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REMINDER: Deadline for Pennsylvania Act 32 around the corner!

Dear Client:

Starting January 1, 2012, Act 32 brings many changes for employers with a place of business within the Commonwealth who employ one or more persons with regard to withholding local taxes. Act 32 was enacted in 2008 with the objective of consolidating the collection of the local earned income tax (EIT) on a county-wide basis. The new law mandates EIT withholding even if the employer is located in a jurisdiction with no EIT. More importantly, employers are required to withhold tax at the higher of either: 1) the nonresident tax rate that is imposed by the jurisdiction where the employer is located or 2) the resident EIT rate where the employee resides. Pennsylvania Act 32 affects all PA employees and every PA employer with employees. It also affects self-employed individuals filing a PA earned income tax return with a local tax jurisdiction.

What you need to do before 2012:

- Make sure you are registered with your county's designated tax collector. Most employers should have received a mailing from their tax collector regarding their registration.
- Have employees complete and sign a "Residency Certification" form and return to you. This form identifies the tax jurisdictions where the employee lives and works.
- Look up the employee's resident tax rate, compare it to the employer's jurisdiction nonresident tax rate and withhold at the higher of the two rates in 2012.
- If you are located in more than one tax collection district, determine how you may file your returns.

If you have any questions about Act 32 or any other employment or labor law issue, please contact Angela Thomas or Glenn Davis at (717) 620-2424.

Sincerely,

Glenn R. Davis

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Daniel R. Jameson

The information herein reflects the views of the author. The information should be construed as general guidelines and not interpreted as legal advice.

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