

# TAXPAYER ANNUAL LOCAL EARNED INCOME TAX RETURN

## A. General Instructions INSTRUCTIONS

- 1. WHEN TO FILE:** If you file a Federal or State Application for Extension, check the extension box online or on the front of the form and submit along with your estimated payment. If you use a professional tax preparer, confirm that the tax preparer timely submits your final return.
- 2. WHERE TO FILE:** Remit to e-Collect+, LLC at 804 Fayette Street, Conshohocken, PA 19428
- 3. EFFECTIVE DATES:** January 1 through December 31, unless otherwise noted on your local earned income tax return.
- 4. AMENDED RETURN:** If taxpayer amends the Federal income tax return, taxpayer must accordingly amend and re-file the local earned income tax return.
- 5. RECEIPT / COPY:** Your cancelled check or online confirmation is sufficient proof of payment.
- 6. PENALTY, INTEREST & COST OF COLLECTION:** If for any reason the tax is not paid when due, penalty and interest will be charged. Late or incorrect filing/payment may result in additional costs of collection. A copy of cost of collection fee schedule is available upon request.
- 7. ROUND OFF CENTS** to the nearest whole dollar. Do not include amounts under 50 cents. Increase amounts from 50 to 99 cents to the next dollar amount.
- 8. USE BLACK OR BLUE INK ONLY** when completing form.
- 9. Resident PSD Code** - The Department of Community and Economic Development (DCED) provides a web page for taxpayers to locate their PSD codes and other tax rate information at <http://munstatspa.dced.state.pa.us/FindLocalTax.aspx>.

## B. Regulations/Line by Line Instructions

### LINE 1: GROSS EARNINGS FOR SERVICES RENDERED

**Documentation Required:** Enclose Forms W-2, 1099 and any other form indicating compensation received (submit each W-2 and 1099 on a separate sheet).

**TAXABLE INCOME INCLUDES:** Salaries, Wages, Commissions, Bonuses, Tips, Stipends, Fees, Incentive Payments, Employee Contributions to Retirement Accounts, Compensation Drawing Accounts. If amounts received as a drawing account exceed the salary or commission, the tax is payable on the amount received. If the employee subsequently repays to the employer any amount not in fact earned, adjust the tax accordingly. Benefits accruing from employment, such as: annual leave, vacation, holiday, separation, sabbatical leave and compensation received in the form of property shall be taxed at its fair market value at the time of receipt. Jury duty pay, payments received from weekend meetings (unit training assembly) for National Guard or Reserve Units, sick pay (if employee received a regular salary during period of sickness or disability by virtue of his agreement of employment), and taxes assumed by the employer. Taxpayer should refer to the PA Department of Revenue regulations regarding taxable compensation. This list is not exhaustive; contact your professional tax preparer or local earned income tax collector if you have any questions.

**NON-TAXABLE INCOME INCLUDES:** Social Security Benefits, Unemployment Compensation, pensions, Public Assistance, death benefits, gifts, interest, dividends, boarding and lodging to employees for convenience of employer, lottery winnings, Supplementary Unemployment Benefits (sub pay), capital gains (capital losses may not be used as a deduction against other taxable income.), disability benefits (periodical payments received by an individual under a disability insurance plan), active military service outside of PA including annual training, personal use of company cars, cafeteria plans, and clergy housing allowance. Some forms of payments from individual retirement programs, such as Keogh, Tax Shelter Annuity, IRA, and 401K are not taxable. Taxpayer should refer to the PA Department of Revenue regulations regarding taxable compensation. This list is not exhaustive; contact your professional tax preparer or local earned income tax collector if you have any questions.

### LINE 2: ALLOWABLE UNREIMBURSED EMPLOYEE BUSINESS EXPENSES

**Documentation Required:** Pennsylvania form PA-UE must be enclosed (legible photocopies are accepted).

**LINE 3: OTHER TAXABLE EARNED INCOME:** Include income from work or services performed, which has not been included on line 1 or line 5. Do not include interest, dividends or capital gains.

**LINE 4: TOTAL TAXABLE EARNED INCOME:** Subtract line 2 from line 1 and add line 3.

**LINES 5 and 6: NET PROFITS/NET LOSSES FROM BUSINESS:** Use line 5 for profit and line 6 for loss.

**Documentation required:** 1099(s), PA schedules C, E, F, or K-1 must be enclosed (legible photocopies are accepted).

**Rule:** A taxpayer may NOT offset a business loss against wages and other compensation (W-2 earnings -- line 1). "Pass-through" income from an S-Corporation is NOT taxable and loss is not deductible. A taxpayer may offset a loss from one business entity against a net profit from another business entity.

**LINE 7: TOTAL TAXABLE NET PROFIT:** Subtract line 6 from line 5; if less than zero, enter zero.

**LINE 8: TOTAL TAXABLE EARNED INCOME AND NET PROFIT:** Add lines 4 and 7.

**LINE 9: TAX LIABILITY:** Multiply line 8 by 1%.

**LINE 10: EARNED INCOME TAX WITHHELD:** You may claim credit for local tax withheld as shown on your W-2 form, but only up to the amount of your local tax liability as shown on Line 9 of this return. Do not claim entire amount of tax withheld if it is greater than the tax liability for your resident taxing jurisdiction, unless it also exceeds the non-resident tax liability where you work (by law your employer must withhold the highest rate between the PA jurisdiction where you reside and the PA jurisdiction where you work).

**LINE 11: QUARTERLY ESTIMATED PAYMENTS/CREDITS FROM PREVIOUS TAX YEAR:** List any quarterly estimated payments made to date for appropriate filing year. Do not include any penalty and interest amounts that may have been made with the quarterly payments. Also, include tax credit from the previous tax year.

**LINE 12: MISCELLANEOUS CREDITS**

**General Rules Applicable to Line 12 Credits:**

- (1) Credits for income taxes paid to other states must first be used against your Pennsylvania state income tax liability; any credit remaining thereafter may be used against your local earned income tax liability.
- (2) Credits for income taxes paid for wage taxes paid to Philadelphia may be taken directly against your local earned income tax liability for those wages actually earned in Philadelphia.
- (3) In calculating your credit for income taxes paid to another state or to a political subdivision, note that the same items of income must be subject to both your local earned income tax and the out-of state tax.
- (4) **No credit for income taxes paid to another state or political subdivision may exceed your total local earned income tax liability (including Philadelphia).**

**Credit for Taxes Paid to Other States:** You may take a credit based upon the gross earnings taxed both in another state and in Pennsylvania that is in excess of Pennsylvania state personal income tax rate. THIS CREDIT WILL BE DISALLOWED IF THE NON-RESIDENT OR FOREIGN US STATE RETURN AND YOUR W-2 FORM SHOWING STATE INCOME TAX WITHHELD IS NOT PROVIDED.

**No credits are given for state income taxes paid to states that reciprocate with Pennsylvania. These states are: Maryland, New Jersey, Ohio, Virginia, West Virginia and Indiana.**

**Credit for Taxes Paid to Political Subdivisions Outside of PA:** You may take a credit based upon the gross earnings taxed in both another political subdivision and where you live in PA. THIS CREDIT WILL BE DISALLOWED IF THE FOREIGN CITY RETURN AND OR YOUR W-2 FORM SHOWING CITY INCOME TAX WITHHELD IS NOT PROVIDED.

**Credit for Taxes to Philadelphia:** You may use any wage tax paid to Philadelphia as a credit toward your local earned income tax liability on the same wages taxed by Philadelphia. You must complete the Local Earned Income Tax Return. ENCLOSE A COPY OF YOUR W-2 AND/OR VERIFICATION OF TAXES PAID WITH THE FORM OR CREDIT WILL BE DISALLOWED. No refunds or credits will be allowed for any overpayment made to Philadelphia. Multiply wages earned and taxed in Philadelphia by your local tax rate and enter the amount on line 12 of the tax return. Your credit cannot exceed your local tax liability.

**LINE 13: TOTAL PAYMENTS AND CREDITS:** Enter the sum of lines 10, 11 and 12.

**LINE 14: REFUND:** If tax (line 9) is less than your credits (line 13), enter amount of refund. If you have an overpayment of taxes in excess of \$1.00, you may elect to receive a refund, or receive a credit against the next year's tax liability. A 1099 will be issued to the Federal Government for any credit or refund in excess of \$10.00.

**LINE 15: CREDIT:** If tax (line 9) is less than your credits (line 13) enter amount of credit and check the applicable box for credit to spouse or credit to next year. A 1099 will be issued to the Federal Government for any credit or refund in excess of \$10.00.

**LINE 16: AMOUNT OF TAX DUE:** If tax (line 9) is larger than your credits (line 13), enter amount of tax due, if less than \$1.00, ENTER ZERO.

**LINE 17: INTEREST AND PENALTIES:** If for any reason the tax is not paid when due, interest and penalty of the unpaid tax for each month shall be added and collected at the rate of one percent (1%) per month of the unpaid principal balance from the due date until payment is made. Returns received after the due date may be charged additional costs of collection.

**LINE 18: Late Fee:** (10% of Line 16 plus Line 17) plus an additional \$45.

**LINE 19: TOTAL AMOUNT:** Sum of lines 17 and 18.

**Note:** All accounts are subject to audit and review. Local or city copy of W-2 and/or supporting schedules must be enclosed with tax return.

(Submit each W-2 and 1099 on a separate sheet.)