

CHANGES TO PA LOCAL EARNED INCOME TAX (PA ACT 32)

PA Act 32 of 2008 provides for a restructuring of the Earned Income Tax Collection System for Pennsylvania local governments and school districts. The Act provides for a three year transition period and full implementation by January 2012.

Act 32 consolidates the collection of Earned Income Tax (EIT) on a countywide basis. By reducing the number of collectors from 560 to 69, the local tax collection system will be streamlined and more efficient. Philadelphia is not included in Act 32.

Effective January 1, 2012, employers will be required to withhold applicable earned income tax from non-residents and residents. Under Act 32, employers are required to withhold the higher of the employee's resident earned income tax amount (rate of total resident EIT where they reside) vs. the employee's municipal non-resident earned income tax amount (rate of non-resident EIT where they are employed).

For anyone working at our Pittsburgh campus, the City of Pittsburgh's non-resident EIT rate is 1%.

EIT rate where you reside	EIT non-resident rate where you're employed (city of Pgh)	Tax Rate to be withheld effective January 1, 2012
Less than 1%	1%	1%
1%	1%	1%
Greater than 1%	1%	Rate where you reside (greater than 1%)
Reside in Pgh 3%	1%	3%

NOTE: there are special rules for taxpayers that live or work outside of Pennsylvania. See the more detailed rate matrix on page 2.

For now, it is important that employees validate their Tax Residency address (see *next column*). The university will be using an outside processing firm that will take the university's existing address information at the end of September. They will return the requisite codes for the County, Municipality, and School District, along with the political subdivision (PSD) code. This info will be used to populate the Local EIT Residency Certification Form. This form will be available electronically through HR Connection and employees will need to login, verify their information and then electronically sign their form in November or December.

Do I need to submit a paper certification form?

It has come to our attention that some municipalities have started distributing "Certificate of Residency" forms to their taxpayers with instructions to complete the form and return it to their employer.

There is no need to provide paper forms to the Payroll Office. As explained above, the university is producing the Residency forms electronically. All employees will be notified when the forms are available for review and signature.

More details will be forthcoming.

Addresses in the Human Resource System

The university's current Human Resource system has the ability to store three separate addresses for employees:

- Mailing Address
- Permanent Address
- Tax Residency Address

By default, if you only have one address, it will appear as the "Mailing Address," while the permanent address and tax residency address will display "Same as Mailing."

The addresses are defined as follows:

Mailing Address – the address where you currently want to receive postal mail. This address is sent to benefit carriers and to ADP. It is also the address where you will receive any home mailings from HR or Benefits, such as your open enrollment packet.

For faculty and staff on international assignment, this should be your address at your international location.

Permanent Address – the address you use as your official residence address. This is frequently the same as your Mailing Address.

For faculty and staff on international assignment, this should be your official residence address in your home country.

Tax Residency Address – the address you use as your address with your taxing authority. For most employees this will be the same as your permanent address.

Because the Tax Residency Address will be used for the university's implementation of PA Act 32, this address must be a physical street address (cannot contain PO Box, RR#, RD#, etc.). If you receive your mail at a PO Box or RR# or RD#, please make sure that your Tax Residency Address is an actual street address.

Your department's HREM administrator has the ability to update your addresses, or you can login to [HR Connection](#) and modify your addresses.

What changes in January?

The university will begin withholding EIT from its employees and remitting the tax to the taxing authority. Employees will no longer pay their local EIT to their current tax collector, nor will they need to submit quarterly returns. (Of course, you'll want to validate that the appropriate rate is withheld before you stop making payments!) You will need to continue to file your annual return.

Matrix of Local EIT Rates to be withheld by CMU

US CITIZENS **		LIVE IN (BASED ON TAX RESIDENCY ADDRESS IN HRIS)			
		City of Pittsburgh (Resident rate=3%)	City of Philadelphia #	State of PA, but not cities of Pgh or Phila	In the US, but not in PA
W O R K I N	City of Pittsburgh (Non-resident rate = 1%)	Pittsburgh Resident rate (3%)	Philadelphia Resident rate	Higher of the lived in or worked in non- resident rate	Pittsburgh Non-resident rate (1%)
	State of PA, but not cities of Pgh or Phila				"Worked in" non-resident rate
	In the US, but not in PA				EIT Not Applicable
	Not in the US				EIT Not Applicable

** Nonresident aliens (in U.S. on a Visa) working in the City of Pittsburgh pay the 1% nonresident rate.
 # The City of Philadelphia was excluded from Act 32. All Philadelphia residents pay the Philadelphia resident rate
 Note: Telecommuters who live in or work in Pennsylvania will have their own lived in rate.

Based on the chart, many people will not see a change in their local EIT rate.

- City of Pittsburgh residents – *No Change*. The university will continue to withhold 3% EIT.
- Residents whose municipality EIT rate is 1% or greater -- *Change in Payment method*. The university will withhold the municipality rate and remit it to the County collector. (no more quarterly returns and payments by the individual)
- Residents whose municipality EIT rate is less than 1% -- *Change in both tax rate and payment method*. The university will withhold the 1% rate and remit it to County collector. (no more quarterly returns and payments by the individual)

For more information about Act 32 or local tax rates, is available online through the PA website: <http://www.newpa.com/get-local-gov-support/municipal-statistics>