

Employer Local Services Tax (LST) FAQ

1. What is the Local Services Tax?

In 2008, the Local Services Tax replaced the former Occupational Privilege Tax (OPT) and the Emergency and Municipal Services Tax (EMST), which provided direct funding to Pennsylvania municipalities for police, fire and other municipal services. The LST is ordinarily deducted from an employer's regular paycheck by their employer.

2. Who is required to withhold the LST?

Each employer within a listed taxing jurisdiction, as well as those employers situated outside a listed taxing jurisdiction but who engage in business within a listed taxing jurisdiction, is charged with the duty of collecting the LST from each of his employees and making a return and payment thereof to Capital Tax Collection Bureau (CTCB). Failure to do so makes the employer liable for the tax as if had been levied against the employer.

3. How do I withhold for my employees?

If the total LST rate exceeds \$10, the tax must be assessed and collected on a prorated basis determined by the number of payroll periods established by an employer for a calendar year. The tax assessed on each employee for a payroll period is calculated by dividing the total rate of the LST by the number of payroll periods established by the employer for the calendar year. When calculating the prorated share, employers are required to round down to the nearest one-hundredth of a dollar.

For example, a \$52 tax would be collected at \$1 per week for employees paid weekly and \$2 per check for employees paid biweekly. A \$36 tax would be collected at 69 cents a week for employees paid weekly and \$3 a month for employees that are paid monthly.

If the total LST rate is \$10 or less, the tax may be collected in a lump sum. You are required to include a list of individual employees and their social security numbers with your quarterly return.

4. How do I report and remit the LST to CTCB?

If you are an employer, you should complete [Form LST-2](#) (quarterly detail form) and [Form LST-4](#) (employer remittance form) each quarter. If you have no employees, indicate "No Employees" on the first quarter LST-2 form and submit it to CTCB.

If you are self-employed, you should complete Form LST-3 each quarter.

5. Are there any occupations which are exempt from the LST?

Yes. An employee may be exempt from withholding of the LST due to the occupation being that of a clergy person, a military disability, or a military reservist who is called to active duty during the taxable year.

6. Is there a low income exemption to the LST?

Yes. Employers located in areas with a combined tax rate exceeding \$10 are required to exempt employees whose total earned income and net profits from all sources is less than \$12,000 for the calendar year. Employees must file an annual exemption certificate to receive the exemption request. Employers located in areas not exceeding \$10 may or may not have a low income exemption. If an employee exceeds the low income exemption, employers are required to withhold a "catch-up" lump sum tax equal to the amount of tax that was not withheld from the employee as a result of the exemption and continue withholding the same amount per pay period that is withheld for other employees.

Please be advised that the school district portion may not have an earnings exemption, or may be less than the municipal exemption in which this portion of the tax may still be due. If not exemption request is submitted and the employee does not meet the exemption amount by the end of the year, a refund request may be submitted by the taxpayer. The refund form and exemption certificate are available on our website.

7. How do I know if another employer already withheld the LST for a particular employee?

Where an employee has paid any valid LST for a prior occupation, for the same tax year, they should complete the [Form LST-Credit](#) to determine the appropriate required employer withholding. Absent such completed form, along with any supporting documentation, the employer must withhold the entire tax.

8. How do I set up an account?

You can download the [employer registration form](#) and return it to CTCB. You may also register online.

9. Where can I locate the tax rate for a specific jurisdiction?

To find the LST rate for your jurisdiction, go to:

<http://munstatspa.dced.state.pa.us/MunicipalTaxInfo.aspx?H=1>

10. How can I find out what municipality my business is located in?

To find the jurisdiction where your business is located, go to:

<http://munstatspa.dced.state.pa.us/FindLocalTax.aspx?T=1>

11. How often is a return filed?

You are required to file quarterly.

1 st Quarter (January, February, March):	Due April 30
2 nd Quarter (April, May June):	Due July 31
3 rd Quarter (July, August, September):	Due October 31
4 th Quarter (October, November, December):	Due January 31 of the following year