

# LOCAL EARNED INCOME TAX RETURN

## 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 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. The final Local Earned Income Tax Return must be filed by the due date on the extension.
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.
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 PROFITS / NET LOSSES FROM BUSINESS

**DOCUMENTATION REQUIRED:** 1099(S), PA schedules C, E, F, or K-1 must be enclosed (photocopies are accepted).

**RULE:** A taxpayer may NOT offset a business loss against wages and other compensation (W-2 Earnings--line 1). "Pass-through" income from an S-Corporation is NOT taxable and loss is not deductible. A taxpayer may offset a loss from one business entity against a net profit from another business entity.

LINE 5. OTHER INCOME: Enter all other income not included on your W-2 net profit. Other income includes but is not limited to earnings reported on 1099 Misc., Tips or Cash Payments Received for Services Rendered.

LINE 6. TOTAL EARNED INCOME subject to tax: Add lines 3, 4, & 5.

LINE 7. TAX LIABILITY: Multiply line 6 by tax rate printed on the tax return. For example, if 1% use .01, if 1/2% use .005, if 1.9% use .019.

LINE 8. QUARTERLY ESTIMATED PAYMENTS: List any quarterly estimated payments made to date for appropriate filing year.

LINE 9. EARNED INCOME TAX WITHHELD: You may claim credit for local tax withheld as shown on your W-2 form.

\*NOTE: The City of Erie has approved an Act 205 tax for the cities distressed pension plan. Erie employers should be withholding an additional .18% from wages of all individuals that work in the city. This additional tax will be included with the local withholdings on your W-2 but cannot be used as a credit for your Local Earned Income Tax liability. Multiply the local wage by the Earned Income Tax rate (.005 Townville, .019 Cambridge Boro, & .01 all other municipalities) and include this amount on line 9 of the tax form. If you reside in Cambridge Boro and your employer is not withholding 1.9%, only 1% of your wage can be included on line 9 of the tax form.

LINE 10. TOTAL: Enter the total of lines 8 & 9. You may claim credit for local tax withheld as shown on your W-2 for unless you are employed in the City of Erie. Please see \*note above.

LINE 11. OVERPAYMENT OF TAX: If you have an overpayment of taxes in excess of \$1.00, you will receive a refund. A 1099 will be issued to the Federal Government for any credit or refund in excess of \$10.00.

LINE 12. AMOUNT OF TAX DUE: If tax (line 7) is larger than your credits (line 10), enter amount of tax due. If less than \$1.00, ENTER ZERO.

LINE 13. 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 addition 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. NSF CHECK RETURN:

LINE 14. TOTAL AMOUNT DUE: The total of lines 12 & 13 OMIT IF LESS THAN \$1.00.

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).

Non-Profit Org.  
U.S. Postage  
PAID  
Saegertown, PA 16433  
Permit No. 14

PENNCREST School District Wage Tax Office  
P.O. Box 808  
Saegertown, PA 16433-0808  
ADDRESS SERVICE REQUESTED