

IMPORTANT LOCAL TAX NOTICE

Please note the important local payroll tax changes effective for 1/01/08:

Formally known as the OPT (Occupational Privilege Tax) and the EMS (Emergency Municipal Services Tax), the New LST (Local Services Tax) will take effect January 1, 2008.

Here are the key items to know and think about BEFORE preparing your first payroll in the New Year:

- The tax will no longer be known as the OPT or EMS tax. The name has officially changed to the Local Services Tax or LST. The LST is intended to reduce property taxes.
- The Tax is effective starting January 1, 2008
- Please see our website for a table with your local services tax rate. The rate is determined by the physical location of your business, where the employee works.
- **If your tax is still at \$10, nothing has changed for you regarding your withholding from the employees. The \$10 must be withheld from the first paycheck of the year.**
- **Any LST amount exceeding \$10, employers are no longer allowed to withhold the tax on a ONE-time occurrence.** Employers must now withhold the tax on a pro-rate basis determined by the number of payroll periods established by an employer for a calendar year. Additionally, withholdings are **NOT** to exceed \$1.00 per week. For example; if you are an employer paying your employees bi-weekly, you must withhold \$2.00 from their pay each payroll period for the entire calendar year. (\$2.00 each pay multiplied by 26 pay weeks= \$52).
- Employers are only required to withhold the LST tax on a payroll period that the employee is employed. That being said, if your employee does not work and does not receive a paycheck, there is no withholding.
- There is a low income exemption. If your LST is \$10 or less each township, city and borough are *permitted* to exempt employees whose total income and net profits are less than \$12,000. If your LST rate is greater than \$10 the political subdivision is *required* to exempt those employees.
- In order to receive upfront exemption, an employee **MUST** file an annual exemption form with the township, city or borough and their employer. It is **NOT** the employer's responsibility to file for the exemption or to monitor the employee earnings, unless they filed an exemption.

- Employers must make this exemption form available to all employees, and give to newly hired employees as part of your new hire packet.
- Employers are responsible to “restart” withholding the LST when their employee files and exemption certificate if:
 - The political subdivision requires them to do so
 - If the employee notifies them to say they are no longer eligible
 - If you as the employer know you are going to pay your employee more than \$12,000 for the calendar year.
- Employers that need to “restart” the withholding can do so with a “catch-up” one lump sum deduction to get the employee back on track with the correct withholding. For example, if you need to start withholding from an employee and you are one month into the year (4 weeks) and you are a bi-weekly tax payer, the next time the employee gets a payroll check you can withhold \$4.00 from them to “catch up”.
- If your employee has more than one place of employment; the LST should be withheld at the employee’s PRINCIPAL place of employment.
- If the employee resigns, the employer is not responsible for collecting the remainder of the tax. The new employer will be responsible for the future paycheck withholdings up to their municipality’s rate.

Please call our office if you need help with this new law or setting up the deduction in your software.

LOCAL SERVICES TAX – EXEMPTION CERTIFICATE

Tax Year _____

APPLICATION FOR EXEMPTION FROM LOCAL SERVICES TAX

- A copy of this application for exemption from the Local Services Tax (LST), and all necessary supporting documents, must be completed and presented to your employer AND to the political subdivision levying the Local Services Tax where you are principally employed.
- This application for exemption from the Local Services Tax must be signed and dated.
- **No exemption will be approved until proper documentation has been received.**

Name: _____

Soc Sec #: _____

Address: _____

Phone #: _____

City/State: _____

Zip: _____

REASON FOR EXEMPTION

1. _____ MULTIPLE EMPLOYERS: Attach a copy of a current pay statement from your principal employer that shows the name of the employer, the length of the payroll period and the amount of Local Services Tax withheld. List all employers on the reverse side of this form. **You must notify your other employers of a change in principal place of employment within two weeks of the change.**

2. _____ EXPECTED TOTAL EARNED INCOME AND NET PROFITS FROM ALL SOURCES WITHIN _____ (municipality or school district) WILL BE LESS THAN \$ _____: Attach copies of your last pay statements or your W-2 for the year prior.

If you are self-employed, please attach a copy of your PA Schedule C, F, or RK-1 for the prior year.

3. _____ ACTIVE DUTY MILITARY EXEMPTION: Please attach a copy of your orders directing you to active duty status. Annual training is not eligible for exemption. You are required to advise the tax office when you are discharged from active duty status.

4. _____ MILITARY DISABILITY EXEMPTION: Please attach copy of your discharge orders and a statement from the United States Veterans Administrator documenting your disability. Only 100% permanent disabilities are recognized for this exemption.

EMPLOYER: Once you receive this Exemption Certificate, you shall not withhold the Local Services Tax for the portion of the calendar year for which this certificate applies, unless you are otherwise notified or instructed by the tax collector to withhold the tax.

Tax Office: _____

Address: _____

City/State: _____

Phone #: _____

Zip: _____

IMPORTANT NOTE TO EMPLOYERS

1. The municipality is required by law to exempt from the LST employees whose earned income from all sources (employers and self-employment) in their municipality is less than \$12,000 when the levied rate exceeds \$10.00.
2. The school district for the municipality in which your worksite(s) is located may or may not levy an LST. If it does, the income exemption provided may differ from the municipality and can be anywhere from \$0 to \$11,999.
3. Contact the tax office where your business worksites are located to obtain this information.

