

What is Act 32?

Act 32 is the Pennsylvania Law that changes the calculation, collection and remittance of Pennsylvania local earned income tax (EIT)

Key components of Act 32 include the following:

- **Requires** all employers (including UPMC) to withhold local earned income tax (EIT) for **all** employees who live or work in Pennsylvania.
- **Reduces** the number of earned income tax collectors from 568 to 69 by creating county-wide tax collection districts.
- **Changes** the amount of local earned income tax withheld to be the **higher** of the employee's resident EIT rate (based on where the employee lives) or the employee's workplace "non-resident" EIT rate (based on where the employee works).
- **Requires** employers to obtain a Certificate of Residency form with current home address and workplace address. This new form must be completed on all current Pennsylvania employees and going forward, a form must be completed each time an employee's home address changes.
- **Allows** employers with multiple workplace locations to file and remit EIT withholdings to the Tax Collection District in which the employer's payroll operations are located.
- **Exempts** the City of Philadelphia from this law.
- **Excludes** Local Service Tax (LST)

When does Act 32 become effective?

Act 32 becomes effective January 1, 2012, and any impact of Act 32 will be reflected in UPMC's first biweekly pay received on January, 6 2012.

How much will I pay?

The calculation of the local earned income tax will be based on a comparison of your resident EIT rate (based on where you live) and the workplace "non-resident" EIT rate (based on where you work). The amount withheld will be the **higher** of the two rates. For most staff, the withholding will stay the same (approximately 1 percent, because that is the most common EIT rate for municipalities in which UPMC employees live and work).

I currently pay my own EIT quarterly and don't have it deducted from my paycheck. Can I still do that under Act 32?

No. Beginning January 1, 2012, employee taxpayers who currently file quarterly local EIT returns will no longer be required to do so because, under Act 32, their employers **must** now withhold and remit on their behalf. **Employee taxpayers will still be required to file annual returns.**

When will my local earned income tax withholdings be remitted to my resident municipality?

Since UPMC is a multiple location employer, we have elected to remit all local earned income taxes to Jordan Tax Service (TCD for Allegheny County Southern District). Multi-location employers that have elected to remit a consolidated return must file and remit EIT withheld 30 days following the last day of each month. Jordan Tax Services will then remit on a quarterly basis to local municipality.

How do I know what amount of EIT should be withheld by UPMC?

You can look up your resident municipality rate and your workplace municipality non-resident rate by entering your home and work place addresses on the following Pennsylvania DCED website: <http://munstatspa.dced.state.pa.us/FindLocalTax.aspx>.

EIT Withholding Rate Examples:

The following examples are based on the official withholding rates as of December 15, 2010, and are subject to change. These examples are for illustrative purposes only and should not be relied on for withholding purposes.

Employee's residence EIT Rate is **higher** than the Employee's workplace EIT Rate

- An Employee lives in Bethel Park, Allegheny County, Pennsylvania, which imposes a resident EIT rate of 1.4%, and works in the City of Pittsburgh, Allegheny County, Pennsylvania, which imposes a non-resident rate of 1%, **the rate of 1.4% would be used for EIT withholding.**

Employee's workplace EIT Rate is **higher** than the Employee's residence EIT rate

- If an Employee lives in West Mifflin Borough, Allegheny County, Pennsylvania, which imposes a resident EIT rate of 1.0%, and he or she works in the City of Duquesne, Allegheny County, Pennsylvania, which imposes a non-resident EIT rate of 1.3%, **the rate of 1.3% would be used for EIT withholding.**

Employee's residence EIT rate is **higher** than Employee's workplace EIT Rate (with the workplace non-resident EIT rate is zero)

- If an Employee lives in Upper St. Clair Township, Allegheny County, Pennsylvania, which imposes a resident EIT rate of 1.3%, and works in Rosslyn Farms Borough, Allegheny County, Pennsylvania, which does not impose a non-resident EIT rate, **the rate of 1.3% would be used for EIT withholding.**

If my workplace non-resident EIT rate is higher than my residence EIT Rate where is the additional amount remitted to?

The additional amount will be remitted to your workplace locality.

I work in Pennsylvania but live outside the state, does Act 32 affect me?

Yes. Act 32 requires all employers to withhold EIT for all employees who live **or** work in Pennsylvania. UPMC will be required to withhold at the non-resident rate of the workplace municipality. **Employees are responsible for seeking any potential credits or refunds with their resident state.**

EIT Withholding Rate Example for Pennsylvania non-residents:

- An Employee lives in the State of West Virginia, but works in Robinson Township, Allegheny County, Pennsylvania, which imposes a 1% non-resident rate, **the rate of 1% would be used for EIT withholding.**

I live and/or work in Philadelphia, does Act 32 affect me?

No. Act 32 does not apply to the City and County of Philadelphia. We suggest that you consider consulting your legal or accounting professional with any questions related to EIT for Philadelphia.

Do I still need to file an annual local wage withholding return?

Yes. On or before April 15th of each year, each Taxpayer (employee) must file a final return with the Tax Officer of the Tax Collection District (TCD) where the Taxpayer (employee) **lives**.

A list of tax collectors can be found at http://www.newpa.com/webfm_send/1568.

What is the Certificate of Residency Form?

This form is to be used by employers and/or taxpayers to report essential information for the collection and distribution of Local Earned Income Taxes.

This form will be **required** to be filled out by all current employees during Open Enrollment in November. Once originally filled out, the Employee will not have to re-complete the form **unless** he/she changes their home address. The Employee will **not** have to re-complete the form if their work location changes.

Where can I find out more about Act 32?

More information about Act 32 is available at the [Department of Community and Economic Development \(DCED\) Earned Income Tax \(EIT\) collection system webpage](#).

Other Informative websites:

- [DCED's Act 32 EIT Collection System](#)
- [American FactFinder](#)
- [Jordan Tax Services](#)