



# Lancaster County Tax Collection Bureau

## Local Services Tax Regulations

Effective January 1, 2017

These Regulations have been promulgated under the authority of the Local Tax Enabling Act, 53 P.S. §6901, *et seq.* These Regulations supplement but do not alter, in any way, the tax resolutions adopted by school districts and ordinances adopted by municipalities.

The tax resolutions and ordinances and these Regulations are continuing and are applicable until changed. Copies of the original tax resolutions or ordinances may be examined at the office of the Lancaster County Tax Collection Bureau or the office of the Taxing Authority.

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#### ARTICLE I - DEFINITIONS

The following words and phrases when used in these Regulations shall have the meaning ascribed to them in this Section, except where the context clearly indicates a different meaning:

- A. *Collector* – Lancaster County Tax Collection Bureau.
- B. *Combined municipal and school district Tax Rate* – The aggregate annual rate of Tax levied by a school district and a municipality located in whole or in part within the school district.
- C. *Compensation* – Salary, wages, commission, tip, bonus, fee, or any other payment or income.
- D. *Doing business* – Having a building, office, or place of business within the boundaries of the Taxing Authority, or performing any activities in furtherance of the business or purposes of the Employer if the activities involve the presence of an owner or Employee of the Employer within the boundaries of the Taxing Authority on more than 3 different days during a Tax Year.
- E. *Earned Income* and *Net Profits* shall have the meanings as set forth in the Enabling Act, 53 P.S. § 6913.
- F. *Employee* – Any individual paid Compensation by an Employer to perform an Occupation of any kind.
- G. *Employer* – Any individual, partnership, limited partnership, unincorporated association, institution, trust, corporation, government agency, or other entity employing one or more individuals engaged in an Occupation.
- H. *Enabling Act* – The Local Tax Enabling Act, 53 P.S. §6901, *et seq.*, and as amended in the future.
- I. *Enactment* – The ordinance or resolution of the Taxing Authority imposing or otherwise relating to the Tax.
- J. *Occupation* – Any work, job, activity, livelihood, trade, profession, business or enterprise of any kind, including services, domestic or other, for which any Compensation is received. A person may have more than one Occupation.
- K. *Regulations* – These Regulations for Occupation Privilege/Local Services Tax.
- L. *Tax* – A tax of a specific dollar amount, as set forth in the Enactment, on an individual who engages in an Occupation within the boundaries of the Taxing Authority – referred to in the Enabling Act as a Local Services Tax. The Tax was formerly referred to as an emergency and municipal services tax, and is commonly known as an occupation privilege tax.



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- M. *Tax Rate* – The specific dollar amount, as set forth in the Enactment, as the amount of the Tax payable during a Tax Year. The Bureau has published a separate written document setting forth the Tax Rate applicable for work within each Taxing Authority for which the Bureau collects the Tax.
- N. *Tax Return* – A form provided by the Bureau for reporting the amount of Tax deducted or owed.
- O. *Tax Year* – The 12-month period beginning January 1 and ending December 31.
- P. *Taxing Authority* – A school district or municipality that has enacted a Tax and which has appointed the Bureau to collect the Tax.
- Q. *Taxpayer* – Any individual on whom the Tax is imposed.

## **ARTICLE II – IMPOSITION OF TAX**

### **SECTION 201 – PERSONS SUBJECT TO TAX**

An individual is subject to the Tax if the individual engages in an Occupation within the boundaries of a Taxing Authority. The Tax is triggered by where the individual works, not where the individual lives, and not where the Employer headquarters is located or where payroll checks are prepared or initiated. The Tax applies to individuals who are residents of the Taxing Authority, and also to individuals who are not residents of the Taxing Authority. The Tax applies unless exemption is established based on low income or otherwise in accordance with the Regulations.

**Note:** The Tax generally applies to all individuals who routinely report to work at a place of business or work site within the boundaries of a Taxing Authority. The Tax may also apply to an individual who routinely reports to work at a place of business outside the boundaries of a Taxing Authority – if the individual thereafter travels to one or more work sites or otherwise performs activities within the boundaries of a Taxing Authority.

The following are examples of circumstances when the Tax applies. The examples are provided merely to help Taxpayers and Employers understand when the Tax applies, and do not reflect all circumstances when the Tax applies.

- A. Example 1. Individual generally works at the same fixed location, which is within the boundaries of a Taxing Authority. The individual earns \$12,000 or more within the Tax Year. The Tax applies.
- B. Example 2. Individual generally works at the same fixed location, which is within the boundaries of a Taxing Authority. The Employer headquarters where payroll checks are prepared or initiated and personnel functions are performed is located



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outside the boundaries of the Taxing Authority (for example, Harrisburg, PA, or Washington, DC). The individual earns \$12,000 or more within the Tax Year. The Tax applies.

- C. Example 3. Individual routinely reports to work at a place of business within the boundaries of a Taxing Authority, and thereafter routinely travels to work sites, all of which are within the boundaries of a Taxing Authority. The individual earns \$12,000 or more within the Tax Year. The Tax applies.
- D. Example 4. Individual routinely reports to work at a place of business within the boundaries of a Taxing Authority, and thereafter routinely travels to work sites, some of which are within the boundaries of a Taxing Authority and some of which are outside the boundaries of a Taxing Authority. Under these circumstances, all earnings of an individual are presumed to be earned within the boundaries of the Taxing Authority where the individual routinely reports to work. The individual earns \$12,000 or more within the Tax Year. The Tax applies.

The Tax will be attributed to the Taxing Authority where the individual reports to work unless the Employer or individual provides a written statement, or the Bureau receives other evidence, clearly establishing that the regular work site is in a different location. In such event, the earnings will be attributed to the actual work site, and the Tax will be payable to the jurisdiction of the work site if applicable.

If the individual reports to work within the Taxing Authority, but is always assigned to work sites outside of the Taxing Authority, the Employer or individual should provide a written statement to the Bureau explaining these facts, and the Tax of the Taxing Authority where the individual reports to work will not apply. The Tax of any Taxing Authority where the individual is assigned to work will apply. If the individual does not expect to earn \$12,000 within any such Taxing Authority, the individual should file an exemption certificate in order to establish exemption from withholding of the Tax for such Taxing Authority. See EXEMPTION FROM EMPLOYER WITHHOLDING and PROCEDURE TO CLAIM EXEMPTION.

- E. Example 5. Individual (such as construction worker) has no permanent fixed location place of work. The individual is assigned to work for an extended period of time at a site within the boundaries of a Taxing Authority. The earnings of the individual applicable to this work site are \$12,000 or more within the Tax Year. The tax applies.
- F. Example 6. Individual routinely works at multiple fixed locations that are places of business or work sites of the same business or entity, some of which are within the boundaries of a Taxing Authority, and some of which are not. The earnings of the individual applicable to locations within the boundaries of a Taxing Authority are \$12,000 or more within the Tax Year. The Tax applies.



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- G. Example 7. Individual routinely reports to work at a place of business outside the boundaries of a Taxing Authority, and thereafter routinely travels to one or more work sites, all of which are within the boundaries of a Taxing Authority. The individual earns \$12,000 or more within the Tax Year. The Tax applies.
- H. Example 8. Individual routinely reports to work at a place of business outside the boundaries of a Taxing Authority, and thereafter routinely travels to work sites, some of which are within the boundaries of a Taxing Authority and some of which are outside the boundaries of a Taxing Authority. The earnings applicable to one or more work sites within the boundaries of a Taxing Authority are \$12,000 or more. The Tax applies.
- I. **Note on Employer withholding:** If an Employee performs any activities within the boundaries of a Taxing Authority, the Employer must withhold the Tax unless: (1) the Employee is under 16 years of age; (2) the activities constitute isolated employment (activities are performed on no more than 3 different days during a Tax Year); or (3) the Employee files a local services tax withholding exemption certificate stating an expectation that earnings derived from activities or work sites within the Taxing Authority will be less than \$12,000 or that the Employee qualifies for another exemption from withholding. Rules concerning Employer withholding are provided below under EXEMPTION FROM EMPLOYER WITHHOLDING and EMPLOYER WITHHOLDING.

#### SECTION 202 – TAX RATE

The Tax Rate may vary from \$5 to \$52. The Tax Rate applicable to a Taxpayer is specified in the Enactment applicable to the Taxpayer. In some cases, the Tax Rate collected by a particular Taxing Authority might be less than the Tax Rate specified in the Enactment because of the \$52 maximum Tax per year and provisions in the Enabling Act concerning sharing of the Tax between school districts and municipalities. The Bureau has published a separate written document setting forth the Taxing Authorities that impose the Tax and the Tax Rate applicable for work within each Taxing Authority for which the Bureau collects the Tax.



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#### SECTION 203 – EXEMPTION FROM TAX

Individuals are exempt from the Tax under the following circumstances.

- A. Low income - \$12,000. An individual whose total earned income and net profits from all sources within the Taxing Authority in any Tax Year is less than \$12,000 is exempt from the Tax for the Tax Year.
  1. Example 1. An individual is engaged in an occupation within a municipality and school district that both impose a Tax. The individual has only one Employer and work site and annual earnings are less than \$12,000. The individual is exempt from Tax.
  2. Example 2. An individual has 3 different jobs with work sites in 3 different municipalities. Each municipality and the school district encompassing all 3 municipalities impose a Tax. Income from each job is \$5,000 per year. The individual is exempt from paying Tax to the municipalities, but owes the Tax to the school district.
- B. Active military service/general. An individual actively serving in any branch of the United States Armed Forces or the Pennsylvania National Guard is exempt from paying the Tax based on such active duty service.
- C. Active military service/reserve member. An individual who serves as a member of a reserve component of the armed forces and is --called to active duty at any time during the Tax Year is exempt from paying the Tax based on such active duty service. For purposes of this section, "reserve component of the armed forces" shall mean the United States Army Reserve, United States Navy Reserve, United States Marine Corps Reserve, United States Coast Guard Reserve, United States Air Force Reserve, the Pennsylvania Army National Guard or the Pennsylvania Air National Guard.
- D. Disabled veteran. An individual is exempt from the Tax if the individual has served in any war or armed conflict in which the United States was engaged and is honorably discharged or released under honorable circumstances from active service if, as a result of military service, the person is blind, paraplegic or a double or quadruple amputee or has a service connected disability declared by the United States Veterans' Administration or its successor to be a total 100% permanent disability.
- E. Religious clergy. An individual serving as a member of the religious clergy is exempt from paying the Tax based on services provided as a member of the religious clergy. An individual who is a member of the religious clergy is not exempt from paying the Tax based on services rendered by the individual that are not part



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of services rendered in furtherance of religious ceremonies or other religious activities.

- F. Isolated employment. An individual is exempt from the Tax if the individual performs activities within the boundaries of a Taxing Authority on no more than 3 different days during a Tax Year.
- G. Under 16 years of age. An individual is exempt from the Tax if the individual is under the age of 16 years at the time of engaging in the Occupation.

#### SECTION 204 – EXEMPTION FROM EMPLOYER WITHHOLDING

Additional rules concerning Employer withholding are provided below under EMPLOYER WITHHOLDING. The following are rules concerning exemption from Employer withholding. Every Employer is required to deduct the Tax from any Compensation payable to any Employee on whom the Tax is imposed except under the following circumstances:

- A. Under 16 years of age/no exemption certificate required. If the Employee is under 16 years of age, the Employer is not required to withhold, and no local services tax withholding exemption certificate is required.
- B. Isolated employment/no exemption certificate required. If the Employee performs activities within the boundaries of a Taxing Authority on no more than 3 different days during a Tax Year, the Employer is not required to withhold, and no local services tax withholding exemption certificate is required.
- C. Other exemptions from withholding/exemption certificate required. An Employer is excused from withholding to the extent provided in the Regulations if the Employee has filed a local services tax withholding exemption certificate in accordance with the Regulations. An exemption certificate must be filed for each Tax Year in order to be exempt from withholding during the Tax Year. The exemption certificate may provide exemption from withholding based on: (1) low income or other exemption from Tax as stated in the Regulations; (2) withholding by another principal Employer; (3) prior payment to the Taxing Authority of the full amount of the Tax imposed by the Taxing Authority; or (4) prior payment during the same Tax Year of \$52 as a tax imposed under the Enabling Act on an individual based on engaging in an Occupation in Pennsylvania.
- D. Exemption certificate form. The exemption certificate shall be on a form provided by the Bureau. Employers shall ensure that exemption certificate forms are readily available to Employees at all times and shall furnish each new Employee with a form at the time of hiring.
- E. Low income exemption requirements. Concerning low income exemption, the exemption certificate shall include a statement by the Employee affirming that the



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Employee reasonably expects to receive earned income and net profits from all sources within the Taxing Authority of less than \$12,000 during the Tax Year. The exemption certificate shall have attached to it a copy of the Employee's last pay statements or W-2 form from employment within the Taxing Authority during the prior Tax Year. If the pay statements or W-2 form reflect employment within multiple jurisdictions, the exemption certificate shall provide information concerning the amount earned from sources within the Taxing Authority.

- F. Only one tax per payroll period for Employee subject to per payroll withholding/pay where first owed/then principal Employer. No Employee who becomes subject to payment of a tax imposed under the Enabling Act on an individual based on engaging in an Occupation, through withholding per payroll, is required to pay tax through more than one Employer during any payroll period. If an individual is employed during any payroll period by more than one Employer within one or more municipalities or school districts that impose a tax subject to withholding per payroll, the Taxpayer's principal Employer within a school district or municipality that imposes such a tax shall withhold the tax. If an individual becomes subject to payment of such a tax through withholding by multiple Employers, the tax shall be paid to the jurisdiction to which the tax is first owed during the payroll period. If the Employee is subject to such a tax in two jurisdictions on the first day of any payroll period, the concurrent employment priority rules set forth in Section 206(E) below will apply. This exemption from withholding must be established by information provided on the exemption certificate. The exemption certificate shall include a statement by the Employee as to the identity of the principal Employer. The exemption certificate shall include an agreement by the Employee to notify Employers of a change in principal place of employment within 2 weeks of occurrence of the change. The exemption certificate shall have attached to it a recent pay statement from the principal Employer that includes the name of the Employer, the length of the payroll period, and the amount of Tax withheld. SEE ALSO SECTION 206(A).
- G. Where to file exemption certificate. The Employee must file a new exemption certificate for each Tax Year with the Employer. The Employer must withhold Tax from Compensation for any Tax Year for which the Employee has not filed a properly completed exemption certificate. The Employer should send the exemption certificate to the Bureau promptly after receipt, in order to ensure the Bureau has received a copy of the exemption certificate.
- H. No withholding when proper certificate filed. After receiving an exemption certificate properly completed, dated and signed by the Employee for the current Tax Year, until otherwise instructed by the Bureau or as otherwise set forth below, the Employer shall not withhold Tax from the Employee during the Tax Year to which the exemption certificate applies.



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- I. Restart of withholding. If an Employee filed an exemption certificate and the Employer thereafter receives notice from the Employee or the Bureau that the Employee is ineligible for Tax exemption or the Employer pays to the Employee income earned from within the Taxing Authority in excess of \$12,000 in a Tax Year, the exemption will no longer apply and the Employer shall commence withholding.
- J. Make-up withholding. If an Employee filed an exemption certificate for a Tax Year and later becomes subject to the Tax for the Tax Year, the Employer shall withhold the Tax for the remainder of the Tax Year. The Employer shall withhold from the Employee, for the first payroll period after receiving notice from the Employee or the Bureau, or otherwise learning that the Employee is subject to the Tax for the Tax Year. The amount withheld in the first payroll period shall be a lump sum equal to the amount of Tax not withheld due to the exemption claimed by the Employee, plus the per payroll amount due for that first payroll period. The amount of Tax withheld per payroll period of the remaining payroll periods in that Tax Year shall be the same amount withheld for other Employees. If the employment of an Employee subject to withholding of the Tax is severed before payment of the amount of Tax not withheld, the Employee shall pay the outstanding balance.

#### SECTION 205 – PROCEDURE TO CLAIM EXEMPTION

- A. Exemption certificate. In order to claim exemption from Tax or exemption from withholding, Employees are required to file an exemption certificate unless under 16 years of age or engaged solely in isolated employment. Self-employed individuals are required to file an exemption certificate only if requested by the Bureau, but shall provide such information as is requested by the Bureau in connection with the individual's earned income and net profits tax return.
- B. Earned income Tax Return. In addition to the requirement for an Employee to file an exemption certificate, an individual who receives earned income and net profits from activities within a school district or municipality for which the Bureau collects earned income and net profits tax, but who is exempt from the Local Services Tax shall provide such information as is requested by the Bureau in connection with the individual's earned income and net profits tax return.
- C. Refund claim. If an individual pays the Tax and at the end of any Tax Year has total income during the Tax Year less than the low income exemption amount, or otherwise qualifies for an exemption, the Bureau will on request after the end of the Tax Year refund to the Taxpayer the Tax paid for the Tax Year.



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#### SECTION 206 – INDIVIDUALS WHO ENGAGE IN AN OCCUPATION IN MULTIPLE JURISDICTIONS/ MULTIPLE EMPLOYERS

This Section establishes rules for individuals who engage in an Occupation within the boundaries of more than one jurisdiction during the Tax Year **and who do not qualify for exemption based on earnings applicable to the jurisdiction or other exemption**. It also addresses multiple Employers under other circumstances.

**Note:** The following rules have the general effect of: 1) An Employee never pays **per payroll tax** through more than one Employer in the same payroll period. (2) Otherwise pay tax where owed first – up to \$52 maximum per year. (3) Pay multiple jurisdictions up to \$52 maximum. (4) Priority rules apply if competing tax claims apply at the same time.

- A. Employee subject to tax per payroll in multiple jurisdictions same payroll period/pay where first owed/thereafter priority rules control. No Employee who becomes subject to payment of a tax imposed under the Enabling Act on an individual based on engaging in an Occupation, through withholding per payroll, is required to pay tax through more than one Employer during any payroll period. If an individual is employed during any payroll period by more than one Employer within one or more municipalities or school districts that impose a tax subject to withholding per payroll, the Taxpayer's principal Employer within a school district or municipality that imposes such a tax shall withhold the tax. If an individual becomes subject to payment of such a tax through withholding by multiple Employers, the tax shall be paid to the jurisdiction to which the tax is first owed during the payroll period. If the Employee is subject to such a tax in two jurisdictions on the first day of any payroll period, the concurrent employment priority rules set forth in Section 206(E) below will apply. SEE ALSO EXEMPTION FROM EMPLOYER WITHHOLDING SECTION 204(F) above.
- B. Employee subject to tax per payroll in one jurisdiction and lump sum tax in another jurisdiction same payroll period/pay both up to \$52/subject to priority rules. If an Employee becomes subject to per payroll tax in one geographic area and lump sum tax in another geographic area during the same payroll period, the tax shall be paid first to the jurisdiction to which the tax is first owed during the payroll period, and will be paid to the second jurisdiction up to the \$52 maximum per year. If the Employee is subject to such tax in two jurisdictions on the first day of any payroll period, tax will be paid first to the jurisdiction having priority under the concurrent employment priority rules set forth below, and will be paid to the second jurisdiction up to the \$52 maximum per year. If payment of the lump sum tax would not have priority and such payment together with payment of the per payroll tax through the end of the Tax Year would result in a total tax in excess of the \$52 maximum, the Employee is only required to pay the lump sum tax up to \$52 minus the amount of per payroll tax anticipated to be paid through the end of the Tax Year. Under these



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circumstances, the Employee will pay the balance of the lump sum tax after the end of the Tax Year if the total amount of the tax paid during the Tax Year is less than \$52.

- C. Per payroll tax in one jurisdiction and lump sum tax in another jurisdiction different payroll periods/pay both up to \$52/subject to priority rules. If an individual becomes subject to per payroll tax in one geographic area and lump sum tax in another geographic area at different times, the tax shall be paid first to the jurisdiction to which the tax is first owed during the Tax Year, and will be paid to the second jurisdiction up to the \$52 maximum.
- D. Lump sum tax in multiple jurisdictions/pay both up to \$52/subject to priority rules. If an individual becomes subject to lump sum tax payment in more than one geographic area – as an Employee or otherwise – the tax shall be paid first to the jurisdiction to which the tax is first owed during the Tax Year. If the individual is subject to lump sum tax payment in multiple jurisdictions on that date and the total tax liability would exceed \$52, the entire lump sum tax amount will be paid to the jurisdiction that has priority according to the concurrent employment priority rules set forth below, and tax will be paid to the second priority jurisdiction up to the \$52 maximum. If the individual becomes subject to lump sum tax payment in more than one geographic area at different times, the entire lump sum tax payment shall be paid to the first jurisdiction to which the tax is owed during the Tax Year, and tax will be paid to the second jurisdiction up to \$52 minus the tax amount paid to the first jurisdiction.
- E. Concurrent employment priority rules. If an individual owes tax based on engaging in an Occupation at the same time in multiple jurisdictions, the priority rules are as follows: (1) The first priority is the jurisdiction in which the individual maintains his or her principal office or is principally employed. (2) The second priority is the jurisdiction in which the individual both works and resides. (3) The third priority is the jurisdiction the boundary of which is nearest in miles to the individual's residence.
- F. Tax payment receipt from Bureau. After receipt of payment of Tax for a Taxpayer which identifies the Taxpayer, the Bureau shall provide the Taxpayer with a written receipt evidencing payment upon request by the Taxpayer.

#### SECTION 207 – \$52 MAXIMUM TAX PER YEAR

No individual is required to pay more than \$52 in any Tax Year for a tax imposed under the Enabling Act on an individual based on engaging in an Occupation within one or more school districts or municipalities located in Pennsylvania.



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#### **ARTICLE III – EMPLOYER WITHHOLDING**

##### **SECTION 301 – EMPLOYERS REQUIRED TO WITHHOLD**

Each Employer ***doing business within the boundaries*** of a Taxing Authority ***is required to withhold the Tax***, from Compensation of Employees subject to the Tax, at the Tax Rate as set forth in the Enactment of the Taxing Authority. This includes Employers who have a place of business within the boundaries of the Taxing Authority. It also includes Employers who do not have a place of business within the boundaries of the Taxing Authority but otherwise engaged in doing business within the boundaries of the Taxing Authority.

“Doing business” means having a building, office, or place of business within the boundaries, or performing any activities in furtherance of the business or purposes of the Employer if the activities involve the presence of an owner or Employee of the Employer within the boundaries on more than 3 different days during a Tax Year.

**Note:** The Tax is triggered by where the individual works, not where the Employer headquarters is located or where payroll checks are prepared or initiated. Withholding is required whether the place where payroll checks are prepared or initiated and personnel functions are performed is located within or outside the boundaries of a Taxing Authority.

##### **SECTION 302 – EMPLOYER REGISTRATION REQUIRED**

Every Employer required to withhold and not registered with the Bureau under the provisions of a tax ordinance or resolution imposing a tax on Earned Income and Net Profits shall, within 30 days after first becoming required to withhold, register with the Bureau the Employer’s name, address, and any other information required by the Bureau on an Employer registration form provided by the Bureau.

##### **SECTION 303 – EMPLOYER WITHHOLDING RULES**

- A. Employer must deduct unless excused. Every Employer required to withhold must deduct the Tax from any Compensation paid to any Employee subject to the Tax unless excused from withholding as provided above under EXEMPTION FROM EMPLOYER WITHHOLDING.
- B. Tax \$10 or less/lump sum withholding. If the combined municipal and school district Tax Rate applicable to the Employee is \$10 or less, the Employer shall deduct the full amount of the Tax from the first Compensation payable to an Employee during a time when the Employee is subject to the Tax.



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- C. Tax exceeds \$10/per payroll withholding. If the combined municipal and school district Tax Rate applicable to the Employee exceeds \$10, the Tax shall be deducted pro rata on a per payroll basis. 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 imposed for the Tax Year by the number of payroll periods established by the Employer for the Tax 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. The Tax shall be deducted on a payroll period basis for each payroll period in which the Employee is employed. The following are examples of per payroll withholding requirements:
1. Example 1. Employee is employed to work with no specific employment end date. Employer pays Employee weekly with 52 annual payroll periods. The applicable Tax Rate is \$52. The Employer must withhold \$1 per payroll from the Compensation of Employee.
  2. Example 2. Employee is employed to work with no specific employment end date. Employer pays Employee bi-weekly with 26 annual payroll periods. The Tax Rate is \$52. The Employer must withhold \$2 per payroll from the Compensation of Employee.
  3. Example 3. Employee is employed by school to work with no specific employment end date. Employee does not work over summer months when school is not in session. Employer pays Employee with 22 annual payroll periods. The Tax Rate is \$52. The Employer must withhold \$2.36 per payroll from the Compensation of Employee.
  4. Example 4. Employee is employed for a job that is expected to last 3 months. Employer pays Employee weekly with 12 payroll periods within the 3-month time span. The Tax Rate is \$52. The Employer must withhold \$4.33 per payroll from the Compensation of Employee.
  5. Example 5. Employee is employed for a job that is expected to last 3 months. Employer pays Employee one-time lump sum amount as Compensation for the entire 3-month time span. The individual is an Employee, not an independent contractor. The Tax Rate is \$52. The Employer must withhold the full amount of the \$52 Tax in one lump sum amount from the Compensation of Employee.
  6. Example 6. Employee is employed to work with no specific employment end date. Employer pays Employee weekly with 52 annual payroll periods. The Tax Rate is \$52. The Employer must withhold \$1 per payroll from the Compensation of Employee. The Employee was employed on or before January 1 but terminates employment on April 30. The individual receives



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a final paycheck in the 16<sup>th</sup> payroll period. The Employer withholds \$1 in the final payroll period as with the 15 prior payroll periods. The Employee has paid a total amount of Tax of \$16 through Employer withholding. The Employer is not required to withhold any additional amount in the final payroll period. If the Employee is subsequently employed by another Employer within the Taxing Authority, the new Employer will begin withholding according to the per payroll withholding rules. The new Employer does not withhold any amount for payroll periods prior to the date of the new employment.

- D. Additional rules. Additional rules concerning Employer withholding are provided above under EXEMPTION FROM EMPLOYER WITHHOLDING.

#### SECTION 304 – EMPLOYER TAX PAYMENT AND RETURNS

- A. Quarterly returns. LCTCB requires every employer to file the quarterly LST Tax Return electronically in one of the acceptable file types and formats that includes the applicable municipal code, the tax withheld from the employees during the quarter being reported and other information required by the file type and format used by the employer. The Employer shall file the Tax Return and pay the Tax withheld to the Bureau at the following times:

<u>Months in which Compensation was paid</u>	<u>Return filed on or before</u>
January, February, March	April 30
April, May, June	July 31
July, August, September	October 31
October, November, December	January 31

As set forth above, the Tax Return must be filed and the Tax paid on or before the last day of the month succeeding the end of each calendar quarter.

- B. Annual reconciliation. Each year, on or before February 28, every Employer shall file an Annual Reconciliation Form provided by the Bureau indicating the total amount of Tax remitted to the Bureau for the preceding Tax Year with a list of Employees, and other information requested on the form. The list must include for each Employee who performed any activities within a Taxing Authority during the Tax Year: (1) the Employee name, address, social security number; (2) Compensation paid to the Employee; (3) Tax amount withheld; and (4) PSD Code for the Taxing Authority for which the Tax was withheld. If no Tax was withheld, the reason for not withholding must be indicated, and except for exemption for



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isolated employment or Employees under 16 years of age, a copy of the Employee local services tax withholding exemption certificate must be attached.

- C. Tax forms and instructions. Employers shall use Tax Returns and other forms provided by the Bureau, and shall comply with all requirements of such forms and instructions related to such forms.

#### **SECTION 305 – EMPLOYER COMMISSION PROHIBITED**

The Bureau does not allow Employers to deduct any commission for withholding the Tax from Employees.

#### **SECTION 306 – EMPLOYER LIABILITY**

Any Employer who fails to deduct the Tax or who fails to pay the Tax to the Bureau shall be liable for the Tax and applicable penalties in full as though the Tax had originally been imposed against such Employer. If the Employer is a partnership, the partners thereof, and if the Employer is a corporation, limited liability company, or other organization or entity, all officers thereof, and any other person responsible for payment of taxes, shall have the same liability as the Employer.

#### **SECTION 307 – TAX DEDUCTED IS PROPERTY OF TAXING AUTHORITY**

Tax amounts deducted from Compensation by an Employer shall at all times be the property of the Taxing Authority, and shall constitute a trust fund held by the Employer until remitted to the Bureau. Deduction of Tax from wages shall, as between the Employee and the Taxing Authority, constitute payment of the Tax by the Employee, regardless of any insolvency or failure to remit by the Employer.

#### **SECTION 308 – MAINTENANCE OF RECORDS BY EMPLOYER**

All Employers required to withhold Tax shall maintain complete records of Compensation paid to all Employees for a period of 6 years after the end of the calendar year to which the records apply, in such form as to enable the Bureau to determine the Employer's liability to withhold Tax owed for each Employee, the actual amount withheld, the actual amount remitted to the Bureau, and such other information as will enable the Bureau to carry out its responsibility to administer and collect the Tax.

#### **SECTION 309 – EVIDENCE OF DEDUCTION FOR EMPLOYEE**

On or before February 28 of each year, the Employer must provide each Employee with written evidence of deduction and payment of the Tax for the prior Tax Year on a W-2 or other form.



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#### **SECTION 310 – ALLOCATION OF PAYROLL DEDUCTION AMOUNTS BETWEEN MUNICIPALITY AND SCHOOL DISTRICT**

If an individual is subject to a Tax imposed by a municipality and school district and the Tax is deducted pro rata on a per payroll basis, amounts deducted and paid to the Bureau will be allocated to the school district and municipality pro rata based on the Tax Rate applicable within each such Taxing Authority.

#### **ARTICLE IV – INDIVIDUAL TAX RETURNS**

##### **SECTION 401 – INDIVIDUAL TAX PAYMENT AND RETURNS**

Every self-employed Taxpayer and every Taxpayer who owes Tax that for any other reason was not deducted by an Employer, shall file a Tax Return on a form provided by the Bureau, setting forth the applicable PSD Code and the amount due. Such Taxpayers shall pay the full year Tax amount. The payment shall be made and the Tax Return filed at the following times:

<u>Months in which Compensation was paid</u>	<u>Return filed on or before</u>
January, February, March	April 30
April, May, June	July 31
July, August, September	October 31
October, November, December	January 31

As set forth above, the Tax Return must be filed and the Tax paid on or before the last day of the month succeeding the end of each calendar quarter.

If the combined municipal and school district Tax Rate applicable to the Taxpayer exceeds \$10, the Taxpayer may elect to pay the full year Tax amount in 4 equal quarterly installments. If the Taxpayer elects this option, at least 25% of the full year Tax amount shall be paid on or before April 30, July 31, and October 31 of the Tax Year for which the Tax is owed, and January 31 of the Tax Year after the year for which the Tax is owed.

Individuals shall use Tax Returns and other forms provided by the Bureau, and shall comply with all requirements of such forms and instructions related to such forms.



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A self-employed Taxpayer who also is an Employer may elect to report and pay the Tax payment on and with the quarterly Tax Return form provided for Employees. However, Tax for self-employed individuals must be paid in lump sum or quarterly as set forth above.

In order to claim exemption from Tax or exemption from withholding, Employees are required to file an exemption certificate unless under 16 years of age or engaged solely in isolated employment. Self-employed individuals are required to file an exemption certificate only if requested by the Bureau, but shall provide such information as is requested by the Bureau in connection with the individual's earned income and net profits Tax Return.

In addition to the above requirement for Local Services Tax Returns by Taxpayers, an individual who receives earned income and net profits from activities within a school district or municipality for which the Bureau collects earned income and net profits tax shall provide such information as is requested by the Bureau in connection with the individual's earned income and net profits tax return.

#### **SECTION 402 – MAINTENANCE OF RECORDS BY TAXPAYERS**

Taxpayers are required to maintain such records as will enable filing accurate Tax Returns and establishing the amount of Tax owed by the Taxpayer. Such records shall be preserved for a period of 6 years after the end of the calendar year to which the records apply in order to enable the Bureau to verify the accuracy of the Tax Returns filed and the amount of Tax owed.

### **ARTICLE V – ADMINISTRATION AND ENFORCEMENT**

#### **SECTION 501 – BOARD OF BUREAU**

The Bureau is charged with administration and enforcement of the Enactments and Regulations. The Board of the Bureau is the governing body of the Bureau.

#### **SECTION 502 – EXECUTIVE DIRECTOR OF BUREAU**

The Executive Director of the Bureau is the Bureau's chief administrative officer and is authorized by the Board to act on behalf of the Bureau in the enforcement, interpretation, and application of the Enactments and Regulations.



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#### **SECTION 503 – TAXPAYER RIGHTS AND OBLIGATIONS**

Any Taxpayer or Employer desiring a specific ruling concerning an interpretation of the Enactments or Regulations shall submit all pertinent facts in writing to the Executive Director who may issue a ruling.

In accordance with Act 50 of 1998, Taxpayer rights and obligations regarding requests for information, records, reviews, and appeal rights are as provided in the Taxpayer Bill of Rights Disclosure Statement adopted by the Bureau.

#### **SECTION 504 – EXAMINATION OF BOOKS AND RECORDS OF TAXPAYERS AND EMPLOYERS**

The Executive Director and agents designated by the Executive Director are authorized to examine the books, papers and records of any Taxpayer or individual the Bureau believes might be subject to the Tax, or of any Employer or individual or entity the Bureau believes might be an Employer. The purpose of such examination is to verify the accuracy of any Tax Return; or, if no Tax Return was filed, to ascertain the Tax due, if any. Every such individual or entity is required to give the Executive Director or agent the means, facilities and opportunity for such examination.

The Executive Director or agent may examine the books, papers, and records of any individual or Employer in order to verify compliance with the Enactment and Regulations. Every individual the Bureau believes might be subject to the Tax and every Employer or entity the Bureau believes might be an Employer shall on request meet with and show to the Executive Director or agent all books, papers, and records requested by the Executive Director or agent. Every individual the Bureau believes might be subject to the Tax and every Employer or entity the Bureau believes might be an Employer shall also provide access to the Employer's books, papers, and records at the Employer's place of business and provide a place for the Executive Director or agent's review of such books, papers, and records. For purposes of the Regulations, records shall include records in any form, including computer and other electronic records.

Any information gained by any official or agent of the Bureau, as a result of any Tax Return, investigation or hearing shall be confidential, except for official purposes and except as required to collect the Tax or as otherwise provided by law.



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#### SECTION 505 – INTEREST, PENALTIES, COSTS, AND FINES

- A. If any Tax is not paid when due, the following penalty shall apply to the individual or Employer – a penalty of 5% of the amount unpaid for each month or a fraction of a month during which the amount remains unpaid.
- B. Any individual or Employer who or which fails or refuses to pay Tax or other amounts owed or to pay Tax deducted from Employees shall, in addition to paying the amount owed, pay reasonable costs incurred by the Bureau or any other person or entity appointed to collect the amount, to provide notices of delinquency, or to implement similar procedures to collect delinquent taxes.
- C. If legal proceedings are commenced for failure to pay any amount owed, the individual or Employer liable therefore shall, in addition to the amount owed, pay to the Bureau or any other person or entity appointed to collect the Tax all costs of collection, including reasonable attorney fees.
- D. Any individual or Employer who or which fails or refuses to file any Employer registration form or Tax Return required by the Regulations, who or which fails or refuses to pay Tax or other amounts owed or to pay Tax deducted from Employees, who or which refuses to permit the Bureau to examine books, papers, and records, or who or which makes any incomplete, false or fraudulent filing or return, shall, upon conviction thereof, before any District Justice or Magistrate, be sentenced to pay a fine of not more than \$500 for each offense, and costs, and in default of payment of said fine and costs be subject to imprisonment for a period not exceeding 30 days. If an Employer is a partnership, the partners thereof, and if an Employer is a corporation, limited liability company, or other organization or entity, all officers thereof, and any other person responsible for payment of taxes, shall have the same liability as the Employer.

#### SECTION 506 – DELINQUENT TAX COLLECTION COSTS

Taxpayers and Employers are required to pay delinquent tax collection costs according to a schedule of delinquent tax collection costs that has been approved by the Bureau and as otherwise authorized by applicable law.



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#### **SECTION 507 – FEES FOR SERVICES**

The Bureau may charge fees for services provided to Taxpayers based upon the cost of providing such services.

#### **SECTION 508 – FAILURE TO RECEIVE FORMS**

The failure of any individual or Employer to receive or procure forms required for making a required filing or return shall not excuse making such a filing or return.

#### **SECTION 509 – REFUNDS**

All claims for refund shall be addressed to the Bureau, which shall pay them as soon as administratively practical to the extent a refund is owed and Tax has been received from the employer. Refund requests must be filed within 3 years after the due date for payment of the Tax or one year after actual payment of the Tax, whichever is later. The Taxing Authority shall not be required to pay interest on any refund if the refund is made within the later of 75 days of a refund request or 75 days after January 30 with respect to Tax paid in the preceding Tax Year.

The Bureau will not pay any refund amount unless the refund due is more than \$1.