

# INSTRUCTIONS

## Individual Taxpayer Annual **Local Earned Income Tax Return** Tax Year **2014**

### FILING:

**\*\*DO NOT STAPLE OR TAPE DOCUMENTS TO YOUR RETURN\*\***

YATB offers two methods of filing your Local Earned Income Tax Return. Taxpayers are encouraged to complete and file their returns online through the Pennsylvania Local Income Tax Exchange (**PALite**) or by mail using the Individual Taxpayer Annual Local Earned Income Tax Return form (Form YATB TO-32). Please consider filing online. The benefits of electronically filing your return through **PALite** ([www.palite.org](http://www.palite.org)):

- *Safety:* Stringent security safeguards are utilized to protect your information.
- *Assistance:* The system performs math calculations for you and prepares your return.
- *Time:* YATB is able to process returns in a fraction of the time compared to manually filed paper returns.
- *Confirmation:* Upon **submitting your return** with **PALite**, you will receive confirmation that your return has been electronically transmitted and received.

Eligibility and exclusion provisions, including complete instructions and conditions, can be found on the **PALite** individual online filing webpage ([www.palite.org](http://www.palite.org)) which may also be accessed through YATB's website at [www.yatb.com](http://www.yatb.com).

*Reminder:* When filing electronically through **PALite**, do not mail a copy of your return to YATB - retain it for your records.

York County taxpayers who reside in the West Shore School District (including the municipalities of Fairview Township, Newberry Township and Goldsboro Borough) must file with the **Cumberland County Tax Bureau**, [www.cumberlandtax.org](http://www.cumberlandtax.org), phone 717-590-7997.

### REMITTANCE ADDRESSES:

Please use the enclosed labels to remit your tax return.

### FILING DUE DATE:

Your return must be completed and filed on or before April 15 (unless the 15<sup>th</sup> falls on a Saturday, Sunday or Federal Holiday...then it must be filed the following business day). The Postal Service postmark date on your envelope is to serve as proof of your filing date. If you cannot file by the due date, you may request an extension by filing the Individual Taxpayer Annual Local Earned Income Tax Return form with your name, address and social security information and check the box indicating **EXTENSION** at the top of form and forward to the applicable YATB office.

**NOTE: Extensions apply only to the filing of your return, not to the payment of tax. If tax is not paid in full by the April due date, penalty and interest charges may apply.**

### WHO MUST FILE A LOCAL EARNED INCOME TAX RETURN?

An Individual Taxpayer Annual Local Earned Income Tax Return form must be filed by all persons subject to the local earned income tax regardless of whether or not the taxpayer is employed or any tax amount is due.

*Disabled* – If you became disabled during the tax year, please check applicable box and indicate date when disability occurred.

*Deceased* – If filing on behalf of an individual who passed away during the tax year, please check applicable box and indicate date of death.

*Retired* – If you retired during the tax year, please check the applicable box and indicate date of retirement.

If you file an amended Federal or State income tax return, an amended Local Earned Income Tax Return must also be filed with YATB. Please complete an Individual Taxpayer Annual Local Earned Income Tax Return form and check the box indicating **AMENDED RETURN** at the top of form and forward to the applicable YATB office.

### SUPPORTING DOCUMENTS:

A tax filing is not complete until all required supporting documentation and schedules have been filed. Failure to provide required documentation and schedules may not only delay processing of your return, but may also subject you to late filing penalties and/or legal action.

## ENTERING INFORMATION:

- **Your Address** – If you are using a return form that shows a pre-printed name/address and the information is incomplete or contains errors, please cross out the incorrect information and print any changes as necessary. For proper distribution of your local earned income tax, your actual street address MUST be provided. If you utilize a PO Box for receipt of mail, this would be shown in *addition* to your actual street address on the second line of address. If you have moved during the year, please supply your prior address information and dates residing at each location in the spaces provided at the top of your return form.
- **Change of Address During Tax Year** – If you moved during the year, please provide each address and account for all 12 months. If you resided in areas with different tax rates, use the **Schedule X** calculator to calculate your tax liability. If you filed a prorated return with another tax bureau, remit a copy of that return.
- **Phone Number/Email** – Enter the area code and phone number/email where you can be reached during weekdays.
- **Resident PSD Code** – The Resident PSD Code is a six-digit number that references the county tax collection district, school district and municipality in which you reside. Please enter the six digit PSD code *where you lived on December 31* even if you moved after December 31. For PSD Code information please refer to the back of your return or our website.
- **Social Security Number(s)** – Carefully enter your SSN, and your spouse's SSN if applicable, in the boxes provided on your local earned income tax return form.
- **Rounding Numbers** – On the Local Earned Income Tax Return form, round monetary amounts to the nearest whole dollar. Reduce any amount that is *less than* 50 cents to 0 (zero) and increase amounts from 50 to 99 cents to the next dollar amount. For multiple W-2's add all amounts and round the total.

*Example: \$4.49 should show as \$4.00, \$4.50 should show as \$5.00*

*Exception: Rounding will not apply to amounts calculated and shown in **Lines 17, 18 and 19**.*

## INDIVIDUAL TAXPAYER ANNUAL LOCAL INCOME TAX RETURN INSTRUCTIONS:

**Line 1: Gross Compensation** (usually the highest wage figure on the W-2)

DOCUMENTATION REQUIRED: W-2(s) must be enclosed (legible copies accepted).

*Rule:* Do not use Federal Wages as shown in box 1 of W-2

**Taxable Local EIT Compensation includes:** Salaries; Wages; Commissions; Bonuses; Tips; Stipends; Fees; Incentive Payments; Employee Contributions to Retirement Accounts (If amounts received as a drawing account exceed the salaries or commissions earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly). Benefits accruing from Employment, such as: Annual Leave; Vacation; Holiday; Separation; Sabbatical Leave; Compensation Received in the form of Property shall be taxed at its fair market value at time of receipt. Jury Duty Pay; Active Duty Military Pay if stationed within PA; Reserve Military Pay or Payments Received from weekend meetings for National Guard Units; Sick Pay (if employee received a regular salary during period of sickness or disability by virtue of their agreement of employment); Wages earned in a Foreign Country; and Taxes Assumed by the Employer; Executor Fees; Dependent Care Benefits paid by Employer. Taxpayers should refer to the PA Department of Revenue regulations regarding taxable compensation. This list is not exhaustive; please contact YATB if you have additional questions.

**Non-Taxable Local EIT Compensation includes:** Social Security Benefits; Unemployment Compensation; Pensions; Public Assistance; Death Benefits; Gifts; Interest; Dividends; Boarding and Lodging to Employees for convenience of Employer; Lottery Winnings; Supplementary Unemployment Benefits (sub pay); Capital Gains (Capital Losses may not be used as a deduction against other taxable income). Disability Benefits (periodical payments received by an individual under a disability insurance plan); Active Military Service outside of PA and Summer Encampment; Personal Use of Company Vehicles; Cafeteria Plans; and Clergy Housing Allowance; Non-Qualified Deferred Compensation Plan Contributions made on behalf of the employee. Some forms of distribution payments from Individual Retirement Programs such as; Keogh, Tax Shelter Annuity, IRA, and 401K are not taxable. Taxpayers should refer to the PA Department of Revenue regulations regarding taxable compensation. This list is not exhaustive; please contact YATB if you have additional questions.

**Line 2: Unreimbursed Employee Business Expenses**

DOCUMENTATION REQUIRED: Pennsylvania Department of Revenue form **PA-UE** must be enclosed (legible copies accepted). PA-UE deductions may only apply to W-2 income; a separate UE form is required for each employer. **All expenses are subject to verification by YATB. YATB reserves the right to require further documentation (mileage logs, receipts, etc.) to substantiate amounts claimed.**

**Line 3: Other Taxable Earned Income**

Include income, from work or services performed, which has not been included on **Line 1** or **Line 5**. Do not include interest, dividends or capital gains. Do not report 1099 MISC income which is also claimed as part of a PA profit/loss schedule. Please provide explanation and remit any applicable supporting documentation.

**Line 4: Total Taxable Earned Income**

Subtract amount in **Line 2** from **Line 1**, then add **Line 3**.

**Line 5: Net Profit and **Line 6: Net Loss****

DOCUMENTATION REQUIRED: 1099(s), PA Schedules C, F or RK-1 must be enclosed (legible copies accepted)

*Rule:* A taxpayer may NOT offset a business loss against wages and other compensation (W-2 Earnings, Line 1). A taxpayer may offset a loss from one business entity against a net profit from another business entity. “Pass-Through” income or loss from an S-Corporation is NOT taxable or deductible. If you or your spouse reported an S-Corporation profit or loss to the PA Department of Revenue, please check the box on **Line 5** and enter the amount of S-Corporation profit or loss reported to the PA Department of Revenue. This is for audit purposes only when comparing income reported to the PA Department of Revenue to avoid future unnecessary correspondence. Rental Income or loss reported on a PA Schedule E is not taxable or reportable.

**Line 7: Total Taxable Net Profit**

Subtract amount in **Line 6** from **Line 5**.

**Line 8: Total Taxable Earned Income and Net Profit**

Add amount in **Lines 4 and 7**.

**Line 9: Total Tax Liability**

Multiply **Line 8** by your applicable Resident EIT Rate as shown on the **Local EIT Tax Rates** chart on the reverse side of the YATB Taxpayer Annual Local Earned Income Tax Return form. A copy of the **Local EIT Tax Rates** chart, as well as the Tax Return form may be obtained on our website [www.yatb.com](http://www.yatb.com).

**Line 10: Total Local Earned Income Tax Withheld as Reported on W-2(s)**

The amount of local earned income tax withheld should be shown in Box 19 of your W-2(s). You may claim credit for local earned income tax withheld up to the rate as shown on the **Local EIT Tax Rate** chart. NOTE - Several municipalities within PA have enacted NON-RESIDENT earned income tax rates that may be higher than your resident earned income tax rate. You may be liable for this additional amount if your place of employment is located in one of these municipalities. In this event, the additional earned income tax amount would NOT be refundable. (See **Non-Resident Tax Calculation Worksheet** at the end of these instructions.)

**Line 11: Quarterly Estimated Payments/Credits from Previous Tax Year**

List any quarterly estimated payments made to date for the applicable filing year. Do not include any penalty and interest amounts that may have been made as part of the quarterly payments. Add any amount of tax overpaid as listed on your previous year's return to be applied to your current tax liability.

**Line 12: Miscellaneous Tax Credits**

GENERAL RULES APPLICABLE TO ALL LINE 12 TAX CREDITS

DOCUMENTATION REQUIRED: Out-of-State Return, PA State Return, PA Schedule G

1. Credits for income taxes paid to other states must first be used against your Pennsylvania state income tax liability; any credit remaining thereafter may be used against your local earned income tax liability.
2. Credits for income taxes paid to political subdivisions located outside of Pennsylvania, or for wage taxes paid to Philadelphia, may be taken directly against your local earned income tax liability.
3. In calculating your credit for income taxes paid to another state or political subdivision, please note that the same items of income must be subject to both your local earned tax and the out-of-state tax.
4. **No credit for income taxes paid to another state or political subdivision may exceed your total local earned income tax liability.**

**Credit for Taxes Paid to Other States:** You may take a credit based upon the gross earnings taxed both in another state and in Pennsylvania that may be greater than the Pennsylvania state personal income tax rate. THIS CREDIT WILL BE DISALLOWED IF THE NON-RESIDENT STATE RETURN AND YOUR W-2 FORM SHOWING STATE INCOME TAX WITHHELD ARE NOT INCLUDED.

**No credits are given for state income taxes paid to states that reciprocate with the Commonwealth of Pennsylvania.** These states include: **Indiana, Maryland, New Jersey, Ohio, Virginia and West Virginia.**

*Example:* Taxpayer earned wages of \$10,000.00 in Delaware and paid an income tax liability to that state in the amount of \$317.00. Assuming the current Pennsylvania state tax rate is 3.07% for the tax year in question; the \$317.00 liability for Delaware would exceed the (PA Tax) liability amount of \$307.00 by \$10.00. In this case, the \$10.00 amount may be credited against your local earned income tax.

Gross Income taxed by other state	(1) \$10,000
Local Earned Income Tax rate of 1% (.01)	<u>x .01</u>
Local Tax Liability	(2) \$ 100.00
Tax paid to Delaware	(3) 317.00
PA Income Tax (3.07% x \$10,000)	<u>(4) - 307.00</u>
Credit to be used against Local EIT(Line 3 minus Line 4)	(5) \$ 10.00

On **Line 12** of the Local EIT Return form enter \$ 10.00  
or the amount on Line 2 of worksheet, whichever is less.

If all your wages or gross earnings are subject to Delaware state income tax (not PA), use the above example to calculate your tax obligation. If you had earned income NOT taxed by Delaware, this income would be subject to the earned income tax applicable where you reside and must be shown separately on the Local Earned Income Tax Return form.

**Credit for Taxes Paid to Political Subdivisions Outside of Pennsylvania:** You may take a credit based upon the gross earnings taxed in both another political subdivision and where you reside in Pennsylvania. THIS CREDIT WILL BE DISALLOWED IF YOUR W-2 FORM SHOWING OUT-OF-STATE CITY INCOME TAX WITHHELD IS NOT PROVIDED. **NOTE: No credits are given for taxes paid to foreign countries.**

**Credit for Taxes Paid to Philadelphia:** You may use any wage tax paid to Philadelphia as credit toward your local earned income tax liability. No refunds or credits will be allowed for any overpayment made to Philadelphia. Enter the amount of Philadelphia wage tax paid on **Line 12** of the Local Earned Income Tax Return form. THIS CREDIT WILL BE DISALLOWED IF A COPY OF YOUR W-2 AND/OR VERIFICATION OF TAXES PAID TO PHILADELPHIA IS NOT PROVIDED.

**Line 13: TOTAL PAYMENTS and CREDITS**

Enter the sum amounts of **Lines 10 + 11 + 12**

**Line 14: Refund**

If Total Tax Liability from **Line 9** is less than your Total Payments and Credits in **Line 13**, enter the amount of overpayment you wish to have refunded. If you have an overpayment of taxes *in excess* of \$2.00, you may elect to receive a refund, apply as credit against the next year's tax liability or transfer to your spouse's tax due (please check applicable box in **Line 15**).

**Line 15: Credit Taxpayer/Spouse**

If Total Tax Liability from **Line 9** is less than your Total Payments and Credits in **Line 13**, check the applicable box and enter the amount you wish to transfer.

**Line 16: EARNED INCOME TAX BALANCE DUE**

If Total Tax Liability from **Line 9** is greater than your Total Payments and Credits in **Line 13**, enter amount of tax due. If amount is *less than* \$2.00, enter 0 (zero).

**Line 17: Penalty after Due Date**

If for any reason the tax is not paid by due date, an additional penalty of 1% multiplied by the amount of unpaid tax for each month or fraction thereof during which tax due remains unpaid, shall be added and collected.

**Line 18: Interest after Due Date**

If for any reason the tax is not paid by the due date, an interest rate of 3% percent per annum (.000082/day) on the amount of unpaid tax shall be calculated to the date of payment of the tax, and shall be added and collected.

**Line 19: TOTAL PAYMENT DUE**

The tax liability or amount due is sum amount of **Lines 16 + 17 + 18**. If amount due in **Line 19** is *less than* \$2.00, enter 0 (zero). Make checks payable to **“YATB.”**

For additional information, guidelines and worksheets, please access YATB’s website at [www.yatb.com](http://www.yatb.com)

**NON-RESIDENT TAX CALCULATION WORKSHEET**

**Line 10: LOCAL EARNED INCOME TAX WITHHELD**

	(1)	(2)	(3) Home Location	(4) Work Location	(5)	(6) Disallowed	(7) Credit Allowed For
	Local Wages	Tax Withheld	Resident EIT Rate	Non-Resident Rate	Col 4 minus Col 3	Withholding Credit	Tax Withheld
	(W2 box 16 or 18)	(W2 box 19)	(See Back of Return)	(See Instructions)	(if less than 0, enter 0)	(Col 1 x Col 5)	(Col 2 – Col 6)
<i>Example:</i>	10,000.00	130.00	1.25%	1.30%	0.05%	5.00	125.00
1.							
2.							
3.							

**SCHEDULE X CALCULATOR**

Use to calculate prorated tax liability if you resided in areas with differing tax rates during the year. (Remit this form with Tax Return – Additional forms available at [www.yatb.com](http://www.yatb.com))

<b>Column A:</b> Number of months you resided at 1 <sup>st</sup> address during year <b>Column B:</b> Number of months you resided at 2 <sup>nd</sup> address during year	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
1. W-2 Earnings			
2. Less Unreimbursed Employee Business Expense			
3. Other Taxable Earned Income			
4. Total Taxable Earned Income			
5. Net Business Profit			
6. Net Business Loss (Enter as Negative)			
7. Total Taxable Net Profit			
8. Total Taxable Earned Income and Net Profit			
9. Total Tax Liability (see Tax Rate Chart) Column A: Line 8 Total x Tax Rate A Column B: Line 8 Total x Tax Rate B			
<b>Column C is the TOTAL of both Columns A &amp; B. Enter these figures on the corresponding lines on the front of the return. Complete a separate worksheet for each taxpayer who moved between districts having different tax rates during the year.</b>			

**NOTE: If you filed a prorated tax return with another bureau, please include a copy with your YATB filing.**