

Capital Tax Collection Bureau

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CARLISLE DIVISION, 19 S HANOVER ST STE 102, CARLISLE PA 17013-3336 Phone (717) 243-3725

RE: IMPORTANT INFORMATION REGARDING YOUR 2005 LOCAL EARNED INCOME TAX (EIT) RETURN FOR SOUTH MIDDLETON SCHOOL DISTRICT

February 8, 2006

Dear Taxpayer(s):

Please retain this information and place it with your 2005 income tax filing documents/forms/records. If you have your taxes prepared by a tax return preparer make sure you give them this letter when having your return prepared. If you already filed your 2005 EIT tax return with us, our Bureau will amend your return using the instructions provided in this letter. However, we suggest you amend the copy of your return that you kept, so that you know the net tax affect of this change (i.e., a new or changed tax balance due or overpayment). A self-calculating, Microsoft Excel version of Chart A (described below) is available from our web site.

For tax year 2005, taxpayers of South Middleton Township need to file 2 local EIT returns since the Township and School District have different tax collectors. We (CTCB) are the tax collector for the School District, while Centax is the tax collector for the Township.

It has come to our attention that the directions provided in our tax return (Form 531), mailed out in early January of this year, are not sufficient for this split tax collection, therefore we are providing this letter to supplement the instructions to your tax return.

In particular, we need to clarify the instructions for **Line 13 of our Form 531**; "TOTAL LOCAL INCOME TAXES WITHHELD..." Line 13 is where the credit for taxes withheld by a taxpayer's employer(s) is/are reported. The "Local income tax" withheld, as found in box 19 of your W-2, needs to be apportioned between the CTCB and Centax return, and then all such credits from each W-2, apportioned to your CTCB return, will have to be added together for the entry in Line 13. If the employer has not segregated the W-2's local tax withheld (box 19) between the School District and Township portions (either by 2 separate W-2's, by separate line items in box 19 of the W-2, or on supplemental information provided by your employer), you will have to calculate the apportionment. **CHART "A"** that is found on the reverse side of this letter provides the instructions and calculations needed to arrive at the correct local withholdings to be used on each of your required tax returns to be filed with CTCB for the School District's tax and Centax for the Township's tax. Keep in mind this chart is only for local taxes withheld by an employer. Taxes paid by you directly to either CTCB or Centax should be listed only on the return to where they were paid. Any 2004 local EIT overpayments that were credited to 2005 should be listed only on your CTCB return.

All Earnings, Employee Business Expenses, Other Taxable Income and Net Profit/Losses should be reported, in full, on both the CTCB and Centax return. The apportionment of your total taxable income is done automatically when you apply the School District's or Township's tax rate to them.

If you lived in South Middleton Twp. for only part of 2005, you will first have to pro-rate your earnings and withholdings based on where you lived when they were earned, and then apply Chart A to only those local tax withholdings attributable to the time you were a South Middleton Twp. resident.

