

LEGAL TAX SERVICE, INC.

Tax Service Instruction
Local Service Tax (formerly Emergency and Municipal Service Tax)

Dear Employers and Self Employed

LOCAL SERVICE TAX:

1. The Local Service Tax is payable by all individuals who hold a job or otherwise work within a Local Service Tax taxing jurisdiction. [Act 7 of 2007].

2. Starting with January 1, 2008 and forward, deductions for the Local Service Tax shall become a payroll deduction based upon the number of payroll periods annually. A portion of the tax will be withheld from the employee each time that the employee is paid. In order to calculate the amount to be withheld from each employee's paycheck, the employer will take the tax rate in effect and divide it by the number of pay periods in the remaining calendar year. The employer is required to withhold the tax from all employees in your employment unless they meet the criteria hereinafter stated. **An employer is not permitted to withhold the tax in one lump sum.**

3. Exemption:

a. Act 7 of 2007 requires all political subdivisions who levy the tax in excess of \$10.00 in the taxing jurisdictions to exempt individuals with incomes within their jurisdictions of \$12,000.00 or less.

b. Political Subdivisions who levy \$10.00 or less do not have to exempt persons who make \$12,000.00 or less. Your employees must complete an exemption certificate form to qualify for an exemption.

c. The Act also exempts all individuals who are on active duty in the armed services of the United States of America or have been called to active duty at any time within the taxing year from payment of the tax.

d. Also exempt are former/current employees of the military who due to that military service are paraplegics, double or quadruple amputees, or have any service related disability as declared by the United States Veterans Administration or its successors.

e. Anyone who claims an exemption must fill out an exemptions form for each tax year for which an exemption is claimed. The original exemption form is to be attached with your quarterly return and a copy of the exemption form is to be kept with your records.

f. You as an employer will refrain from withholding the tax from any employee who has provides proof that they already have or are having the tax withheld from another employer. The other employer must be their place of primary employment. If you are the place of primary employment, then it is your duty to withhold. If only a portion of the annually \$52.00 had been collected by a different employer, than you will deduct and remit the remaining balance due proportionally from the number of payroll periods up to \$52.00 annual ceiling of the tax. An exemption form for the amount

previously collected must be completed by the employee and filed with the employer who will attach it to the Employer's quarterly return.

4. You as an employer are required only to pay the tax for the period in which a person is employed within the taxing jurisdiction.

5. Currently, the total amount of tax to be collected annually from any jurisdiction should not exceed \$52.00 annually. This amount includes the \$5.00 levied by a school district in your taxing jurisdiction. Under the new Act 7 of 2007, the municipal collector of taxes is required to collect the entire \$52.00, and it is the Municipal tax collector who will remit the \$5.00 to the school district, not the employer.

6. The withholding of this tax is due quarterly from the employers, April 30, July 31, October 31 and January 31. For self-employed persons, the due dates are April 15, July 15, October 15 and January 15. Self-employed persons within the taxing jurisdictions are also subject to the Local Service Tax and must file a quarterly return form and quarterly remittance of the tax.

7. Employers are required to submit with the amounts withheld, the Local Service Tax forms, and attach with the form the amounts withheld from each employee and their names, addresses and social security numbers of all employees from whom the amount was collected together with the names, addresses and social security numbers of those employees who have

claimed and filed an exemptions request. Self employed persons are required to submit the same information.

7. All persons engaged in an occupation, part time or full time within the taxing jurisdiction must pay the tax unless already exempt. An exemption application must always be filed to claim an exemption from the withholding.

8. Currently, the Borough of Munhall and the Borough of West Mifflin levy a Local Service Tax of \$52.00. The Steel Valley School District and the West Mifflin Area School District levy a tax of \$5.00. By operation of law, the Boroughs will receive \$47.00 and the School Districts will receive \$5.00. If the employees make less than \$12,000.00 within the political subdivision, the deduction for the municipality (up to \$47.00) will be refunded, but the School District's portion of the tax may not be refunded because of earnings less than \$12,000.00.

For further instruction, please forward to request Legal Tax Service Inc., 714 Lebanon Road, West Mifflin PA 15122.