Welcome to the Pennsylvania Act 32 informational tutorial. This (add time) tutorial will give you an overview of Pennsylvania Act 32 and explain how this new legislation will affect you. In addition, guidelines will be given as to how ADP can help you with the research, calculation, and filing to make you ready for Act 32. Before getting started, let’s take a minute to look at the navigation used in this informational tutorial.
What is Act 32?

Starting in 2012, new legislation called Act 32 creates a restructuring of the Earned Income Tax (EIT) Collection System for Pennsylvania local governments and school districts. Legislation requires all taxing authorities that institute an earned income tax to comply with all applicable regulations starting on January 1, 2012.

Employers will be required to report each employee’s residence (their lived-in) and workplace (their worked-in) taxing jurisdiction information. Based on this information, employers will withhold the greater tax rate determined by the employee’s resident tax rate or the employer jurisdiction’s non-resident tax rate. This greater earned income tax rate will be remitted to the County Tax Collection Bureau associated with the employee's workplace.

It is important to note that the earned income taxes in Pennsylvania are local income taxes imposed by the employee’s resident municipality. Also, Act 32 does NOT apply to the city of Philadelphia.

Let’s now take a closer look at Act 32.

HR. Payroll. Benefits.
Tax Collection Districts (TCD)

Under Act 32, the current earned income tax collection process will be restructured to create 69 county-wide Tax Collection Districts (also simply known as TCD). These new districts will have boundaries that are congruent geographically with current county lines, unless there is a school district that overlaps county boundaries. If a school district crosses a county line, the school district and its component municipalities will be kept whole and be included in the county where the affected municipalities have the greatest population.

There will no longer be the possibility of different collectors for a school district and municipality (previously referred to as a split collector) and there will no longer be the possibility of a resident-only collector or courtesy withholding.

Act 32 provides for one earned income tax office (or collector) for each county, other than Philadelphia. This will result in a reduction of local earned income tax collectors from 560 to 21.
Political Subdivision (or PSD) codes

Political Subdivision (or PSD) codes are six-digit numeric codes and have been formulated to designate each of the 69 tax collection districts, along with the school districts and municipalities therein. Act 32 requires that employers and tax officers utilize Political Subdivision codes prescribed by the Department of Community and Economic Development (DCED).

Political Subdivision codes have been designed to identify the municipalities and school districts for each tax collection district and aid in ensuring that employee earned income tax withholdings are remitted and distributed to the proper taxing authority.

Quarterly filings will be remitted to the worked-in tax collector and will include employee wage detail, which will provide the Political Subdivision code of the work location and the Political Subdivision code for each employee’s home location.
Residency Certificates
Under Act 32, employers will be required to obtain a completed Certificate of Residency form from each of their employees. The Residency Certificate will be used to verify an employee’s home address and worked in address. This information will then be used by the employer to determine the proper Political Subdivision codes, which can be researched at the Pennsylvania Municipal Statistics website to be mentioned in a moment.

The residency certificate is provided by the Pennsylvania Department of Community and Economic Development and can be downloaded from their website: http://www.newpa.com/webfm_send/1605.
How ADP can help you with Act 32

Employers provide employee’s Political Subdivision (PSD) information

ADP

Tax-filing Clients
+ Calculate and withhold the higher of your employee’s “worked-in” and “lived-in” locals.
+ File to the appropriate tax collector.

Non Tax-filing Clients
+ Reports will be available with your payroll to assist in your filing.

How ADP can help you with Act 32?
ADP is here to make compliance with Act 32 as easy as possible. If you are a tax-filing customer, once you provide ADP with your employees Political Subdivision information, ADP will calculate and withhold the higher of your employees ‘worked-in’ and ‘lived-in’ locals and file to the appropriate tax collector on your behalf. If you are not a tax-filing customer, reports will be available with your payroll to assist in your filing.
Where to find all this information

At this point you might be wondering where you can find the necessary information you have just learned about. The Pennsylvania Municipal Statistics Website (http://munstatspa.dced.state.pa.us/) allows you to find PSD and TCD information. Visiting this site will take you to the Municipal Statistics Tax Reports page. From here, in addition to PSD and TCD information, you can search for collector information based on home or business address. To do this, click on “Find Your Withholding Rates by Address” near the top left of the window.
On this page, type in the home address of the employee and the business location address. Then, simply click on “View Report.”
Where to find all this information (cont’d)
The ‘Your Local Tax Rates’ report will appear. In this example, you will see that the employee is a resident of Upper Dublin Township and is subject to a ‘lived-in’ earned income tax of 1.00%. The employee works in Bristol Township, but the employer address only has a .500% ‘worked-in’ earned income tax rate. As mentioned earlier, employers are required to withhold the higher tax rate. In this case, 1.00% is the highest earned income tax rate and will be withheld and remitted to the tax collector for Bristol Township.

At the bottom of this report, the collectors’ names, addresses, and phone numbers are listed for your convenience. Also, the Political Subdivision codes are now also displayed on this screen.
Actions Needed

In order to be ready for Act 32, the following steps must be completed:

1. Identify where the business is located (township or borough). This will be the Political Subdivision.
2. Identify the Tax Collection District in which that Political Subdivision is located to determine the Tax Collector.
3. In cases where several townships or boroughs have the same name, use the county and/or school district name to distinguish one from the other.
4. Have employees complete a Residency Certificate to identify the Political Subdivisions (PSD) where the employees at your work location live.
5. If you are not already registered - ensure you register with your local Pennsylvania Tax Collection District (TCD), this would include if your locality has a rate of zero. Currently, each Pennsylvania Tax Collection District has different forms and methods for registration. More information can be found at [http://munstatspa.dced.state.pa.us/Registers.aspx](http://munstatspa.dced.state.pa.us/Registers.aspx).
If you are a payroll client, you should provide the Political Subdivision (PSD) codes for your employees’ work locations and their resident jurisdictions to ADP. Again, if you are a tax-filing customer, once you provide ADP with your employees’ Political Subdivision information, ADP will calculate and file to the tax collector.

If you are not a tax-filing customer, you will still need to provide the Political Subdivision for both worked-in and lived-in employee locations so that ADP can calculate the higher rate. While ADP will not do deposits or filings for non tax-filing clients, ADP will provide reports with your payroll to assist in your filing.

It is imperative that you verify that all your impacted associates, those living and working in Pennsylvania, have been set up appropriately with the correct Political Subdivision codes prior to your first payroll of 2012. A ‘Pennsylvania ACT 32 Verification Report’ is available with all your 2011 payrolls to assist you in validating the correct information is on file with ADP.
Thank you.

Monitoring tax regulations such as this on your behalf is another reason why so many businesses like yours choose ADP, the world's leading payroll provider for over 60 years. We appreciate the opportunity to serve your payroll and tax filing needs. Should you have any other questions regarding this matter, please contact your ADP Service Team.

*This information is provided solely as a courtesy and not as legal or tax advice. Your tax professional and/or legal counsel should be consulted for updates that may have an impact on your organization and specific facts related to your business.

This concludes the Pennsylvania Act 32 informational tutorial. You may close this window at your convenience.

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