



Act 32 – Goes into effect with payrolls dated in 2012

Act 32, passed in 2008 requires all PA employers to withhold local earned income tax (EIT) at the higher of two tax rates – **the non-resident** rate for the work location or the resident rate of the employee's home jurisdiction. This change is an effort to ensure local withholding occurs at the paycheck level rather than employees making estimated payments throughout the year or paying a lump sum with their personal tax return.

Employers with any location in PA, outside of Phila, are subject to the new regulations. Even if your work location has a zero withholding rate, you are obligated by law to withhold based on the employee's residency. The only instance where there would be no withholding would be if both the work and live jurisdictions have zero rates. However, reporting of wages is still required to the work location tax collector.

All employers are to obtain a Certificate of Residency from each employee to be retained in the employee's personnel file. A new Certificate of Residency is required should the employee move or change work location.

Proxus has been working diligently over the past few months coding your employees. By now, you may have received an Act 32 package from your customer service rep with specific instructions for your first January payroll. If you have not already done so, please review that package and follow the instructions.

You now have visibility of our efforts. For all active employees who work in PA, outside Phila, you should see a new field - Resident Code - on the employee tax screen. Extra local percentages should no longer be necessary if the reason for the additional amount was because the tax rate where the employee lives is greater than where they work. Act 32 calculations will automatically make that calculation. If you leave the additional amount in the system, the employee will be over withheld.

Employees with multiple local codes – one for municipal withholding and another for school district tax, will no longer need both codes. Act 32 consolidates both of these taxes into one EIT withholding rate.

For more detailed information on the regulations, please visit our Home Page.

Screen#1 (Employee's WORK location coding)

Select a PA Local Code. **This should always be the Non-Resident code for the WORK location.** Be sure you select the proper Non-Res code as withholding rates may vary for Res & Non-Res. Always select a Non-Resident code that has a 6 digit PSD code indicated in the description line.

- When selecting a tax code for Philadelphia, NEVER select code "PHILA". Only PHLN and PHLR for Non-Resident and Resident will withhold taxes.

Once you select the Local Code, the PSD for that jurisdiction and a Description will appear to the right. Please verify your entry.

- If an employee changes his work location, as in the past, change the Local Code to the Non-Resident code for that jurisdiction. There is no need to change the Resident Code (new field) unless the employee moves, or the original coding was incorrect.

The screenshot shows the PROXUS payroll system interface. At the top, the browser address bar shows the URL: https://www4.paychoiceonline.com/webpayroll/header.asp. The page header includes the PROXUS logo and the tagline "Managing the business of employment".

The main content area is titled "Employee Taxes" and is for employee "0017- SPRINGSTEEN, BRUCE" in department "0200-PERFORMERS".

Tax Setup: Includes dropdowns for CO DISB, FICA, FUTA, MEDFICA, and UNEM, each with a "Take Tax" option.

Federal/State Info: Includes Marital Status (Married) and Exemptions (1). A note says "* Fill out a Form W-4".

Local Code: A dropdown menu is open, showing options: PA0086, NYCN, NYCR, PHILA, PHLN, PHLR, PA0060, PAC060, and PA0024. A green callout box with an arrow points to this dropdown with the text "Select PA Local Tax Code".

Taxes Table:

Tax Code	Take Tax	Taxes	Optional/Override Tax & Amount
DD	YES - Tax withheld, wages taxabl		Normal Tax Rate 0.0000
FW	YES - Tax withheld, wages taxabl		Normal Tax Rate 0.0000
LC	YES - Tax withheld, wages taxabl		Normal Tax Rate 0.0000
ST	YES - Tax withheld, wages taxable		Normal Tax Rate 0.0000
UD	YES - Tax withheld, wages taxable		Normal Tax Rate 0.0000
Add a Tax			Normal Tax Rate

At the bottom, there is a red asterisk indicating "* Required" and a "Save Changes" button.

Screen #2, 3 & 4 (Employee's Live location coding)

When entering a new hire, a new box will appear for the employee's Resident Code. This is a mandatory field. You may search by tax code, PSD code, or name of municipality. You will want to search by PSD or name since you probably will not know the system's assigned tax code.

The screenshot shows the PROXUS payroll system interface. The top navigation bar includes 'CHRIS TEST PAYROLL' and a sidebar with options like 'Company Status', 'Employees', and 'Taxes'. The main content area is titled 'Employee Taxes' and includes sections for 'Tax Setup', 'Federal/State Info', and 'Local Tax Info'. The 'Local Tax Info' section features a 'Resident Code Search' box and a 'PA Resident Code' field. A green callout box points to the 'Resident Code Search' box with the text 'Search box for Resident Code'. Another green callout box points to the 'PA Resident Code' field with the text 'PSD Code and W2 Description Displays'. The 'Employee Taxes' table at the bottom lists various tax codes (DD, FW, LC, ST, UD) and their corresponding 'Take Tax' and 'Optional/Override Tax & Amount'.

Tax Code	Take Tax	Optional/Override Tax & Amount
DD	YES - Tax withheld, wages taxable	Normal Tax Rate 0.0000
FW	YES - Tax withheld, wages taxable	Normal Tax Rate 0.0000
LC	YES - Tax withheld, wages taxable	Normal Tax Rate 0.0000
ST	YES - Tax withheld, wages taxable	Normal Tax Rate 0.0000
UD	YES - Tax withheld, wages taxable	Normal Tax Rate 0.0000

For out of state residents, use PSD code 880000. Enter the first 3 characters and a drop down list will appear. As you continue typing, the selections will narrow. Be sure to always highlight & select the Resident code that has a 6 digit PSD code indicated. The selected code will be displayed in the "PA Resident Code" field along with the PSD code.

Note: The table containing thousands of PA local codes is still in the process of being populated. If you cannot locate the proper Resident code, use the same code as in the Local Code field (the work location code) and give us a message in the Comments Section of the Submit Page with the employee name, the name of his residence jurisdiction (and PSD if known) and ask us to change the Residence code for you. We have access to ALL of the codes at the Service Bureau Level.

Payroll - Windows Internet Explorer
 https://www.paychoicemc.com/webpayroll/header.asp

PROXUS
 Managing the business of employment

Depts: All Departments Emp: 0017-SPRINGSTEEN, BRUCE
 Dept: 0200-PERFORMERS Emp #: 0017

Employee Taxes

Tax Setup

CO DISB Take Tax
 FICA Take Tax
 FUTA Take Tax
 MEDFICA Take Tax
 CO UNEM Take Tax

Federal/State Info

Marital Status Exemptions
 Federal Married 1
 Inc. Tax St. PA Married 1
 SUI Tax St. PA

Local Tax Info

Local Code PA0060 PSD: 461801 W-2 Description: U DUBL
 PA Resident Code: Not selected - Use the resident code search below

Resident Code Search LAN
 Search by tax code, PSD code
 Note: at least 3 characters

Employee

Tax Code	Take Tax
DD	YES - Tax withheld, wages taxable
FW	YES - Tax withheld, wages taxable
LC	YES - Tax withheld, wages taxable
ST	YES - Tax withheld, wages taxable
UD	YES - Tax withheld, wages taxable

Add a Tax

PA1959 540901 LANDINGVILLE BORO (SCHUYLKILL)
 PA1960 500406 LANDISBURG BORO (PERRY) LOCAL TAX
 PA1961 580603 LANESBORO BORO (SUSQUEHANNA) LOCAL
 PA1962 090802 LANGHORNE BORO (BUCKS) LOCAL TAX
 PA1963 090803 LANGHORNE MANOR BORO (BUCKS)
 PA1964 461104 LANSDALE BORO (MONTGOMERY) LOCAL TX
 PA1965 231505 LANSDOWNE BORO (DELAWARE) LOCAL TAX
 PA1966 130401 LANSFORD BORO (CARBON) LOCAL TAX
 PA3132 LANSDALE BORO (MONTGOMERY)
 PA3332 LANSDALE BORO (MONT) 0.5%
 PAD052 LANCASTER 2% DISCOUNT
 PA1580 LANCASTER CITY 1 ST 5%2

Internet | Protected Mode

Enter at least 3 characters

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Employee

Tax Code	Take Tax
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Add a Tax

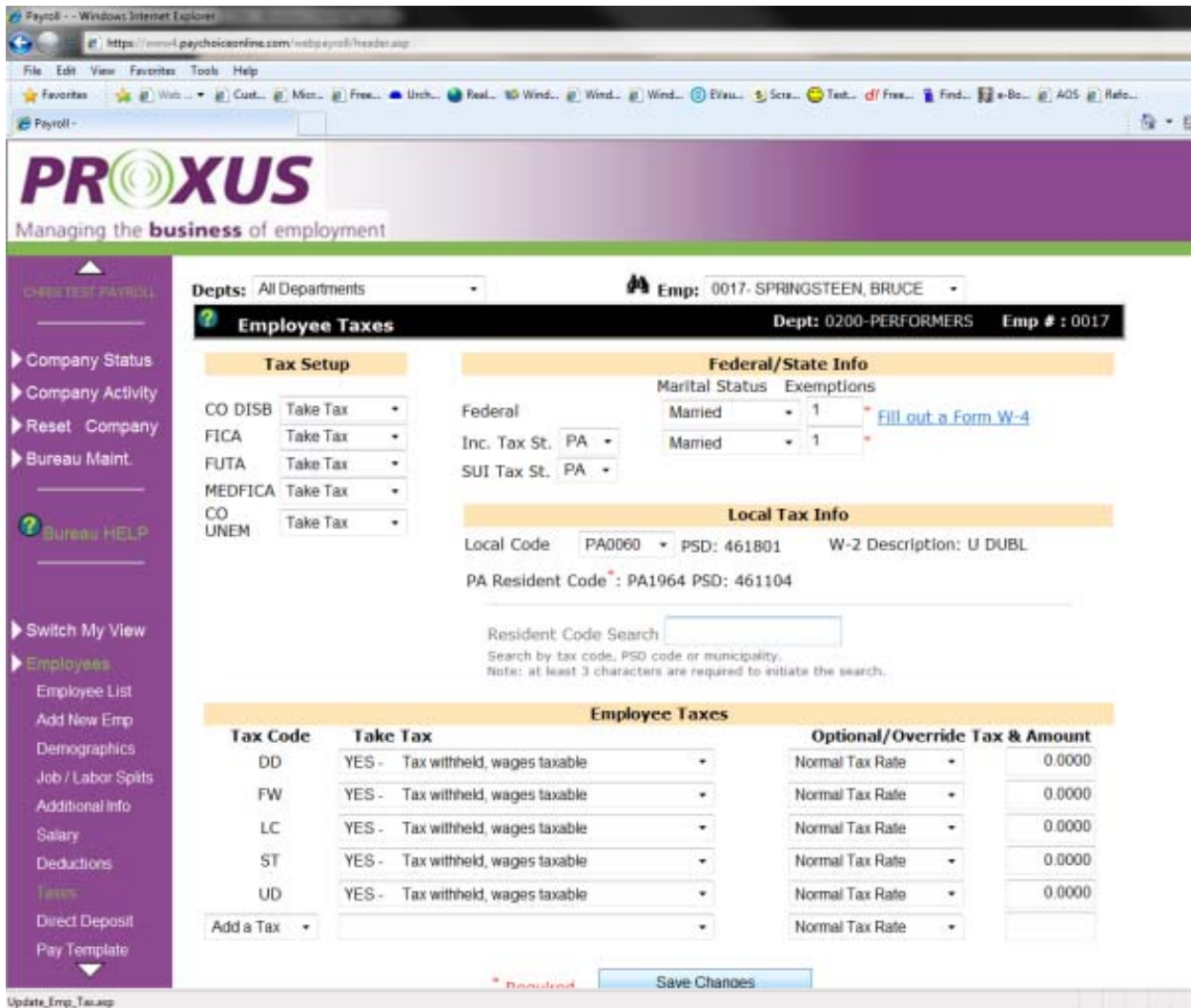
PA1958 361002 LANCASTER 1WP (LANCASTER) LOCAL TAX
 PA1959 540901 LANDINGVILLE BORO (SCHUYLKILL)
 PA1960 500406 LANDISBURG BORO (PERRY) LOCAL TAX
 PA1961 580603 LANESBORO BORO (SUSQUEHANNA) LOCAL
 PA1962 090802 LANGHORNE BORO (BUCKS) LOCAL TAX
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 PA3132 LANSDALE BORO (MONTGOMERY)
 PA3332 LANSDALE BORO (MONT) 0.5%
 PAD052 LANCASTER 2% DISCOUNT

Internet | Protected Mode

Highlight and Click to Select the tax code

Screen #5 (Save changes)

Once both fields are populated, be sure to Save Changes. The system will compare the 2 withholding rates (work jurisdiction vs. live jurisdiction) and withhold using the higher of the two rates. Deposits and reporting is always made to the work location jurisdiction which is the first Local Code displayed. The Resident Code is used only for calculation purposes and will appear on quarterly local wage listings submitted to the tax collector.



Pre-Process:

If you pre-process your first January payroll, there is a strong possibility your pre-process will not display the expected local tax amount. This is because the first 2012 payroll has not been actually processed. Once you submit, and the payroll is processed at the Service Bureau, Act 32 calculations will occur. Thereafter, you will be able to see accurate withholdings on your Pre-Process report.