



Act 32 Employer Fact Sheet

A. Summary of Act 32

Pennsylvania Act 32 of 2008 provides for:

- the consolidated collection of Earned Income Taxes through newly formed countywide Tax Collection Districts,
- formation of Tax Collection Committees to govern the process,
- the appointment of a single Tax Collector for each county,
- universal withholding of taxes from employees' pay checks,
- uniform rules regarding distribution of funds, and
- the appointment of a Tax Appeal Board
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B. Effective date in Washington County

For Washington County employers Act 32 requirements will go into effect for wages paid after January 1, 2012.

C. Employers subject to the Act 32 requirements

All employers having an office, factory, workshop, branch, warehouse or other place of business within any Tax Collection District who employs one or more persons, other than domestic servants, for a salary, wage, commission or other compensation are subject to Act 32.

D. Employer registration

If not previously registered, an employer shall, within 15 days after becoming an employer, register with the Washington County Tax Collection District's tax collector, Keystone Collection Group, for the place of employment the name of the address of the employer and such other information as the Pennsylvania Department of Community and Economic Development (DCED) may require.

E. Certificate of Residence - employer/employee requirement

Every employee must complete a Certificate of Residence. (See attached) The Certificate of Residence form serves to identify the political subdivisions where an employee lives and works. The certificate is a form for local taxes analogous to the Federal Employee's Withholding Allowance Certificate (Form W-4). Any employee who changes their address or domicile must complete a new Certificate of Residence.

IT IS EXTREMELY IMPORTANT THAT THE DESIGNATION OF THE MUNICIPALITY AND SCHOOL DISTRICT OF THE EMPLOYEE DOMICILE ADDRESS BE CORRECTLY STATED. The city listed in an employee's mailing address is not the same as the municipality and school district in which the employee resides. If an employee is uncertain of the correct municipality and school district, the employer has a duty to assist the employee in determining the correct municipality and school district. If the employer has difficulty determining the correct municipality and school district, the employer should consult with the Keystone Collection Group.

Employers are required to retain the signed Certificate of Residence as they do Federal W-4 forms. Copies of a Certificate of Residence are to be supplied to Keystone Collection only upon request.

F. Determining the amount of tax to be withheld

Employers are responsible for determining the amount of tax to be withheld. Most employees are subject to Earned Income Tax levied by the municipality and school district where they reside. For employees working in the City of Washington they are in addition subject to a non resident Earned Income Tax levied by Washington.

Every employer should take the following steps to determine the amount of tax to withhold from each employee:

1. Determine the municipality in which the person's place of employment is located.
2. Determine from the Certificate of Residence the municipality and school district in which the employee resides.
3. Determine from the DCED tax register whether any income tax is levied on non-residents by the municipality in which the employee's place of employment is located—and if so, the tax rate. If levied on non-residents, this is the employee's non-resident tax rate.
4. Determine from the DCED tax register whether any income tax is levied by the municipality and school district in which the employee resides. If levied, the combined municipal and school district rate is the employee's resident tax rate.
5. Withhold tax at the greater of the resident tax rate or the non-resident tax rate.
6. If an employee moves, the employer must require the employee to file a new Certificate of Residence, and the employer must repeat steps 1 through 5.

So as to avoid being subject to penalties and fines, it is extremely important that the employer exercise utmost care in determining the correct resident and non-resident tax rate.

G. Employer reporting and returns

While Keystone Collection Group will accept paper returns Employers are encouraged to use the online filing process. The online filing process is designed to ease the burden on employers, increase the accuracy of submittals and speed the process by which taxes are paid to Washington County municipalities and school districts.

Single Site Employers – employer with a single place of employment in one Tax Collection District

Within 30 days following the end of each calendar quarter, an employer shall file a quarterly return and pay the amount of income taxes deducted during the preceding calendar quarter to the tax collector for the place of employment for each employee.

Multi-Site Employers - employer with place of employment in more than one Tax Collection District

A multi site employer may report quarterly for each place of employment as described above for Single-Site Employers.

Alternatively within 30 days following the last day of each month, the employer may file the tax return information and pay the total amount of income taxes deducted from employees in all Pennsylvania work locations other than Philadelphia during the preceding month to the tax collector in either the Tax Collection District in which the employer's payroll operations are located or in the Tax Collection District as determined by the Pennsylvania Department of Community and Economic Development. Under this option the return and income taxes deducted must be filed and paid electronically. An employer must file a notice of intention to file combined returns and make combined payments with the tax collector for each place of employment at least one month before filing its first combined return or making its first combined payment.

Out-of-State Employers

Multi-site out of state employers have the same options in state multi-site employers.

The following information must be reported:

1. The name, resident address and Social Security number of each employee
2. The compensation of the employee during the period covered by the return (preceding month or preceding 3 months)
3. The total income tax deducted from the employee and paid with the return.
4. The Political Subdivision Code (PSD) Code of the political subdivision imposing the resident income tax upon the employee. The Political Subdivision Code (PSD) Codes are published on the Pennsylvania Department of Community and Economic Development's website.
5. The name of the municipality and school district of the political subdivision imposing the resident income tax upon the employee.
6. The employment place location address of each employee. This is the address of the location where an employee is normally based and conducts daily activities. For example, an employee working in the construction field will normally have a base location from which they begin each day's work.
7. The Political Subdivision Code of the municipality and school district imposing the non-resident (employment place) income tax upon the employee
8. The name of the municipality imposing the non-resident (employment place) income tax upon the employee
9. The total compensation of all employees during the period covered by the return
10. The total income tax deducted from the employees and paid with the return

Inclusion of incorrect information might lead to payment of tax to the wrong school district or municipality, and might lead to liability of the employer for tax amounts.

H. Monthly remittance required for delinquent employers

An employer who for two of the preceding four quarterly periods has failed to deduct or pay over the proper amount of tax may be required by the tax collector to file returns and pay tax monthly. In such cases, payments of income tax shall be made to the tax collector on or before the last day of the month succeeding the month for which the income tax was withheld.

I. Annual employer and employee returns to be filed with tax collector

On or before February 28 of the succeeding year, an employer must file with the tax collector where income taxes have been deducted and remitted. Washington County employers will be able to file this information using Keystone Collection Groups online:

1. An annual return showing, for the period beginning January 1 of the current year and ending December 31 of the current year, the total amount of compensation paid, the total amount of income tax deducted, the total amount of income tax paid to the tax collector and any other information prescribed by the tax collector or Pennsylvania Department of Community and Economic Development.
2. An individual withholding statement, which may be integrated with Form W-2, for each employee employed during all or any part of the period beginning January 1 of the current year and ending December 31 of the current year, setting forth the address and Social Security number, the amount of compensation paid to the employee during the period, the amount of income tax deducted, the amount of income tax paid to the tax collector, the numerical code prescribed by the Pennsylvania Department of Community and Economic Development representing the Tax Collection District where the quarterly or monthly payments were remitted and any other information prescribed by the tax collector or Pennsylvania Department of Community and Economic Development. Every employer shall furnish one copy of the individual withholding statement to the employee for whom it is filed.

J. Discontinuance of business

An employer who discontinues business prior to December 31 of the current year shall, within 30 days after the discontinuance of business, file returns and withholding statements required under Act 32 and pay the income tax due.

K. Tax collector transition

Each Washington County Municipality and School District will determine for itself whether the final quarterly returns for wages earned in 2011 are to be sent to their existing Earned Income Tax collector or to Keystone Collection Group. Washington County employers should contact the municipality and school district to whom they currently remit Earned Income Taxes and seek clarification on where the 2011 Employer Annual Tax Return is to be filed.

L. Employer liability for payment of Earned Income Taxes

An employer who willfully or negligently fails or omits to make the required deductions shall be liable for payment of income taxes which the employer was required to withhold to the extent that the income taxes have not been recovered from the employee. The failure or omission of any employer to make the deductions does not relieve any employee from the payment of the income tax or from complying with the requirements for filing of declarations and returns.

M. Penalties for noncompliance

If tax is not remitted when due, the employer is required to pay interest at a rate established by the Commonwealth of Pennsylvania on the unpaid income tax amount, and an additional penalty of 1% of the unpaid income tax amount for each month or fraction of a month during which the income tax remains unpaid. Additional penalties may apply as stated in tax ordinances of municipalities or tax resolutions of school districts.

If the tax is not remitted or paid when due, the employer is also liable for costs of collection. An employer who fails, or neglects to comply with certain provisions of Act 32, can be sentenced to pay a fine of up to \$2,500 for each offense and reasonable costs. In default of payment of the fine and costs can be imprisonment for up to six months.

In addition, an employer who willfully fails to collect or truthfully account for and distribute income taxes commits a misdemeanor and shall, upon conviction, be sentenced to pay a fine up to \$25,000 or to imprisonment not exceeding two years, or both. Additional criminal penalties apply for supplying false information.



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 <div style="display: flex; justify-content: space-around; width: 100%;"> </div>		TOTAL RESIDENT EIT RATE

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 <div style="display: flex; justify-content: space-around; width: 100%;"> </div>		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.newPA.com
 Select Get Local Gov Support, >Municipal Statistics