

**Pennsylvania Municipal Service Company**  
**Local Services Tax**

**NOTICE TO EMPLOYERS**

**Local Services Tax:**

The Local Services Tax is assessed on each employed individual by the political subdivision of the individual's place of employment.

**Situs of the Local Services Tax:**

With respect to a person subject to the Local Services Tax at a rate exceeding \$10, the situs of the tax shall be the place of employment on the first day the person becomes subject to the tax during each payroll period.

In the event a person is engaged in more than one occupation, that is, concurrent employment, or an occupation which requires the person working in more than one political subdivision during the payroll period, the priority of claim to collect the Local Services Tax shall be in the following order:

- 1 The political subdivision in which a person maintains his or her principal office or is principally employed;
- 2 The political subdivision in which the person resides and works, if the tax is levied by that political subdivision;
- 3 The political subdivision in which a person is employed and which imposes the tax nearest in miles to the person's home.

In the case of concurrent employment, an employer shall refrain from withholding the Local Services Tax, if the employee provides:

- 1 A recent pay statement from a principal employer that includes the name of the employer, the length of the payroll period and the amount of Local Services Tax withheld; and
- 2 A statement from the employee that the pay statement is from the employee's principal employer and the employee will notify other employers of a change in principal place of employment within two weeks of its occurrence.

**Local Services Tax Employer Withholding:**

If the LST is levied at a combined rate of \$10.00 or less, the tax may be collected in a lump sum.

A person subject to the Local Services Tax shall be assessed a pro rata share of the tax for each payroll period in which the person is engaging in an occupation.

The pro rata share of the tax assessed on the person for a payroll period shall be determined by dividing the combined rate of the Local Services Tax levied for the calendar year by the number of payroll periods established by the employer for the calendar year. For purposes of determining the pro rata share, an employer shall round down the amount of the tax collected each payroll period to the nearest one-hundredth of a dollar.

Employer collection of the Local Services Tax shall be made on a payroll period basis for each payroll period, beginning with the first payroll period in which the person is engaging in an occupation.

**Employer Remittance of Collected Tax and Reporting of Collection Detail:**

Employers are required to remit the Local Services Taxes withheld from their employees and file a Local Services Tax Quarterly Return thirty (30) days after the end of each quarter of a calendar year. The Local Services Tax Quarterly Return shall list the name, address, social security number, physical address of the place of employment, number of payroll periods for which the Local Services Tax was withheld and the amount of Local Services Tax being remitted for each employee.

### **Self-Employed Individuals:**

Self-employed individuals and individuals whose employer is not required to withhold local taxes (certain state and federal agencies) for the Local Services Tax shall be billed quarterly. If the combined rate of an LST exceeds \$10, the tax should be prorated and paid by self employed individuals on a quarterly basis, as if their payroll period is a calendar quarter. Self employed taxpayers should pay the tax 30 days after the end of each calendar quarter.

### **Exemptions to the Local Services Tax:**

The Local Services Tax shall be no more than \$52 on each person for each calendar year, irrespective of the number of political subdivisions within which a person may be employed.

Political subdivisions that levy an **LST at a rate of \$10 or less are permitted** to exempt those taxpayers whose total net income and net profits from all sources within the political subdivision is less than \$12,000. Political subdivisions that levy an **LST at a rate exceeding \$10 are required** to exempt persons whose total earned income and net profits from all sources within the political subdivision is less than \$12,000 for the calendar year in which the LST is levied. "Income from all sources" is defined as the same "earned income" and "net profits" that are used to determine the local earned income tax.

An annual upfront exemption certificate must be completed by the employee and submitted to their employer **and to the PAMS Tax Office servicing your area**. The Pennsylvania Department of Community and Economic Development developed a standardized exemption certificate to be used by all taxing entities. A copy of the exemption certificate is available on the web site [www.newPA.com](http://www.newPA.com). Follow the menu steps to the Local Services Tax information. Upon receipt of the exemption certificate the employer shall not withhold the tax from the person during the calendar year or remainder of the calendar year for which the exemption certificate applies. With respect to a person who claimed an exemption from the Local Services Tax, upon notification to an employer by the person that the person has received earned income and net profits from all sources equal to or in excess of \$12,000 in that calendar year or upon an employer's payment to the person of earned income in an amount equal to or in excess of \$12,000 in that calendar year, an employer shall withhold the Local Services Tax from the person as follows:

The employer shall withhold from the person, for the first payroll period after receipt of the notification under the above paragraph, a lump sum equal to the amount of the tax that was not withheld from the person due to the exemption certificate filed by the person, plus the per payroll amount due for that first payroll period.

In the event the employment of a person subject to withholding of the Local Services Tax under this exception is severed in that calendar year, the person shall be liable for any outstanding balance of tax due and the political subdivision levying the tax may pursue collection under this act.

Each political subdivision levying the Local Services Tax shall also exempt the following persons from the Local Services Tax:

1. Any person who is an honorably discharged veteran with 100% service-connected disability.
2. Any person on active duty.

Employers shall be responsible for retaining a copy of all exemption certificates filed by employees within a given calendar year for a minimum of three (3) years. Employers who have failed to withhold the Local Services Tax from an employee or employees, **AND** do not have copies of the employee exemption certificate or certificates, will be held responsible for the payment of the Local Services Tax as if the tax had been originally levied against the employer.

### **Refunds**

Any taxpayer requesting a refund for an overpayment of the tax levied for a specific tax year, may apply for a refund of the amount withheld in excess of the tax rate levied.

A copy of the refund application is available on the web site [www.newPA.com](http://www.newPA.com). Follow the menu steps to the Local Services Tax information.