



ACT 32 - Arrives in Chester County and is Coming Soon to Your Area

What Employers Need to Know About the Changes in Pennsylvania Local Earned Income Tax

PROXUS is working closely with our clients in Chester County where ACT 32 went into effect on July 1. [PROXUS](#) is also counseling those in other counties in preparation for all of the changes in the Pennsylvania Local Earned Income Tax, effective January 1, 2012.

By now, all Pennsylvania employers should be aware that the sweeping changes to the earned income tax withholding regulations that recently went into effect in Chester County will be enacted soon throughout the rest of Pennsylvania. Some of the changes include:

1. Employers are required to withhold the higher of the employee's resident earned income tax amount versus the employee's municipal non-resident earned income tax amount.
2. All employers will be required to have a local tax account to remit taxes even if they have no withholding rate in the "work" municipality.
3. Employers must obtain and keep on file a completed "Tax Residency Certification Form" from all employees who will identify both the work and resident municipalities.
4. The City of Philadelphia is excluded from Act 32.
5. Employers must remit all withholdings to the Tax Collector where they are located within 30 days of the end of each quarter, even if there is no EIT in that municipality.
6. Each municipality has been assigned a PSD (Political Sub-Division) Code. The PSD for both work and residence must be reported when remitting taxes.
7. The regulations are effective January 1, 2012. However, four counties chose to adopt early: Chester, Lancaster, Lebanon and Wyoming. Chester County is *enforcing* early adoption as of July 1, 2011. The other three counties will implement on a "voluntary" basis.

If you are in Chester County you should have already submitted your completed "Tax Residency Certification Forms" from all employees. You are mandated by law to withhold either the resident income tax (where the employee lives) or the non-resident income tax (where the employee works), whichever is higher. *Keystone will hold you liable for incorrect withholding in third and fourth quarters of this year.

Reminder:

For PROXUS clients, if you haven't done so yet, please review the ACT 32 information that we already sent to you and promptly return the information requested. Make sure the forms are filled out completely and the PSD codes are entered. The municipality is not the school district, rather the township, borough or city in which the employee lives. Refer to our website for tools to assist you with the PSD codes at www.proxushr.com - under News & Information.

Need Support?

If you are not a PROXUS client, we would be happy to meet with you and assist you with the PA Local Earned Income Tax withholding regulation changes. Please contact **PROXUS Principal, John Israel** at 215-654-9140, ext. 110 or jisrael@proxushr.com for additional information.

-more-

ACT 32 Seminar Planned for September

[PROXUS](#) will be hosting a Breakfast Seminar in September to discuss and educate businesses on ACT 32 with seminar sponsor, [Beneficial Bank](#) and a local area accounting firm to be announced. Watch for your special email invitation later this month with all of the pertinent details for this educational and informative seminar. We hope that you can join us!!

**Tax Collector for Chester County*

#####

August 4, 2011