



*The path for a better business  
and a better life*

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## **ACT 32 HIGHLIGHTS AND CHANGES**

### **WHAT IS ACT 32?**

- Act 32 was signed into law in 2008 by Governor Rendell. It completely restructures the collection of local earned income tax across Pennsylvania effective January 1, 2012.
- It reduces the number of local tax collectors down to 69 from approximately 560.
- It provides a uniform, statewide, method of employee withholding, employer remittance, and locality distribution
- It creates PSD (Political Subdivision) codes for each locality. These PSDs will allow employers to ensure that they are withholding the correct local income tax from their employees and then gets distributed accurately.

### **WHAT DOES THIS MEAN FOR YOU AS AN EMPLOYER?**

- Additional responsibility is placed on employers to obtain accurate information for each employee to ensure they are accurately withholding and reporting local earned income tax. Inaccurate withholding and/or reporting will result in an assessment of penalties to the employer.
- Employees must complete Local Earned Income Tax Residency Certification (certificate) prior to January 1, 2012 and provide an updated certificate if the employee were to move after January 1, 2012.
- The Certification includes information about the employee that will determine what local income tax rate the employer must withhold.
- The higher of either the employer's nonresident rate of the locality that the employer is located in or the employee's resident tax rate must be withheld.
- These records must be maintained by the employer and reported monthly or quarterly with the payroll tax returns. Or, if an outside payroll service is being utilized; this information must be provided to them.

### **WHAT ACTIONS DOES STORTZ & ASSOCIATES RECOMMEND?**

- Visit the "Resources" page on [www.dstortz.com](http://www.dstortz.com) for the certificates you must have your employees complete as well as a link to the PA website used to obtain the PSD codes for your employees
- Distribute a certificate to each of your employees. Request that they complete them and return to you as soon as possible.
- Integrate the certificate into your New Hire Packets.
- Remember to have employees complete a certificate in the event of an address change
- Update your payroll records to show what local tax rate must be withheld for each employee.
- Contact our office to schedule a meeting with your Account Executive to discuss any questions you may have, to update your computerized payroll records, as well as to discuss options for an outside payroll service.