

NOTICE TO CITY OF CORRY EMPLOYERS – November 2007

SECTION 1: Local Services Tax:

Effective January 1, 2008, the Local Services Tax (LST) replaces the Emergency & Municipal Services Tax (EMST). Like the EMST, the new tax is assessed on each employed individual by the political subdivision of the individual's place of employment.

The rate for the City of Corry is \$52.00 annually.

SECTION 2: Local Services Tax Employer Withholding:

A person subject to the Corry 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.

SECTION 3: Employer Remittance and Reporting of Collected Tax:

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.

Employers with more than 25 employees are required to submit the Local Services Tax Employee Detail Report electronically by email or on diskette. To ensure the correct format, please download the Excel Worksheet from our website at www.corrypa.com/eit.html. If employer is unable to submit in the Excel format, the Federal Magnetic Media format is acceptable.

SECTION 4: 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.

The law requires Municipalities and School Districts who levy the Local Services Tax at a rate exceeding \$10 to exempt any person from the Local Services Tax 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 Local Services Tax is levied.

An annual upfront exemption certificate must be completed by the employee and submitted to their employer. Employers are required to submit a copy of each exemption certificate and the attached documentation to the Corry Tax Office with the next quarterly tax payment. (Submit only one certificate per year per employee.)

The Pennsylvania Department of Community and Economic Development developed a standardized exemption certificate to be used by all taxing entities. A copy of this exemption certificate is enclosed. It is also available on the web site www.newPA.com. Follow the menu steps; Local Government Services, Local Tax Info, Local Services Tax.

Upon receipt of the exemption certificate the employer delays withholding the Local Services Tax until the following is detected: earnings exceed \$12,000, tax office notifies employer concurrent earnings exceed \$12,000 or the taxpayer notifies employer that the exemption certificate is no longer valid. If any of these situations are determined, the employer shall withhold from the person, for the first payroll period after receipt of the notification, a lump sum (catch-up payment) equal to the amount of the tax that was not withheld from the person due to the exemption certificate, plus the per payroll amount due for that first payroll period.

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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.

SECTION 5: Refunds of Local Services Tax:

At anytime during the calendar year a taxpayer who pays more than \$52.00 in Local Services Tax, the taxpayer may apply for a refund of the amount over \$52.00. The refund form will be available from the Corry Tax Office or on the Pennsylvania DCED web www.newPA.com. Follow the menu steps; Local Government Services, Local Tax Info, Local Services Tax.

The application for a double payment refund must be made to the tax collector for the Taxing Jurisdiction that was the last one to levy the tax on the taxpayer (e.g. if a taxpayer works in one municipality and pays \$52.00, and then changes jobs and the new employer withholds the \$52.00 for another municipality, the refund application must be made to the tax collector for the 2nd municipality).

If a person has earned income or net profits less than \$12,000 within a municipality that has levied the Local Services Tax at \$52 per calendar year, that person may apply for a refund of the Local Services Tax in the subsequent tax year.

The application for a refund based on income must be made to the tax collector for the Taxing Jurisdiction that received the \$52 Local Services Tax and must have proof of the person's earnings attached (W-2 form, last pay stub for calendar year, etc).

SECTION 6: New Employees during the course of the taxing year:

The Local Services Tax is a \$52.00 annual tax. Employers are required to calculate the tax upon the hiring of new employees during the course of the taxing year.

The employer shall withhold from the person, for the first payroll period, a lump sum equal to the amount of the tax that would have been withheld if the person had started work January 1, minus any LST withheld by another employer (proof must be provided), plus the per payroll amount due for that first payroll period. This is considered the "Catch-Up Withholding." See Catch-up Withholding Worksheet.

SECTION 7: Employment severed during the taxing year:

In the event the employment of a person subject to withholding of the Local Services Tax is severed during the calendar year, the person shall be liable for any outstanding balance of tax due and the City of Corry may pursue collection under this act.

The employer is requested to withhold from the person, for the last payroll period of employment, any outstanding balance of the annual tax due.