

**YORK AREA EARNED INCOME TAX BUREAU**

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**To:** Employers and Payroll Services

**From:** YAEITB – Employer Accounts

**Date:** February 24, 2003

**Re: Change on local withholding for Section 125, Cafeteria Plans**

Beginning with calendar year 2003, Section 125, Cafeteria Plans are not taxable for local tax purposes under ACT 166 of 2002. Employers should treat these plans the same for local tax purposes as the employer does for Pennsylvania Personal Income Tax purposes.

As for any tax that would have been withheld for 2003, if corrections can be made on withholding please adjust, if adjustments cannot be made refunds if applicable will be issued on the individual filing for 2003.

For practical purposes this Bureau will not object to an effective date of 01/01/2003 for this change.