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TO: York Adams Tax Bureau Area Employers Employing Maryland Residents

SUBJECT: PA Local Tax Withholding Not Required for Maryland Residents

In 1981 a legal settlement was reached between certain York Adams Tax Bureau member taxing authorities and the State of Maryland concerning the collection of earned income tax from Maryland residents who work in these jurisdictions.

This agreement provides for residents of Maryland who are employed within this area to file and pay state/local tax only to the taxing authority where they reside (Maryland).

This legal settlement supersedes the PA State Law which enables Pennsylvania taxing authorities to levy a local earned income tax on Maryland residents employed within Pennsylvania.

At the April 25, 2005 Board of Directors Meeting, the York Adams Tax Bureau Board approved the recommendation that the member municipalities adopt an ordinance to include non-resident earned income at the source, **excluding Maryland residents.**

Therefore it is the position of this Bureau that Pennsylvania employers within the York Adams Tax Bureau jurisdiction are **NOT** required to withhold the local earned income tax from Maryland residents who work in York or Adams Counties. If tax is withheld, those employees shall be entitled to a full refund.

This exclusion applies to Maryland residents ONLY. It does not apply to other states, nor does it apply to Maryland residents who work in Pennsylvania counties other than York or Adams. It also applies only to earned income tax; local services tax is not affected.

If there are any questions concerning Maryland resident employees, please contact our Employer Accounts Department at (717) 845-1584, or e-mail Jennifer at Jenniferd@yatb.com.