

LST QUARTERLY RETURN FORM INSTRUCTIONS

You will need to fill out a form for each quarter for each worksite you are reporting.

Employer Information

- **EIT/Account No.:** Write the employer's identification number (EIN) or CTCB account number if it is not pre-printed. If you are unsure of the EIN / Account Number, please contact CTCB.
- **Worksite PSD:** Write the PSD code for the worksite you are submitting for.
- **Quarter and Year:** Please write the year and quarter that corresponds to the quarterly remittance that you are submitting to the CTCB.
- **Employer Name & Mailing Address:** Write the name and mailing address of the employer if it is not pre-printed.
- **Employer Business Phone Number and Fax Number:** At minimum write the business phone number. If a fax number is available please provide as well.

Worksite Information

- **Worksite Address:** Write the worksite address if different from main business location.
- **Worksite PSD:** Supply the worksite PSD code.

Taxing Authority

- **Municipal Taxing Authority in which business or worksite is located:** If not pre-printed on the form write the name of the municipality, county, and school district where the business is located.

Quarterly Return Reporting

- Fill in the required information and follow the directions for each line to calculate the total amount of LST to be withheld for this quarter.

Primary Contact Information

- **Primary Contact Individual Information:** Please provide the first and last name, title, phone number, and email address of the primary contact individual.
- **Sign and Date:** Primary contact sign and date.

Employee Information and LST Detail (Lower portion of the LST Quarterly Return and Supporting Form LST-2)

- **Employee Social Security Number:** Fill in the social security number of each employee that you employ.
- **Employee Name and Address:** Fill in the name and address of each employee that you employ.
- **Employee Exemption:** Check the exemption box if employee is exempt from LST withholding. You must supply a copy of each individual employee's LST-Exempt form with each Quarterly LST Return.
- **Complete LST tax withheld for this quarter:** Enter the sum of the entire amount of LST tax withheld by the employer for that employee for this particular quarter. Again, the purpose of form LST-2 portion of the Quarterly Return is so that CTCB knows which LST monies withheld by the employer correspond to which employees.
- **School tax portion of LST withheld NOTE:** With low-income exemptions (less than \$12,000), employees in the above-listed municipalities can be exempt from a municipality's LST, but not be exempt from the municipality's coterminous school district's LST. In this case the employer must withhold an LST in the amount of \$5.00, which is the school district's portion of the LST using the pro-rated LST payroll period method.
- **Total Amount of Combined LST per page:** For each supporting LST-2 form that you attach to the Quarterly return add each Combined LST amount for a total per page.
- **Total Amount of School LST per page:** For each supporting LST-2 form that you attach to the Quarterly return add each School LST amount for a total per page.
- **Total LST Withheld this Quarter per page:** For each supporting LST-2 form that you attach to the Quarterly return add the total amount of the Combined LST and School LST per page.
- **Total Amount LST Enclosed:** On the Quarterly return page only record the Total Amount of LST Enclosed by adding the total LST withheld this Quarter on each supporting LST-2 form.

LST YEAR END RECONCILIATION FORM INSTRUCTIONS

Fill this section out exactly as the same named section of the LST Quarterly Return. See above.

- Employer Information
- Worksite Information
- Taxing Authority
- Primary Contact Information

Federal EIN for EIT

- Fill in the Federal EIN under which this employer files Earned Income Tax (EIT) withholdings for at least the employees included in this LST report. Note: this may or may not be the same EIN.

Year End Reporting

- Fill in the required information and follow the directions for each line to calculate the total amount of LST withheld for this tax year.

**2016 TAX YEAR LOCAL SERVICES TAX (LST)
EMPLOYER REPORTING INSTRUCTIONS FOR TAXING JURISDICTIONS
ADMINISTERED BY THE CAPITAL TAX COLLECTION BUREAU (CTCB)**

CTCB WEBSITE – WWW.CAPTAX.COM

12/18/14 version

CTCB E-MAIL – CAPTAX@CAPTAX.COM

These instructions are for every LST taxing jurisdiction collected by the CTCB for the 2016 Tax year.

SECTION 1. BACKGROUND

For 2016 and later tax years, wherever you see the words or acronyms of “Emergency and Municipal Services Tax (EMST)” or “Occupational Privilege Tax (OPT)” used, they are synonymous with “Local Services Tax (LST)”.

SECTION 2. AMOUNT OF TAX

The 2016 “LST TAX RATE TABLE” shows the annual LST levies for every taxing jurisdiction that is administered by CTCB. Also, the taxing jurisdictions for which you were mailed this packet, and their 2016 tax year rate is found on the combined LST-2 and LST-4 Form enclosed. You will want to make additional copies of this form to use when reporting subsequent quarters for this tax year.

SECTION 3. DUTY OF EMPLOYERS TO WITHHOLD THE LST

(A) AUTHORITY & REQUIREMENT 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 CTCB. Further, each employer is authorized to deduct this tax from each employee performing services in a listed taxing jurisdiction whether salary, wage, or commission pays such employee.

(B) WITHHOLDING -- HOW MUCH & WHEN - For tax year 2016, where the LST is levied at a combined rate exceeding \$10, withholding of the LST shall be made on a pro-rated payroll period basis for each payroll period during the calendar year in which an employee is engaging in an occupation unless the employee is engaging in concurrent employment, or another exemption applies.

DEFINITION OF “PAYROLL PERIOD” FOR LST PURPOSES: For many employers, the “LST payroll period” may be different than the actual payroll period associated with a pay date. For LST purposes, the “payroll period” associated with any pay date is the payroll period within which the pay date resides. Please note that a payroll period was in 2015 if the corresponding paycheck was issued to the employee in 2016 (even for work performed in 2015). For example, if an employee was paid on January 2, 2016 for the work performed between December 16, 2015 and December 30, 2015, the January 22, 2016 paycheck counts as a 2016 paycheck for purposes of LST. Simply stated, the date the employee is paid determines the LST payroll period.

The pro-rated share of the tax assessed on a employee for a payroll period shall be determined by dividing the appropriate combined rate of the LST levied for the calendar year by the number of “LST payroll periods” (which is equal to the number of pay dates) established by the employer for the entire calendar year. The employer shall round down the calculated amount of the Tax collected each payroll period (pay date) to the nearest one-hundredth of a dollar. For example, where an employer pays the employees on a bi-weekly basis, they will have 26 payroll periods for 2016. When an employer pays the employees on a weekly basis, they will have 52 payroll periods in 2016.

If an employer is in a taxing jurisdiction where the LST is \$52 and the employee earns over \$12,000 per year, the employer should withhold \$1.00 per check if they pay employees on a weekly basis and \$2.00 per check if they pay employees on a bi-weekly basis.

Where an LST is levied at a combined rate of \$10 or less the withholding of the entire tax amount should be withheld from the employee’s first pay, if sufficient in amount.

(C) EMPLOYEE’S PLACE OF EMPLOYMENT - A person is subject to the LST at his/her “place of employment,” which means the actual location where the individual works. Therefore, the headquarters of the employer and/or where the payroll checks are prepared do not determine what LST is due unless the employee actually works at those locations.

(D) EMPLOYEES WITH MULTIPLE WORK LOCATIONS – Where, for a single employer, an employee works at multiple work locations located in different taxing jurisdictions, such employee is subject to the LST levied by the taxing jurisdiction of his “principle” work location. This means that an employee that only works for one employer may still be subject to LSTs for multiple taxing jurisdictions up to a maximum of \$52 for any given tax year. Facts and circumstances should be used to determine the principle work location, such as time spent in each taxing jurisdiction and where the employee’s primary duties are performed. For example, a mail carrier would be subject to the tax where the majority of his regular route is located – not necessarily the taxing jurisdiction where he picks up his mail in the morning. For a combined tax levy of more than \$10, the first day of each payroll period would determine the taxing jurisdiction(s) that can levy the LST. For a combined LST levy equal to or less than \$10, the principal work location could change on a daily basis. An employee can have only one principle work location at a single time, but an employee can have multiple principle work locations during a calendar year.

(E) AMOUNT AND TIMING OF WITHHOLDINGS FROM SUBJECT EMPLOYEES – The employer is required to withhold, from subject employees, a listed taxing jurisdiction’s LST in accordance with Section 3 with the only exceptions as provided in Section 4. Failure to do so makes the employer liable for the tax as if it had been levied against the employer.

SECTION 4. EXCEPTIONS TO WITHHOLDING RULES

NOTE REGARDING SUBSECTIONS (A) & (B) BELOW: The exemptions as provided for in the following subsections (A) & (B) are applied for by an employee completing an “LST-Exempt Form” and submitting it to the employer with any required documentation. With every Quarterly Return submitted indicating exempt employees the employer must forward a copy (fax/mail) of the completed exemption form (no attachments & only the first page of the form, unless for exemption # 1, in which case a complete copy of the LST-Exempt form needs to be submitted) to the CTCB and retain the originals of all exemption forms & attachments for a minimum of 3 years. Employers who have not withheld all or a portion of the LST from an employee pursuant to an LST-Exempt Form, AND who do not have copies of the employee’s LST-Exempt Form and its supporting documents, will be held responsible for the payment of the LST as if the tax had

been originally levied against the employer.

(A) **EMPLOYEES WITH MULTIPLE, CONCURRENT OCCUPATIONS** – Some employees work at more than one job. The following explains how to determine which employer should withhold the LST. By law, the priority of claim to collect an LST is based on the following 4 factors with such priority going from highest (1), to lowest (4):

1. The employer where the individual first became employed in the calendar year, or if subject to pro-rated withholding of the tax, the day the individual first became employed in the overlapping payroll periods. For the purposes of this rule, if the individual was employed with each employer on January 1 of the tax year, or initially employed on the same day at both employers, this would be a tie, so it proceeds to factor number 2.
2. The political subdivision in which a person maintains his principal office or is principally employed. A person's principle employment would be the one in which he earns the most.
3. The political subdivision in which a person resides & works, if such a tax is levied by that political subdivision.
4. The political subdivision in which a person is employed and which imposes the tax nearest in miles to the person's home.

Each individual who shall have more than one **concurrent** occupation shall be subject to the payment of the Tax on his principal occupation whether self-employed or employed through an employer. In the case of concurrent employment, all non-principal employers shall refrain from withholding the LST, if the employee provides (1) a recent pay statement from his principal employer that includes the name of the employer, the length of the payroll period and the amount of the LST withheld, or (2) a tax office or taxing jurisdiction receipt of payment of the LST for a self-employed principal occupation; **and**, (3) a CTCB Bureau approved statement from the employee that the pay statement or pay receipt is from the employee's principal occupation, and the employee will notify other employers of a change in principal place of employment within 2 weeks of its occurrence.

(B) **OTHER EXEMPTIONS FROM EMPLOYER WITHHOLDING** - Whenever an employee expects to earn, in the aggregate, less than twelve thousand dollars (\$12,000.00) per fiscal year in earned income and net profits from all sources within a listed LST taxing jurisdiction, and the taxing jurisdiction opts, or is required, to provide for such an exemption (see the "2016 LST TAX RATE TABLE" for a listing of exemptions for CTCB taxing jurisdictions), an employee may file a certificate for exemption (Form LST-Exempt) with the employer directing that employer not to withhold the LST. The certificate shall be in a form approved by CTCB and have attached to it a copy of all the individual's last pay stubs or W-2 forms from employment and any net profit schedules from businesses within the taxing jurisdiction(s) for the fiscal year prior to which the individual is requesting an exemption. With low-income exemptions, it is quite possible that a taxpayer can be exempt from a municipality's LST, but not exempt from the municipality's coterminous school district's LST. In this case the employer must withhold the school district's LST using the pro-rated LST payroll period method even if the remaining amount is \$10 or less.

An employee may also be exempt from withholding from 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. More detailed specifications regarding these exemptions are found on the application for exemption (Form LST-Exempt).

If a person who claimed an exemption for a fiscal year pursuant to this Section (4) becomes subject to the Tax for that year, either from notification by the employee or CTCB, **or in the case of a low-income exemption if the employer pays the employee at least \$12,000 in that calendar year,** the employer shall withhold the Tax in a lump sum for the first payroll period after a notification is received or payment equaling or exceeding \$12,000 is made, equal to the amount of the tax which was not withheld due to the non-valid exemption, plus the per payroll amount due for that first period. The LST withheld for the rest of the year should be withheld in accordance with Section 3.

Employers shall ensure that exemption forms (Form LST-Exempt), for requesting an exemption are readily available to employees at all times and shall furnish each to all new employees at the time of hiring.

(C) **LIMITS ON EMPLOYER'S LIABILITY REGARDING EXEMPTIONS** - No employer shall be held liable for failure to withhold the Tax or for payment of the withheld tax money to the Collector if the failure to withhold the Tax arises from incorrect information submitted by the employee as to the employee's place or places of employment, the employee's principal office or where the employee is principally employed. No employer shall be responsible for investigating exemption certificates or monitoring eligibility or exempting an employee from withholding except where a person with an exemption certificate later becomes subject to the Tax as because they earned more than \$12,000 with the same employer.

SECTION 5. DATES FOR DETERMINING TAX LIABILITY & REMITTANCE OF WITHHELD LST

Checks for payment of LST withholdings should be made payable to "Capital Tax Collection Bureau" and submitted to the CTCB Harrisburg Office. An employer must use his employment records for each calendar quarter to determine the number of employees from whom said tax must be deducted and paid to the CTCB per the following schedule:

CALENDAR QUARTER	REMITTANCE DUE TO CTCB
1ST (January 1 thru March 31)	April 30 of the current year
2ND (April 1 thru June 30)	July 31 of the current year
3RD (July 1 thru September 30)	October 31 of the current year
4TH (October 1 thru December 31)	January 31 of the following year

SECTION 6. EMPLOYER WITHHOLDING & TRANSMITTAL COMMISSION

Some taxing jurisdictions' LST ordinances/resolutions permit an employer to retain a portion of the LST withholdings as a sort of commission for doing the withholding. Any permitted "Employer Commission" is found in Column C of the "2016 LST TAX RATE TABLE". Timely and full payment of the LST withholdings (net of the employer commission of course) is required to participate in any permitted employer commission.

SECTION 7. ERRONEOUS AMOUNTS WITHHELD FROM AN EMPLOYEE

Once an employer withholds an LST and such withholding appears or will appear on any of the employee's pay-stubs we strongly discourage an employer from refunding an LST back to the employee. We suggest that in the case of erroneous withholding, the employee apply for a refund from our Bureau. Our LST-Refund application form is available through our web site **WWW.CAPTAX.COM**. It's imperative that no employer provides an LST refund directly to an employee. However, an employer may provide the LST-Refund

form for the employee to fill out and submit to CTCB.

SECTION 8. FORMS, REPORTINGS & RETURNS

Each employer shall prepare and/or file (where required) the following returns:

(A) EVIDENCE OF DEDUCTION - An employer must report all LST withholdings on an employee's pay stub or other appropriate document provided to the employee. At a minimum, an employee's pay stub must contain the name of the employer, the payroll period dates, the pay date, the tax year and type of the tax, and a separate line entry for each taxing jurisdiction which is levying the tax, naming such taxing jurisdiction and the amount of LST deducted both for the payroll period and year to date.

(B) LST QUARTERLY RETURN (COMBINED LST-2 AND LST-4) – The 2016 quarterly LST return (combined LST-2 and LST-4) form is included in this mailing. This form is to be supplied quarterly to the CTCB along with the payment of each calendar quarter's LST withholdings even if there is no tax due as long as you are still doing business in the applicable taxing jurisdiction(s). Additionally the purpose of the quarterly return form, specifically the lower portion or the form regarding the employee(s) and amount of LST tax withheld, is to determine how much LST tax the employer paid for each individual employee during the course of a particular quarter.

These are the instructions for completing the Quarterly LST Return (combined LST-2 and LST-4) form for the 2016 tax year. The following directions should provide step-by-step directions to assist you in completing the LST Quarterly Return form for each quarter. Please make additional copies of each side of the form for your subsequent quarterly submissions. You can also access a copy of all blank LST forms on by visiting our website WWW.CAPTAX.COM. You can also register with us online and submit your returns through our employer e-filing system.

(C) LST YEAR END RECONCILIATION FORM LST-5 –The 2016 LST-5 Form reconciles the annual total of LST paid, adjusted by any LST-2 report totals and any employer commission taken; to the number of same tax year W-2's submitted for EIT purposes, multiplied by the appropriate LST tax rate. This form must be filed by April 30 following the tax year. (Due date for tax year of 2016 LST-5 is April 30, 2016.

(D) LST-EXEMPT FORM, TAXPAYER/EMPLOYEE EXEMPTION FROM LST - This form will be used by an employee to seek exemption from employer withholding of the LST. See Section 4, Subsection (B) of these instructions for detailed information regarding this form. See form actual form for instructions on filling it out. The exemption form is available at WWW.CAPTAX.COM.

(E) LST-REFUND FORM, TAXPAYER/EMPLOYEE REFUND FROM LST - This form will be used by an employee seeking a refund of the employer withholding of the LST. See Section 4, of these instructions for detailed information regarding this form. See the actual refund form for instructions on filling it out. Also see Section 7. The refund form is available at WWW.CAPTAX.COM.

SECTION 9. INTEREST AND PENALTIES—OVERDUE TAX

If for any reason this tax is not paid when due, interest on the amount of said tax shall be due, beginning with the due date of said tax, and a penalty shall be in addition to any interest (see listing of interest & penalties for CTCB LST taxing jurisdictions in Columns E & F on the "EMPLOYER REFERENCE SHEET" on page 6 of these instructions. Where suit is brought for the recovery of this tax, the individual liable therefore shall, in addition, be responsible and liable for the costs of collection.

DISCLOSURE STATEMENT: *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 visiting our webpage WWW.CAPTAX.COM or calling one of our Capital Tax Collection Bureau offices.*

OFFICE PHONE NUMBERS:

HARRISBURG OFFICE

(717) 234-3214

HUNTINGDON COUNTY OFFICE

(814) 447-3111

PERRY COUNTY OFFICE

(OPEN TUESDAYS ONLY)

(717) 582-3001

SOMERSET COUNTY OFFICE

(814) 701-2475