.com](http://www.hab-inc.com) – ACT 32 Information