

GENERAL INFORMATION FOR FILING FORM 531, LOCAL EARNED INCOME TAX RETURN

FILING DEADLINE - April 15th of the succeeding year for which this return is filed. Or, for fiscal year returns, the 15th day of the 4th month following the close of the taxable year. If the normal filing due date falls on a Saturday, Sunday or legal holiday, the filing date will be extended to the next business day.

EXTENSION OF TIME TO FILE - A federal and/or state granted extension to file does not automatically give you an extension to file your local tax return. To receive a 4 month extension of time to file, you must file an ESTIMATED return with our bureau by the original due date. Boldly mark "ESTIMATED FILING - 4 MONTH EXTENSION REQUESTED" on the face of your return. You must pay in full, on or before the original due date, the amount reasonably estimated to be your local tax due. For an additional extension over 4 months, you must submit to our office a copy of an APPROVED Federal Form 2688 or PA State Form REV - 276 before the end of your 4-month extension.

WHO MUST FILE - Any resident of a "MEMBER MUNICIPALITY" whether for all or part of the tax year, who has taxable net profits and/or earnings even if no tax is due. See the back of the return for a list of the "MEMBER MUNICIPALITIES". Failure to file a return may subject you to a \$500 fine.

ROUNDING OFF TO WHOLE DOLLARS - You may round off cents to the nearest whole dollar only for Line entries 1 through 9 on your return. Entries for Lines 10 through 20 on the return must be entered in dollars and cents. If rounding, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1.00 and \$2.50 becomes \$3.00. If you do round off, do so for all line entries where rounding is allowed (Lines 1 through 9). However, if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and only round off the total. Example: You received two W-2 forms, one showing wages of \$5,000.55 and one showing wages of \$18,500.73. On Form 531, Line 1, you would enter \$23,501 ($\$5,000.55 + \$18,500.73 = \$23,501.28$) instead of \$23,502 ($\$5,001 + \$18,501$).

IF YOU HAD NO TAXABLE EARNINGS enter zero (0) in Line 1 and list the reason (e.g., retired, disability, housewife, active military duty, etc.), sign the form and return it to us. This will eliminate needless correspondence.

WHERE TO FILE - File your return at the office and address listed at the top, left of the front of your return, or if no address is listed there, as indicated on the back of the return.

EFFECTIVE DATES FOR THIS TAX - This return covers the taxable period from January 1 through December 31 of the year listed on the return, or any fiscal tax year so designated by the taxpayer.

TAXABLE INCOME ITEMS - Wages, salaries, commissions, bonuses, tips, fees, net profits, severance pay, premature retirement or other deferred payment plan distributions for reasons other than death or disability not rolled over into another federally qualified retirement plan to the extent they do not represent a return of an employee's previously taxed contribution or passive income generated by the plan (see more detailed explanation of this item below), cafeteria plan benefits to the extent the employee could have elected taxable benefits, employee contributions to 401(k), 403(b), 457 and other types of deferred payment programs, taxes assumed by the employer, clergy cash housing and car allowance, fair market value of parsonage provided to clergy unless he is an employee and is required by his employer to live in the parsonage, incentive payments (e.g., income from employee stock option and phantom stock plans), reimbursement of non-deductible expenses, a fair salary commensurate with the services provided by an S-Corp shareholder to the corporation, fellowships (when compensation for services), and compensation in the form, or for the use, of property including non-cash fringe benefits (shall be taxed at their fair market value).

TAXABLE RETIREMENT/SAVING PLAN DISTRIBUTIONS - This bureau follows the PA Department of Revenue's Personal Income Tax Regulations regarding the taxability of distributions from employee deferred payment programs such as pensions (retirement plans), profit sharing, ESOP'S, SEP, 401(k), 403(b) and 457 plans. If a distribution of this type is taxable at the state level, a portion of it may be taxable at the local level. A distribution of such a plan can be made up of three ingredients: 1) the employee's previously taxed contributions, 2) the employer's untaxed contributions, and 3) income generated by the plan's assets. The state taxes item numbers 2 & 3 (employer contributions and income), whereas our bureau only taxes item 2 (employer contributions). Distributions of income generated by the plan are not taxable because they

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represent passive income (i.e., interest, dividends, capital gains). However, if the plan is unfunded any distribution is an employer's contribution and it is entirely taxable. The taxpayer must provide a statement from the plan administrator or trustee of the account showing what portion, if any, of the distribution is attributable to the employer's contribution. This is the portion that is taxable for earned income tax purposes and must be listed on Line 4 of your return.

NON-TAXABLE ITEMS - Interest, dividends, subchapter "S" income (except a fair salary commensurate with the services provided by an S-Corp shareholder to the corporation), passive schedule income, social security benefits, pensions, annuities, and retirement pay received after retirement from employment and upon reaching a specific age or years of service or upon death or disability, IRA benefits, disability benefits, third party sick pay, capital gains, death benefits, and life insurance proceeds, gifts or bequests, public assistance, unemployment compensation, active military service pay or bonuses (does not include reserve unit and National Guard inactive duty pay which is taxable) income from trusts, rental income (unless the operation is a business).

ORDER OF ATTACHING W-2's AND FORMS/SCHEDULES TO RETURN - If you have a stapler available, place all W-2's and forms/schedules behind the return facing front. Edge all attachments to the upper, left-hand corner of the form and place a single staple there. The order of the attachments from first to last behind the return should be as follows:

- 1) Your W-2(s)
- 2) Spouse's W-2(s) (if filing on this form)
- 3) Your Form(s) 2106, Schedule(s) UE, C, F, K-1 (1065)
- 4) Your spouse's Form(s) 2106, Schedule(s) UE, C, F, K-1 (1065) (if filing on this form)

Checks should be attached at the top, middle on the front of the return with a single staple.

BE SURE TO SIGN THE BUREAU'S COPY OF YOUR RETURN on its lower left hand side. If both spouses are filing on a single form, both spouses must sign the return. Any filing received without the proper signature(s) will not be considered filed.

IF YOU MOVED from the beginning of the tax year to present, please supply the information requested on the reverse side of the BUREAU'S COPY of your return (Sections A and C). If you have lived in different municipalities, falling under different tax bureau jurisdictions during the year, you must prorate your earnings accordingly and file with the appropriate tax bureaus. If you need assistance with this, please contact our office.

IF YOU RECEIVED MORE THAN ONE TAX RETURN please return both tax returns to us. Use the one with the correct social security number for filing your return and mark the other "DUPLICATE OF SOCIAL SECURITY NUMBER (enter correct social security number)".

IF YOU ARE SELF-EMPLOYED OR YOUR EMPLOYER DOES NOT WITHHOLD THE TAX you are required to pay the tax quarterly to our bureau on FORM 521. If you do not receive this form by April 1st, please request it from our bureau. Failure to comply will subject you to interest, penalty and possibly a fine.

LOCAL FILING COMPARED TO PA PERSONAL INCOME TAX RETURN - This bureau participates in a program with the Pennsylvania Department of Revenue to match compensation and net profits/loss as reported on the local return against the same items reported on the state return. If, by audit, tax items are changed by either the IRS or State Income Tax Bureau that have a bearing on your local tax return, you must file an amended local return to reflect such changes. If you have subchapter "S" corporation income, you may want to file a copy of your federal Schedule K-1 (Form 1120S) with your local return for information purposes only. Whereas subchapter "S" income/loss does not apply to local earned income tax, this information will prevent us from sending you a "discrepancy" letter when your local and state income does not match due to this tax item.

NOTIFICATION OF AVAILABILITY OF DISCLOSURE STATEMENT FOR LOCAL TAXPAYER BILL OF RIGHTS - You are entitled to receive a written explanation of your rights with regard to the audit, appeal, enforcement, refund and collection of local taxes by calling Capital Tax Collection Bureau's Harrisburg Division at (717) 234-3217 during the hours of 8 a.m. - 4 p.m., Monday through Thursday and 8:30 a.m. - 4 p.m., Friday.

LINE BY LINE INSTRUCTIONS FOR COMPLETING FORM 531, LOCAL EARNED INCOME TAX RETURN

LINE 1. Enter total of W-2 wages earned while a resident of one or more “MEMBER MUNICIPALITIES” (see the reverse side of the return). One copy of all W-2’s should be submitted with your return. W-2 income should be prorated to where taxpayer lived when the income was earned. If you moved into or out of our taxing jurisdiction during the tax year, please complete Section “A” on the reverse side of the BUREAU’S COPY of the return. This will help us correctly prorate your wages on the return.

If the employer completed your W-2 Form correctly, you should use the “Local Wages” shown in Box 20 of the W-2 form. Many times the employer reports an incorrect amount in this box. If your local wage box does not include your 401(k) or 403(b) contributions, non-cash fringe benefits, bonuses or other incentive payments, reimbursed moving expenses or unaccounted for or excess business expense reimbursements, they should be added to arrive at your correct local wages.

If the wages shown in the local wage box are lower than the wages shown in the federal, social security, or state wage boxes, the highest amount will be used for local wages unless the W-2, or information you provide explains the difference as not being taxable for local purposes (some examples are the cost of group term life insurance for coverage in excess of \$50,000 or prorated local wages if you moved during the tax year). If you do have different amounts showing in the various wage boxes on your W-2, you may want to ask your employer what makes up these differences and give our office a call with this information to determine which amount you should use.

LINE 2. (Note: Report any excess reimbursement of employee business expenses on Line 4.) This Bureau generally follows the Pennsylvania Individual Income Tax regulations and guidelines for allowable employee business expense deductions. Expenses claimed must be explained in detail giving as a minimum the information requested on both the Federal Form 2106 and appropriate Pennsylvania State UE Schedule. Copies of these supporting schedules are sufficient and recommended. **EMPLOYEE BUSINESS EXPENSES TAKEN WITHOUT PROPER SUPPORTING DOCUMENTATION WILL BE SYSTEMATICALLY DENIED WITHOUT NOTIFICATION TO THE TAXPAYER.** Records must be available for verification. Estimates will not be accepted.

Examples of expenses which can be deducted are union dues, professional dues and license fees required as a condition of employment, cost and upkeep of work clothing provided they are not suitable for every day use and they are required as a condition of employment, cost of small tools required but not provided by employer, non-commuting business transportation, away from home overnight expense, and office-in-home, moving, and education expenses as allowed for Pennsylvania Individual Income Tax purposes. Additionally, moving expenses are deductible only when moving into CTCB’s jurisdiction and only if it is in the interest of your current employer (i.e., you have the same employer before and after your move). Moving expenses incurred in moving out of CTCB’s jurisdiction or in associated with a new employer are not deductible. Likewise, moving expense allowances are taxable only if advanced for a move into CTCB’s jurisdiction.

Examples of expenses which cannot be deducted are travel to and from work unless to a temporary (less than 1 year) and distant (more than 50 miles one way) work site, travel from union hall to work assignments, child care, medical expenses, charitable contributions, taxes, interest, subscriptions to publications, dues to professional or fraternal societies, Chambers of Commerce, or recreational club memberships, and insurance, IRA, annuity and pension plan payments. For additional information on employee business expenses, see the “Allowable Business Expense” section of the PA 40 instruction booklet.

LINE 3. Subtract Line 2 from Line 1 to arrive at taxable W-2 earnings.

LINE 4. Enter the total of other taxable earned income as detailed on back of BUREAU’S COPY of return (Section B). Use this line to report tips not included in W-2 wages, excess reimbursements of employee business expenses, executor and trustee fees (only if not in the business of being an executor and/or trustee), taxable premature distributions from retirement plans, reimbursement of non-deductible expenses, a fair salary commensurate with the services provided by an S-Corp shareholder to the corporation where a reasonable W-2 is not issued, and any other taxable earnings not reported elsewhere on the return. It would be helpful if you included with your filing a copy of any 1099 Forms that relate to amounts reported on Line 4. Corporate director fees must be reported on a Schedule C (Profit or Loss from Business) and reported on line 6 (net loss) or line 8 (net profit).

LINE 5. Enter the total of Lines 3 and 4 which is your total taxable earned income.

LINE 6. Enter the total of any net losses you incurred from your business, profession, and/or farm. Any net profits from a business, profession or farm should be entered on Line 8. Use and submit copies of your federal or state schedules K-1 (1065), C or F only if taxpayer is actively engaged in the business. Do not include loss from tax shelters, passive limited partnerships, or hobbies. Subchapter “S” income is not taxable at the earned income tax level, therefore Subchapter “S” losses are not deductible against other earned income. The taxable portion of a partnership for earned income tax purposes is usually the net earnings from self-employment less any Section 179 expense. If a personal retirement plan (Keogh or IRA) has been used as an expense it must be added to net profit / loss for the earned income tax reporting.

Income derived from Limited Liability Companies (LLCs), Limited Liability Partnerships (LLPs), and Restricted Professional Companies (RPCS) is taxable. Taxpayers that are members of these types of entities should file a copy of their Federal Schedule K- 1 (Form 1065) for each such entity.

A taxpayer’s rental income/loss does not apply to local filing unless the operation is a business (i.e., properly not filed on a schedule E, and subject to business privilege/mercantile taxes). The leasing of tangible property is the operation of a business only if:

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1. You offer the use of your property on a commercial basis to others in marketplace and at least one of the following applies:
 - The average period of customer use is 30 days or less; or
 - Your property is customarily made available for use only during defined business hours; or
 - In addition to the property you also provide significant services to your lessee (Providing housekeeping service, room service, valet parking, decorating assistance, delivery services, transportation services and concierge services can be significant services. Providing heat, lighting, electric service elevators, cleaning public access and exit areas, collecting trash, and maintaining the property in a usable rentable condition are not usually significant services.); or
 - The leasing activity is incidental to a real estate sales business; and
2. You offer the use of your property intending to realize a profit; and
3. The leasing of your property is a regular and continuous activity.

LINE 7. Enter the result from subtracting Line 6 from Line 5. This is your adjusted total taxable income.

LINE 8. Enter the total of any net profits you incurred from your business, profession and/or farm. Any net losses should be entered on Line 6. For other general instructions concerning business, profession, or farm reportings see Line 6 instructions.

LINE 9. Enter the total of Lines 7 and 8. This is your total taxable earned income and net profits.

LINE 10. Enter 1 % of Line 9 (Line 9 multiplied by .01). This is your tax liability.

LINE 11. Enter the total (or prorated portion if partial year resident) of all local tax withheld found in Box 21 of your W-2's. Do not include local income tax withheld and/or paid to the City of Philadelphia or other State's political subdivisions.

LINE 12. Enter the total of all quarterly tax payments for the filing tax year only. Also add in any overpayment from the previous tax year that was credited to this filing tax year.

LINE 13. If you were legally liable for and paid taxes on net profits and/or compensation to Philadelphia or any state other than Pennsylvania, and the same net profits and/or compensation is also taxable on your local CTCB resident return, you may be entitled to take a credit (against your local tax liability) for all or a portion of the taxes paid elsewhere. Please contact one of our offices and request a Local Schedule G. Local Schedule G provides specific instructions and a worksheet to determine whether you are entitled to any such credit. Enter wages and/or net profits while a resident of the Harrisburg Keystone Opportunity Zone (KOZ). If requesting a KOZ credit you must submit a copy of the DCED letter certifying your residence in this KOZ for this tax year. Make sure to also fill out Sections "A" and "C" on the back of your return in their entirety.

LINE 14. Enter the total of Lines 11, 12 and 13. This is the total of your withholdings, credits and direct payments to be applied against your tax liability.

LINE 15. If Line 10 is larger than Line 14, subtract Line 14 from Line 10 and enter the result. In all other cases enter zero (0). If Line 15 is less than \$1.00, you need not make any payment. However, you still must file a return.

LINE 16. If for any reason the tax is not paid when due, interest at the rate of 6% per annum, and an additional penalty of 1/2 of 1% for each month or fraction thereof during which the tax remains unpaid shall be added and collected. If you are unsure of the amount of interest and penalty, if any, that applies to you, feel free to contact our office for assistance.

LINE 17. Enter the total of Lines 15 and 16. This is your total balance due. This balance due must be paid in full when filing your return. Make checks payable to "CTCB" (Capital Tax Collection Bureau). Place your social security number(s) on your check along with notation "Form 531 (and the tax filing year)".

LINE 18. If Line 14 is larger than Line 10, subtract Line 10 from Line 14 and enter the result. This is the amount of your overpayment. Overpayments of under \$1.00 will not be refunded without a written request. Also, credits to next year's tax and/or credits to the spouse's balance due must each be a minimum of \$1.00. Be sure to designate what you want done with your overpayment of \$1.00 or more by placing it in one or more of Lines 19, 20, or 21 (make sure the total of Lines 19, 20 and 21 equal Line 18). Any undesignated overpayments will be refunded.

LINE 19. Enter the portion of your Line 18 overpayment that you wish to be refunded. Amounts under \$1.00 will only be refunded upon special written request.

LINE 20. Enter the portion of your Line 18 overpayment (minimum of \$1.00) that you wish to be credited to your next year's return.

LINE 21. Enter the portion of your Line 18 overpayment (minimum of \$1.00) that you wish to be credited to your spouse's balance due (for this tax year only). Enter this amount in your column of the form only. Do not enter anything on your spouse's column on the form, but be sure to reduce your spouse's total balance due by this amount before making payment of any remaining balance due.