

**A. GENERAL INSTRUCTIONS**

1. **WHO MUST FILE:** Every individual is required to file a Local Earned Income Tax Return, regardless of whether tax is due, refund or credit due, tax is withheld by employer, **or you have no earned income.** If part year resident, complete Part Year Resident section on top of the tax return. **A husband and wife may both file on this form, however, tax calculations must be reported in separate columns. Joint filing (i.e., combining income, etc.) is not permitted.** Failure to receive a tax return is no excuse for a taxpayer not filing a return. If you and your spouse each receive a Local Earned Income Tax Return, please complete one return for both, and submit with any additional returns. If you had no earned income, please indicate the reason why (homemaker, retired, etc.).
2. **WHEN TO FILE:** This return must be completed and filed by all persons subject to the tax on or before April 15, regardless of whether or not tax is due. If you file Federal form 4868 Application for Extension, send us a copy along with estimated payment by April 15, or next business day.
3. **WHERE TO FILE:** File this return with the Earned Income Tax Administrator. Remit to the address printed on the tax return.
4. **EFFECTIVE DATES:** January 1 through December 31, unless otherwise noted on your Local Earned Income Tax Return.
5. **AMENDED RETURN:** If a taxpayer amends his federal income tax return, an amended Local Earned Income Tax Return must also be filed with this office.
6. **RECEIPT / COPY:** Your cancelled check is sufficient proof of payment. If you desire an additional receipt, please include a self-addressed stamped envelope. **The Question & Answer sheet is your copy of your tax return.** Any individual requesting a photocopy of their return will be charged a \$5.00 administrative fee. Please submit your request and payment along with a self-addressed stamped envelope.
7. **PENALTY AND INTEREST:** If for any reason the tax is not paid when due, Penalty and Interest will be charged.
8. Please provide spouse's name and social security number on the tax return.

**B. REGULATIONS/LINE BY LINE INSTRUCTIONS****LINE 1: GROSS EARNINGS FOR SERVICES RENDERED****DOCUMENTATION REQUIRED: W-2(S) must be enclosed (photocopies are accepted).**

**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 salaries or commission earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly); Benefits accruing from the employment, such as: Annual Leave, Vacation, Holiday, Separation, Sabbatical Leave, personal use of company vehicle, and payments from Union Health and Welfare Benefit Funds; Income from patents and royalties; 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 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; Taxes assumed by the Employer.

**NONTAXABLE 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 and summer encampment. All forms of payments from Individual Retirement Programs, such as Keogh, Tax Shelter Annuity, IRA, and 401K are not taxable.

**LINE 2: ALLOWABLE EMPLOYEE BUSINESS EXPENSES****DOCUMENTATION REQUIRED: Pennsylvania forms UE-1, UE-2 or Federal form 2106 must be enclosed (photocopies are accepted).**

Outside Salesperson: Overnight lodging, mileage, and other necessary business expenses are allowed as a deduction, if not reimbursed by employer. Travel while away from home overnight including expenses incurred when an individual is away from home "overnight". "Overnight" is a time period substantially longer than an ordinary day's work that requires a relief from duty to obtain sleep or rest away from home, including but not limited to air, rail, and bus fares; operation and maintenance of an automobile, taxi fares or other transportation, such as trips between airport or station and hotel, from one place of business to another, or from where you eat and sleep to temporary work assignment; meals and lodging when away from home on business; and tips that are incidental to any of the above expenses.

Transportation: Allowable transportation costs are the costs of traveling from one place to another if directly attributable to the conduct of employment. They must be incurred while the employee is not in a travel status. Commuting to and from work are not allowable transportation costs.

Education: Allowable education expenses must meet the express requirements of the employer or laws or regulations for keeping a job or position. Tuition, books, supplies, laboratory fees and similar items and certain related travel and transportation costs may be excluded from income.

Other Expenses: Other allowable expenses include but are not limited to union dues and initiation fees; professional dues and subscriptions to professional journals; small tools and supplies; uniforms (not suitable for everyday) and protective clothing required by an employer.

Office Rental or Office-in-Home: An exclusion for an office-in-home may be taken if the following requirements are met: a suitable work space is not provided by the employer; the activity of work is such that it requires a work area for its performance or for the storage of goods and wares on the premises other than that of the employer; a letter is submitted on employer's letterhead stating in detail why office is necessary in order to work for the employer. The letter must be signed by an officer or owner of the company. Expenses which are not allowable include but are not limited to, commuting to and from work, child care and moving.

**LINE 3: TAXABLE EARNINGS:** Subtract line 2 from line 1.

**LINE 4: NET LOSS FROM BUSINESS****DOCUMENTATION REQUIRED: Federal schedules C, F, or 1065 K-1 must be enclosed (photocopies are accepted).**

**RULE:** A taxpayer may offset a business loss against wages, and other compensation (W-2 earnings -- line 1). This offset is allowed based on the PA Supreme Court decision in the O'Reilly vs. Fox Chapel School District Case decided March 16, 1989. "Pass-through" income from an S-Corporation (Federal form 1120S K-1) is NOT taxable (Scott vs. Hempfield, 1994) and loss is not deductible. A taxpayer may not offset a loss from one business entity against a net profit from another business entity, Aronson vs. City of Pittsburgh, 485 A. 2d 890 (1985). If the taxpayer is in the business of renting real estate then file page 1 of Schedule E. All allowable business losses must be reported on line 4.

**LINE 5: SUBTOTAL:** Subtract line 4 from line 3. If less than zero, enter zero.

**DOCUMENTATION REQUIRED: 1099(s), Federal schedules C, F, or 1065 K-1 must be enclosed (photocopies are accepted).**

The net profits of a business, trade, profession, or other activity shall be computed by subtracting from gross receipts the cost of goods sold and all ordinary and necessary expenses of doing business. Generally, a business deduction which is not permitted by the Federal Government for income tax purposes will not be allowed. Not all self-employed income is includable as taxable earnings: Rentals from real estate and from personal property leased with the real estate is not included, unless reportable on Schedule C, or if the taxpayer is in the business of renting real estate then file page 1 of Schedule E. Gain or loss from the sale of capital assets is not included in the computation of net profits.

LINE 7: TOTAL EARNED INCOME subject to tax: Add lines 5 and 6.

LINE 8: TAX LIABILITY: Multiply line 7 by tax rate printed on the tax return. For example, if 1% use .01, if 1/2% use .005.

LINE 9: QUARTERLY ESTIMATED PAYMENTS: List any quarterly estimated payments made to date for appropriate filing year.

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 rate of tax printed on line 8 of the tax return. Do not claim entire amount of tax withheld if it is greater than the tax rate for your resident taxing jurisdiction.

LINE 11: PRIOR YEAR CREDIT: State the amount of tax overpaid as listed on your previous year's return to be applied to current tax liability.

LINE 12: MISCELLANEOUS CREDITS

**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 FOREIGN 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 the Commonwealth of Pennsylvania. These states are: Maryland, New Jersey, Ohio, Virginia, West Virginia, and Indiana.**

*EXAMPLE:* Taxpayer earned wages of \$10,000.00 in Delaware and paid an income tax liability to that state of \$290.00. Assuming the current Pennsylvania state tax rate is 2.8% for the tax year in question, since the \$290.00 exceeds 2.8% (PA Tax) amount of \$280.00 by \$10.00, the \$10.00 may be credited against your local income tax.

Gross Income	(1)	\$10,000.00
Local Tax 1%		<u>x .01</u>
	(2)	100.00
Tax paid to Delaware	(3)	290.00
PA Income Tax (2.8% x \$10,000.00)	(4)	<u>280.00</u>
Credit to be used against Local Tax (subtract line 4 from line 3)		
On Line 12 of the tax return, enter this amount or the amount on Line 2 of worksheet, whichever is less	(5)	<u>10.00</u>

If all your wages or gross earnings are subject to Delaware State Income Tax (not PA), use the above example to complete your tax obligation on Worksheet located on the reverse side of the tax return.

If you had earned income *NOT* taxed by Delaware, this income would be subject to the earned income tax effective in your district and must be shown separately on the Local Earned Income Tax Return. You may not use any tax paid to another state as credit on earnings outside the other state.

**CREDIT FOR TAXES PAID TO POLITICAL SUBDIVISIONS OUTSIDE OF PENNSYLVANIA:** You may take a credit based upon the gross earnings taxed in both another political subdivision and in your home taxing district in Pennsylvania. **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 on wages, salaries and commissions, etc., or net profits earned outside Philadelphia. You are not liable for duplicate payment of a Wage Tax to your resident district. You must complete the Local Earned Income Tax Return. **A COPY OF YOUR W-2 AND/OR VERIFICATION OF TAXES PAID MUST BE ENCLOSED WITH THE FORM OR CREDIT WILL BE DISALLOWED.** No refunds or credits will be allowed for any overpayment made to Philadelphia. On line 12 of the tax return, enter the amount of Philadelphia wage tax paid.

**CREDIT FOR TAXES PAID TO PITTSBURGH:** If you work in the City of Pittsburgh and the Pittsburgh Earned Income Tax was withheld by your employer for the City of Pittsburgh, you must apply for a refund directly from the City. Earned Income Taxes are due to the municipality/school district in which you reside, not where you work. To obtain refund forms from the City of Pittsburgh, you may call 412-255-2524. The City tax office will supply you with the proper forms to be filed with them for a refund. Before these refund forms can be filed with the City, they must be signed by the tax collector in your municipality/school district verifying that taxes for the year in question have been paid to the proper taxing authority. You may come into our office to have this form signed or mail it with a self-addressed, stamped envelope. We will return it to you as soon as possible.

**GENERAL RULES APPLICABLE TO ALL 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 to political subdivisions located outside of Pennsylvania or for wage taxes paid to Philadelphia may be taken directly against your local earned income tax liability. (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.**

LINE 13: TOTAL: Enter the total of lines 9+10+11+12.

LINE 14: OVERPAYMENT OF TAX: If you have an overpayment of taxes in excess of \$1.00, you may elect to receive a refund or take same as 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. *Refunds:* If you fail to check either box under line 14 to indicate either a credit or a refund, a cash refund will be issued to you. If you elect to take a credit against next years liability, a Federal 1099 for the amount of the credit given for the next tax year will be issued to you and to the Federal Government.

LINE 15: AMOUNT OF TAX DUE: If tax (line 8) is larger than your credits (line 13), enter amount of tax due. If less than \$1.00, ENTER ZERO.

LINE 16: INTEREST AND PENALTIES: If for any reason the tax is not paid when due, interest at the rate of six percent per annum on the amount of said tax, and an additional penalty of one-half of one percent of the amount of the unpaid tax for each month or fraction thereof during which the tax remains unpaid, shall be added and collected. A late filing fee will be charged for any return received after the due date.

LINE 17: TOTAL AMOUNT DUE: The total of lines 15 + 16. OMIT IF LESS THAN \$1.00.

LINE 18: Write each account total on line 18.

BOX 19: Write total amount of enclosed check in box 19.

NOTE: All accounts are subject to audit and review. Failure to properly complete, sign and date this return may subject the taxpayer to a fine up to \$500.00 plus costs or days in jail. Local or city copy of W-2 and/or supporting schedules must be enclosed with tax return. (Photocopies of W-2s and schedules are accepted).



Employer's Name	Dates Employed This Year From to	Employer's Local Address	Gross Earnings	Earned Income Tax Withheld
			\$	
<b>TOTAL</b>				

**NON RECIPROCAL STATE WORKSHEET**

(See Instructions line 12)

EARNED INCOME: Taxed in other state as shown on the state tax return.

**Enclose a copy of state return** or credit will be disallowed ..... (1) \_\_\_\_\_

Local tax 1% or as specified on the front of this form..... X \_\_\_\_\_

(2) \_\_\_\_\_

Tax Liability Paid to other state(s) ..... (3) \_\_\_\_\_

PA Income Tax (line 1 x PA Income Tax rate for year being reported) ..... (4) \_\_\_\_\_

CREDIT to be used against Local Tax

(Line 3 minus line 4) On line 12, **enter this amount**

**or the amount on line 2 of worksheet, whichever is less.** (If less than zero, enter zero) ..... (5) \_\_\_\_\_

**A NOTE TO RETIRED SENIOR CITIZENS ONLY**

**IF YOU ARE RETIRED AND NO LONGER RECEIVING A SALARY, WAGES OR INCOME FROM A BUSINESS YOU RUN, YOU MAY NOT OWE ANY EARNED INCOME / NET PROFITS TAX.**

**SOCIAL SECURITY PAYMENTS AND PAYMENTS FROM A QUALIFIED PENSION PLAN ARE NOT SUBJECT TO THE EARNED INCOME TAX. INTEREST ON BANK ACCOUNTS IS NOT SUBJECT TO THE EARNED INCOME TAX EITHER.**

**IF YOU RECEIVE A FINAL EARNED INCOME TAX RETURN YOU SHOULD RETURN THE FORM SHOWING THAT YOU HAD NO EARNINGS. CHECK THE APPROPRIATE BOX ON THE RETURN STATING THAT YOU ARE RETIRED.**

**IF YOU ARE SEMI-RETIRED AND STILL RECEIVE WAGES FROM A PART-TIME JOB OR BUSINESS YOU STILL RUN, YOU MUST STILL PAY THE EARNED INCOME / NET PROFITS TAX.**

\_\_\_\_\_ DO NOT WRITE IN THE SPACE BELOW \_\_\_\_\_