

## Employer FAQ regarding Act 32

### 1. What is Act 32?

Act 32 is a Pennsylvania law that streamlines and standardizes the local earned income tax system. It consolidates the process by creating new tax collection districts, standardizing forms and mandating employer withholding starting in 2012. Act 32 requires uniform withholding of earned income taxes and remittance to a single collector or Tax Officer.

Act 32 reduces Pennsylvania's number of Earned Income Tax (EIT) collectors from 560 to 21. The appointment of collection responsibility falls on countywide committees made up of representatives from local municipalities and school districts. The committees are in charge of appointing the county-wide EIT collector for their particular county.

### 2. When is an employer required to register with CTCB?

Any employer with a place of business within one of the Counties collected by CTCB who employs one or more persons, other than household employees) on a salary, wage, commission or other compensation is required to register within 15 days of becoming an employer with the appointed tax collector. [Click here](#) for an employer registration form.

### 3. What is a Certificate of Residence Form?

Under Act 32, each employer shall require employees to complete a [Certificate of Residence](#) form. This form is an addendum to the Federal Employee's Withholding Allowance Certificate (Form W-4). This form shall provide information to help identify the political subdivisions where the employee lives and works. This form must be updated any time an employee has a change of address. The completed form is required to be retained by the employer and a copy must be provided to the tax collector.

### 4. What are my withholding responsibilities under Act 32?

All employers, located in Pennsylvania, will now be required to withhold applicable earned income tax from residents and non-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 rate (rate of non-resident EIT where they are *employed*).**

Example 1: If an individual resides in a municipality/school district that impose a total resident EIT rate of 0.5% and they work in a municipality that imposes a municipal non-resident EIT rate of 1.0%...a total EIT of 1.0% would be withheld from the employee.

Example 2: If an individual resides in a municipality/school district that impose a total resident EIT rate of 1.6% and they work in a municipality that imposes a municipal non-resident EIT rate of 1.3%...a total EIT of 1.6% would be withheld from the employee.

5. How do I identify the taxing jurisdiction PSD Code of my employee's residence and/or the PSD Code of my employee's work location?

You can use the DCED [Municipal Statistics](#) website or you can use the [State Wide PSD list](#).

6. How do I determine the correct earned income tax rate to withhold?

You may use the information as collected on the employee completed Certificate of Residence and go to the DCED [Municipal Statistics](#) website to determine the PSD code and correct withholding rate(s).

Again, you are required to withhold the greater of the amount of the resident tax for where an employee lives (domicile), or the nonresident tax for where the employee works (work location).

7. Should W-2 forms be submitted if no local tax is required?

Yes. Employers must file a W-2 or Withholding Tax Statement by February 28<sup>th</sup> of the succeeding year for every employee who earned any taxable salary, wages, commissions or other compensation, setting for the employee's name, address, social security number, amount of taxable compensation, and the amount of tax deducted from each employee.

8. Are photocopies of W-2s acceptable?

Yes. Legible photocopies will be accepted.

9. Can I file online?

Yes, you may file quarterly detail and remit the withholdings online via ACH. On our website, [www.captax.com](http://www.captax.com), click on the "Employer Online filing" tab to file online.

10. Can I file electronically but not online?

Yes, you may file via a CD, diskette or any other form of electronic media if you adhere to our electronic filing specifications. The specifications and instructions for electronic filing may be found [here](#).