

**SUMMARY OF EAST COCALICO TOWNSHIP LOCAL SERVICES TAX
ORDINANCE 2009-04 (including 2011 amendments)**

All business owners and self-employed persons, both resident and non-resident, working or doing business within the township who earn in excess of **\$12,000** (in net profits for business owners, and in salary, wages, commission or other compensation for employees) during the calendar year are required to pay over to the East Cocalico Township Tax Collector a \$52 Local Services Tax for themselves and their employees.

Every employer shall, within 15 days after becoming an employer, register with the Tax Collector the employer's name and address within the township. If you have already been registered for the Occupation Privilege Tax/Local Services Tax, there is no need to do so again. Once registered, each employer shall deduct a pro-rata share of the Local Services Tax from the earned income of each of his employees during each payroll period. The pro-rata share shall be determined by dividing \$52 by the number of payroll periods established by the employer for the calendar year; for instance, if employees are paid every other week, a deduction of $\$52/26 = \2 would be taken each payroll period.

'Seasonal' employees who are regularly on the payroll of an employer, or seasonal self-employed persons, who only work a portion of each year are required to pay \$52 each year, irrespective of how many pay periods they work. The amount deducted from a seasonal employee's pay should be adjusted to account for the fact that he is not receiving a paycheck every pay period. For example, if an employee regularly works only six months of the year, and pay periods occurs every other week, \$4.00, rather than \$2.00, should be deducted from that employee's pay during each period that he is paid.

If, for any reason, an employee's Local Services Tax withholding, or a self-employed person's LST submission, is short of the required total \$52 at the last pay period of the calendar year, the discrepancy should be made up in that last pay period.

Every employer shall pay the Tax Collector the full amount of all such taxes deducted during each calendar quarter, and the equivalent full amount for all owners of the business or self-employed persons, within 30 days of the end of each quarter – with the end of each quarter being defined as March 31st, June 30th, September 30th, and December 31st. Self-employed persons are to submit \$13 in tax payment at the end of each calendar quarter. A tax return must be filed for each calendar quarter, regardless of whether any tax liability exists.

If the tax is not paid when due – within 30 days of the end of each quarter – interest at the rate of 6% per annum (.5% per month) will be added and collected monthly, or for any fraction of a month that the tax remains unpaid.

Included in each quarterly return must be (1) the name, address and social security number of each employee and business owner subject to the tax, (2) the amount of tax being paid over for that employee or business owner, (3) the name and address of the business, and (4) the total amount of tax being remitted.

Along with the final calendar-year submission (Dec. 31st) , each employer shall also file a list of all employees and owners who paid the tax during that calendar year, the total tax each one paid, and the grand total submitted by the business for that year. For business owners or employees whose total is not \$52, an explanation must be provided.

Failure to file an accurate end-of-year reconciliation, or a properly documented Exemption Certificate in lieu of tax payments, will result in fines and penalties and possible court proceedings.

(over)

Computer printouts containing all of the above information are acceptable. Otherwise submission forms, as well as Exemption Certificates and Refund Applications, are available for download on the East Cocalico Township website under the link labeled 'Tax Collector/Forms' at <http://www.EastCocalicoTownship.com>.

Certain persons may be exempted from paying the Local Services Tax:

- (1) Any person who served in any war or armed conflict in which the United States was engaged and is honorably discharged, if, as a result of military service, the person has suffered sever disability (contact the Tax Collector for details).
- (2) Any person who has been called to active duty as a reservist during the calendar year [contact the Tax Collector for details].
- (3) Any person whose total earned income or net profits from sources within the township is expected to be less than \$12,000 for the calendar year.

The employer shall not deduct the tax from employees who are exempted under (1), (2) or (3) above, but shall maintain adequate records concerning their income.

A person seeking exemption from the tax must annually file an Exemption Certificate with his employer and the Tax Collector. Exemption Certificates are available for download on the East Cocalico Township website, under the link labeled 'Tax Collector/Forms', or may be obtained at the office of the Tax Collector.

In the event a person is engaged in more than one occupation, or working or owning a business in more than one political subdivision, during the payroll period, the priority to withhold the tax shall be imposed upon the political subdivision in which the person maintains his or her principal office or is principally employed. If further jurisdictional questions arise, contact the Tax Collector for additional clarification.

If a person has claimed exemption under (3) above, and then that person shows earnings or net profits within the township in excess of \$12,000 in the calendar year, the employer shall withhold the tax for the remainder of the calendar year by (a) withholding from the employee, during the first payroll period after recognition that he is unqualified for exemption, a lump sum equal to the amount of tax that was not withheld as a result of his false exemption, plus the payroll amount due for that first payroll period; then (b) the amount of tax withheld for the remaining payroll periods in that calendar year shall be the same amount withheld for other employees.

Any person who has overpaid the tax may obtain a refund by making a written application to the Tax Collector no later than one year after payment of the tax, or three years after the due date for payment of the tax, whichever is later. Refund applications may be downloaded from the East Cocalico Township website under the link labeled 'Tax Collector/Forms', or may be obtained at the office of the Tax Collector.

A copy of Ordinance 2009-04 establishing this tax may be obtained at the office of the Tax Collector. The ordinance contains more detailed reference to the imposition of the tax.

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