

LOCAL SERVICES TAX – EMPLOYER INFORMATION
Act 7 of 2007 Amending Act 511 of 1965

Local Services Tax:

Effective January 1, 2008, the Local Services Tax (LST) replaces the Emergency & Municipal Services Tax (EMST). Like the EMST, the new tax is assessed on each employed individual by the political subdivision of the individual's place of employment. The maximum amount of the tax is \$52.00 annually. The City of Bethlehem's rate is \$52.00 (\$47.00 for the City and \$5.00 for the Bethlehem Area School District).

Local Services Tax Employer Withholding:

A person subject to the Local Services Tax shall be assessed a pro rata share of the tax for each payroll period in which the person is engaging in an occupation. The pro rata share of the tax assessed on the person for a payroll period shall be determined by dividing the combined rate of the Local Services Tax levied for the calendar year by the number of payroll periods established by the employer for the calendar year. For purposes of determining the pro rata share, an employer shall round down the amount of the tax collected each payroll period to the nearest one-hundredth of a dollar.

Employer collection of the Local Services Tax shall be made on a payroll period basis for each payroll period, beginning with the first payroll period in which the person is engaging in an occupation.

Employer Remittance of Collected Tax and Reporting of Collection Detail:

Employers are required to remit the Local Services Taxes withheld from their employees and file a Local Services Tax Quarterly Return thirty (30) days after the end of each quarter of a calendar year. The Local Services Tax Quarterly Return shall list the name, address, social security number, physical address of the place of employment, number of payroll periods for which the Local Services Tax was withheld and the amount of Local Services Tax being remitted for each employee.

Exemptions to the Local Services Tax:

The Local Services Tax shall be no more than \$52 on each person for each calendar year, irrespective of the number of political subdivisions within which a person may be employed.

The law requires Municipalities and School Districts who levy the Local Services Tax at a rate exceeding \$10 to exempt any person from the Local Services Tax whose total earned income and net profits from all sources within the political subdivision is less than \$12,000 for the calendar year in which the Local Services Tax is levied.

An upfront exemption is available to any employee who reasonably expects to receive earned income and net profits of less than \$12,000.00 from all sources within the City of Bethlehem for the current calendar year. An upfront exemption form shall be filed with the City of Bethlehem and the employee's employer. The exemption form must be filed with a copy of the employee's last pay stub(s) or W-2 forms from employment within the City of Bethlehem for the year prior to the year for which the employee is requesting an exemption. The exemption form must be filed each year an exemption is requested. Employers must make exemption forms available to employees at all times and provide new employees with the form at the time of hiring. The form can be found on the City of Bethlehem web site, www.bethlehem-pa.gov/dept/admin_tax/, and at www.newPA.com (follow the menu steps; Local Government Services, Local Tax Info, Local Services Tax).

Upon receipt of an upfront exemption form and until otherwise instructed by the City of Bethlehem, employers must stop withholding the tax for the specific calendar year from employees for whom the exemption applies. Employers must "restart" withholding the tax from an employee who files an exemption certificate in the following circumstances: a) If instructed to do so by the political subdivision levying the tax; b) If notified by the employee that they are no longer eligible for the exemption; or c) If the employer pays the employee more than \$12,000 for the calendar year. Employers "restart" withholding of the tax 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.

Additionally, any person who is an honorably discharged veteran with 100% service-connected disability and any person on active duty is exempt for the Local Services Tax.

In the event the employment of a person subject to withholding of the Local Services Tax under this exception is severed in that calendar year, the person shall be liable for any outstanding balance of tax due and the political subdivision levying the tax may pursue collection under this act.

Employers shall be responsible for retaining a copy of all exemption certificates filed by employees within a given calendar year for a minimum of three (3) years. Employers who have failed to withhold the Local Services Tax from an employee or employees, AND do not have copies of the employee exemption certificate or certificates, will be held responsible for the payment of the Local Services Tax as if the tax had been originally levied against the employer.