

IMPORTANT INFORMATION REGARDING ACT 32 OF 2008

What is Act 32?

Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. The Act provides for a three year transition period with full implementation required by January 2012. Under Act 32, the earned income tax collection process has been restructured creating 69 county-wide tax collection districts (TCDs). These new districts have boundaries that are mostly congruent geographically with current county lines, unless there is a school district that overlaps county boundaries. If a school district crosses a county line, the school district and its component municipalities have been kept whole and are included in the county where the affected municipalities have the greatest population.

How will Act 32 affect my municipality?

Act 32 will reduce the number of earned income tax collectors from 560 to 21, in 69 tax collection districts, when the Act is fully implemented statewide in 2012. The Tax Collection Committee for each Tax Collection District has selected a Tax Officer that will be responsible for the collection, processing and distribution of all earned income taxes within the district. The Act closes many of the loopholes that existed previously that resulted in the loss of significant revenues. When fully implemented, the Act will provide a more user friendly environment for both employers and taxpayers and result in municipalities and school districts receiving all of the earned income tax revenue due them on a timely basis.

How will Act 32 affect employers?

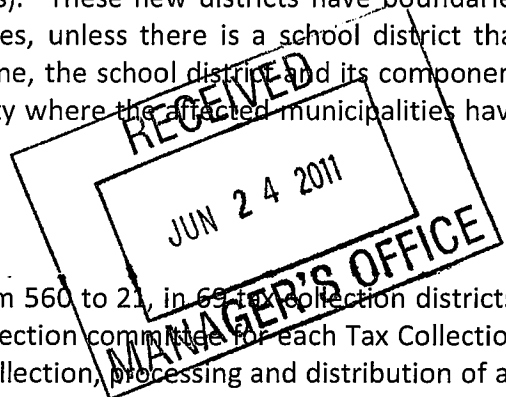
Act 32 will eliminate confusion that has existed for employers in understanding and fulfilling their responsibilities. Under the Act, employers are required to withhold the higher of the employee's resident earned income tax amount (rate of total resident EIT where they *reside*) or the employee's municipal non-resident earned income tax amount (rate of non-resident EIT where they are *employed*).

What must I do to ensure that employers obtain the correct withholding rates for my municipality?

Municipalities are required to report any new tax enactments, repeals or changes in rates for withholding taxes (EIT or LST) annually, on the Municipal Tax Information form. This form must be received in the Department of Community and Economic Development (DCED) by December 1, along with a copy of the fully executed ordinance/resolution, in order to be included in the Official EIT/LST/PIT Register (Official Register). The Official Register is released on December 15, for taxes which must be withheld on and after January 1. Employers are only required by law to withhold rates reflected on the Official Register. If no information is received concerning new withholding enactments, repeals or changes by December 1, existing rates will be maintained in the Official Register. Any new enactments, repeals or changes to withholding rates received after December 1 will be added to the Real-time Register upon receipt and released on the Official Register on June 15.

What is the Official Register?

The EIT/LST/PIT Register (Official Register) is the official source of withholding information for employers and is maintained by the Governor's Center for Local Government Services through the collection of withholding data provided on the Municipal Tax Information form. It is available at <http://munstatspa.dced.state.pa.us/Registers.aspx>



Is my municipality required to enact a Non-Resident EIT rate under Act 32 of 2008?

No, if your municipality does not currently have a non-resident EIT or does not wish to impose a non-resident EIT for 2012, it is not required to do so.

What if my municipality imposes neither a resident EIT nor a non-resident EIT but wishes to impose both for 2012?

Section 4 of the Local Tax Enabling Act requires that you give notice of the municipality's intention to adopt the tax ordinance or resolution. Such notice shall be given in addition to all other notices required by law to be given and shall set forth the substantial nature of the tax to be imposed by the proposed ordinance or resolution, the reason which necessitates the imposition of the tax, and the amount of revenue estimated to be derived from the tax. **Publication of such notice shall be made by advertisement once a week for three weeks in a newspaper of general circulation within such political subdivision if there is such newspaper and, if there is not, then such publication shall be made in a newspaper of general circulation within the county in which the advertising political subdivision is located.**

What is the time frame for the adoption of any ordinance or resolution imposing a resident or non-resident earned income tax?

In order to allow for the timely submission of the Municipal Tax Information form, along with a signed copy of the ordinance or resolution by December 1, DCED recommends that municipalities start their ordinance or resolution adoption process no later than September 30th.

What if my municipality currently only imposes a resident EIT, but wishes to also impose a non-resident EIT for 2012?

If your municipality does not currently impose a non-resident EIT, but does currently impose a resident EIT, you will need to amend your current EIT ordinance to include the non-resident EIT for 2012.

Must I still report any changes to our EIT and LST collector information on the tax information form?

The EIT collector information on the Municipal Tax Information form will be provided by DCED in time for the annual on-line access to the form between November 15 and December 1. You will no longer be able to make on-line changes to this field. The LST collector information fields on the Municipal Tax Information form will remain open and are required to be updated, annually, by each municipality between November 15th and December 1, in the event of any changes to the LST collector name or contact information that are to be effective January 1.