

LOCAL SERVICES TAX

Act 7 of 2007 amends the Local Tax Enabling Act, Act 511 of 1965 to make the following major changes to the Emergency and Municipal Service Tax (EMST).

Name Change. The name of the tax is changed to the Local Services tax (LST).

Effective Date. The changes are effective for taxes levied in calendar year 2008.

Assessment and Collection. The LST tax must be assessed and collected on a pro-rata basis determined by the number of payroll periods established by an employer for a calendar year. The pro-rata share of the tax assessed on each employee for a payroll period is calculated by dividing the combined rate of the LST by the number of payroll periods established by the employer for the calendar year. When calculating the pro-rata share, employers are required to round down to the nearest one-hundredth of a dollar. For instance, a \$52 tax would be collected at \$1 per week for employees paid weekly or at \$4.33 per month for employees paid monthly.

Withholding. All employers with work sites within Mahoning Township are required to deduct the LST from their employees.

Employers are only required to withhold the LST on a payroll period basis for those payroll periods in which the taxpayer is employed. However, when two or more employers employ a taxpayer in a payroll period, an employer is not required to withhold the LST if the taxpayer provides a pay stub from his/her principal employer accompanied by an employee statement of principal employment, that the pay stub is from the taxpayer's principal employer and that the taxpayer will notify the employer of any change in employment. Employers are relieved of liability for the tax if they fail to withhold the tax due to incorrect information provided by the taxpayer regarding the taxpayer's principal employer or if the employer complies with the provisions establishing the collection of the tax on a payroll period basis.

Concurrent Employment. If a taxpayer has two or more jobs in different political subdivisions during a payroll period, the priority of claim to collect the LST is as follows:

- (1) Where the taxpayer maintains his or her principal office or is principally employed;
- (2) Where the taxpayer resides and works; and
- (3) Where the taxpayer is employed that is nearest in miles to the taxpayer's home.

Remittance. Employers must remit withheld taxes on the designated quarterly withholding report form to the tax collector within 30 days after the end of each calendar quarter.

Self-Employed Individuals. The tax should be pro-rated and paid by self-employed individuals on a quarterly basis, as if their payroll period is a calendar quarter. Self-employed taxpayers shall pay the tax to the municipality or the tax collector 30 days after the end of each calendar quarter.

Quarters

Due Date

1 st (January 1 to March 31)	April 31 st of the current year
2 nd (April 1 to June 30)	July 31 st of the current year
3 rd (July 1 to September 30 th)	October 31 st of the current year
4 th (October 1 to December 31)	January 31 st of the following year

Limits. The total LST paid by any taxpayer in a calendar year remains limited to \$52, regardless of the number of political subdivisions in which an individual works during the year.

Situs: The situs for payment is the place of employment on the first day the employee becomes subject to the tax **during each payroll period.**

Low-Income Exemption. Those employees whose **total earned income and net profits from all sources within the political subdivision** is less than \$12,000 for the calendar year are eligible for low-income exemption. "Income from all sources" is defined as the same "earned income" and "net profits" that are used to determine the local earned income tax.

Upfront Exemption. In order to receive an upfront exemption, employees must file an annual upfront exemption form with the Mahoning Township tax collector and the employee's employer. The exemption certificate would verify that the employee reasonably expects to receive earned income and net profits of less than \$12,000 from all sources for the calendar year for which the exemption certificate is filed. A copy of the employee's last pay stubs or W-2 forms from employment within Mahoning Township for the year prior to the calendar year for which the employee is requesting an exemption must be attached to the exemption certificate. Employers must make upfront exemption forms readily available to employees at all times and provide new employees with the forms at the time of hiring.

Suspension of Withholding. Upon receipt of an upfront exemption form and until otherwise instructed by Mahoning Township, employers must stop withholding the LST for the specific calendar year from employees for whom the exemption applies.

Restoration of Withholding. Employers must "restart" withholding the LST from an employee who files an exemption certificate in the following circumstances:

- (1) If instructed to do so by Mahoning Township Tax Collector;
- (2) If notified by the employee that they are no longer eligible for the exemption; or
- (3) If the employer pays the employee more than \$12,000 for the calendar year.

Employers "restart" withholding of the LST by withholding (1) a "catch-up" lump sum tax equal to the amount of tax that was not withheld from the employee as a result of the exemption; and (2) the same amount per payroll period that is withheld from other employees. Except for monitoring when an employee who has filed an exemption certificate earns more than \$12,000, the intent of the amendment is that **employers are not responsible for investigating exemptions, monitoring tax exemption eligibility or exempting an employee from the tax.**

Military Exemption. (1) members of a reserve component of the armed forces called to duty and (2) honorably discharged veterans who served in any war or armed conflict who are blind, paraplegic, or a double or quadruple amputee as a result of military service or who are 100% disabled from a service-connected disability.

Refunds. Those employees requesting a refund must complete a refund application form and attach all necessary supporting documents.

Failure to report your business and/or payment will result in penalty and/or fine.