

# Municipal & School Earned Income Tax Office

2790 West Fourth Street

Williamsport PA 17701

Phone: 570-601-3980 Fax: 570-327-0650

Web Site: [www.wasd.org/taxoffice](http://www.wasd.org/taxoffice)

## ONLINE FILING AVAILABLE

To file your return or view eligibility requirements visit [www.palite.org](http://www.palite.org)

### Municipal & School Earned Income Tax Return:

- All tax forms must have signature(s) of taxpayer.
- **Moving Information:** The local income tax is based on your residence or DOMICILE. If you and/or your spouse have moved during the tax year please complete the MOVING INFORMATION section of the tax return. If you and/or your spouse have moved from one municipality to another municipality within Lycoming county during the tax year you do not need to file a second local tax return as long as the MOVING INFORMATION worksheet is completed. PLEASE NOTE: if you have moved into Lycoming County from outside the county YOU ARE REQUIRED TO FILE LOCAL TAX RETURNS WITH THE MUNICIPAL & SCHOOL EARNED INCOME TAX OFFICE **AND** THE MUNICIPALITY/SCHOOL DISTRICT IN WHICH YOU RESIDED PREVIOUSLY.
- **Other Income (Line 3)** Please record income reported on forms 1099-MISC, 1099-R (if part or all is taxable to the State) or other miscellaneous income that has NOT been included as gross income on your sole proprietorship (PA Schedule C), partnership, LLC (PA RK-1) or other business entity. **DO NOT** list income reported to you on form 1099 DIV/INT (Interest or Dividends), 1099-G( including unemployment compensation), or Capital Gains.
- **Transfer of one spouse's overpayment to the other spouse's balance due (Line 15)** The Municipal & School Earned Income Tax Office will allow the offsetting of one spouse's balance due by the transfer of his/her spouse's current year overpayment provided that both spouses are filed on the same form. Please note: if the first spouse's requested overpayment amount is reduced or denied, the second spouse's tax liability will be affected by the reduced or denied credit and a balance of tax due may result. If the 'transfer to spouse box' is not checked no transfer will be made. **BOTH PARTIES MUST SIGN THE RETURN.**
- Losses can be deducted from profits only – NOT W-2 wages.
- **Interest and Penalty (Line 17 and 18)** Interest and penalties will be assessed on tax not received on or before due dates even if the balance is a result of an error or a spouse's requested transfer denied or reduced.
- **Forms :** All forms & instructions are available online at [www.wasd.org/taxoffice](http://www.wasd.org/taxoffice).
- Quarterly estimates **must** be paid by anyone who expects to have an unpaid tax liability of \$240.00 or more. Forms are available at the Tax Office or online at [www.wasd.org/taxoffice](http://www.wasd.org/taxoffice).

**Mailing Address:** Municipal & School Earned Income Tax Office, 2790 West Fourth Street, Williamsport PA 17701

### WHAT IS INCLUDED IN EARNED INCOME

Act 166 of 2002 and Act 24 of 2004 changed the definitions of "earned income" and "net profits" for purposes of the earned income tax imposed under the Local Tax Enabling Act, Act 511 of 1965, 53 P.S. § 6901 et seq., to adopt, with certain exceptions, the definitions of "compensation" and "net profits" as set forth by the state for personal income tax purposes. The changes to the definitions of earned income and net profits are not optional. They apply for tax years beginning on and after January 1, 2003. While the definition of "net profits" in the Local Tax Enabling Act includes net income from the operation of a business, profession or other activity, it does not include income from corporations. In addition, net profits do not include income that is "not paid for services provided" or that is in the nature of earnings from an investment (passive income). Most distributions passed through to a taxpayer by an S Corporation are considered investment income and not subject to the earned income tax, unless the distributions are based on services provided by the taxpayer.

Examples of "net profits" are: The net profits of a business or profession or of farm operations conducted by an individual or by a husband and wife, as computed according to PA Personal Income Tax : income from the operation of hotels, motels, trailer camps, tourist homes, boarding houses and other similar businesses; income from the business of renting of personal property; all other net profits of an enterprise, venture, or other activity, whether such activities are conducted within or outside the Taxing District. PLEASE NOTE – The net profit and loss of each business must be SEPARATELY stated and the net profit or net loss is to be determined SEPARATELY for each business enterprise. Persons engaged in more than one business activity during the tax year may offset a loss in one activity against the gain in another.

### WHAT IS NOT SUBJECT TO THE TAX

The following are not considered to be earned income and are not subject to the tax: 3<sup>rd</sup> party sick pay, disability or retirement benefits paid (except regular wages); payments made under any public assistance or unemployment compensation legislation; compensation bonuses paid by a State or the United States for active military service in the Armed Forces, except National Guard and 1-W pay; death benefit payments to an employee's beneficiary or estate, whether payable in a lump sum or otherwise; proceeds of Life Insurance policies; cash or property received as a gift, by Will or statutes of descent or distribution; interest and dividends; value of meals and lodging furnished to domestics or other employees by the employer for the latter's convenience; capital gains; social security benefits; damages for personal injuries; scholarships; gambling winnings; profits from limited partnerships engaged in real estate, oil, gas, mining leases or other similar investments.

### UNREIMBURSED BUSINESS EXPENSES

The fact that an expense is deductible for Federal tax purposes does NOT mean that it is an allowable business expense for Earned Income Tax purposes. The Pennsylvania Personal Income Tax law allows a deduction of "allowable employee business expenses" for which the taxpayer was not reimbursed. In order to be claimed as an expense, the item must be ordinary, necessary, reasonable, actually incurred in performing the duties of the job, and directly related to present employment. NOTE: Employee business expenses can NOT exceed W-2 wage.

**The PA Schedule UE does not cover these expenses:** Deductions not allowable as business expenses; Personal, living, or family expenses; Capital expenditures normally are not an allowable business expense except through depreciation. Dues to professional or fraternal societies, Chambers of Commerce, or recreational club memberships; Subscriptions to publications; Campaign or political contributions; Charitable contributions; Commuting expenses; Cost of meals while working late except while traveling away from home overnight (federal per diem rates may not be used); Occupational privilege taxes; Child care and elderly care expenses; Life, disability income, and health service insurance premiums; Malpractice insurance premiums except where required by law or employer; Pension contributions; Fines, penalties, legal fees (except to recover back wages), and bad debts; Bribes, kickbacks, or other illegal payments; Eligible job hunting expenses and pre-employment expenses; Residential phone service (however, specific charges for telephone calls required to be made for business purposes may be deducted).

**IMPORTANT** – The accompanying tax return must be filed with this office by the indicated due date even if no tax is due or if all has been withheld by your employer. Failure to file your return may subject you to a fine of up to \$500.00. A HUSBAND AND WIFE MAY BOTH FILE ON THIS FORM, HOWEVER, TAX CALCULATIONS MUST BE REPORTED SEPARATELY. JOINT FILING (I.E. COMBINING INCOME, ETC...) IS NOT PERMITTED. Failure to receive a Local Earned Income Tax Return is no excuse for a taxpayer not to file a return.

**WHO MUST FILE A FINAL RETURN:** All residents of the municipalities and school districts listed below who are employed or self-employed and all non-residents who work or are self-employed within the municipalities and school districts listed on the table below. If you filed a tax form in the previous year but did NOT work, in the current year you must still file the form and indicate the reason that no income is shown (full time student, homemaker, disabled, retired, unemployed, etc.)

The Municipal & School Earned Income Tax Office collects the earned income/compensation tax and the net profits tax for the following school districts and municipalities. If you were a resident of any of the listed municipalities and school districts for all or any portion of the tax year, you are required to file a return with this office.

**LYCOMING COUNTY TAXING AUTHORITIES LISTED BELOW FOR EACH OF THE MEMBER SCHOOL DISTRICTS**

<p><b>EAST LYCOMING SD – 1.7%</b>                  Franklin Twp Penn Twp                  Hughesville Boro Picture Rocks Boro                  Jordan Twp Shrewsbury Twp                  Mill Creek Twp Wolf Twp                  Moreland TWP</p> <p><b>JERSEY SHORE AREA SD – 1.6%</b>                  Avis Boro Limestone Twp                  Crawford Twp McHenry Twp                  Pine Creek Twp Mifflin Twp                  Anthony Twp Nippenose Twp                  Bastress Twp Piatt Twp                  Brown Twp Porter Twp                  Cummings Twp Salladasburg Boro                  Jersey Shore Boro Watson Twp</p>	<p><b>LOYALSOCK SD – 1.65%</b>                  Loyalsock Twp</p> <p><b>MONTGOMERY AREA SD – 1.75%</b>                  Brady Twp Montgomery Boro.                  Clinton Twp Washington Twp</p> <p><b>MONTOURSVILLE AREA SD – 1.65%</b>                  Cascade Twp Montoursville Boro                  Eldred Twp Plunketts Creek Twp                  Fairfield Twp Upper Fairfield Twp                  Gamble Twp</p> <p><b>MUNCY SD – 1.75%</b>                  Muncy Boro Muncy Twp                  Muncy Creek Twp</p>	<p><b>SOUTH WILLIAMSPORT SD – 1.6%</b>                  Armstrong Twp So Williamsport Boro                  Duboistown Boro Susquehanna Twp</p> <p><b>WILLIAMSPORT AREA SD – 2%</b>                  Hepburn Twp Old Lycoming Twp                  Lewis Twp Williamsport City                  Lycoming Twp Woodward Twp</p>
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**INSTRUCTIONS FOR COMPLETING THE LOCAL EARNED INCOME TAX RETURN**

**ROUND ALL LINES TO THE NEAREST DOLLAR.**

- Line 1. List GROSS earnings (wages, salaries, commissions, etc...) regardless where received. Attach a copy of the withholding statements (W-2) from each employer. If you had no earnings, indicate the reason why (homemaker, disabled, unemployed etc...)
- Line 2. Business expenses for which an employee has NOT been reimbursed are allowed as a deduction from W-2 earnings, provided such expenses are required by the employer in order for the taxpayer to keep his/her present job. (refer to section on Unreimbursed Business Expenses) Expenses must be taken in regard to each employer SEPARATELY as a deduction from the business income thereof and CANNOT be consolidated in any form. Attach appropriate PA schedules (and Federal schedules if required as support to PA schedules). **PLEASE NOTE: Business expenses claimed without proper supporting documentation will be denied without notification to the taxpayer.** Submit separate expense forms for each employer. NOTE: Employee business expenses can NOT be deducted from Non-Employee compensation reported on 1099MISC.
- Line 3. Enter income received that was not reported to you on a form W-2. If you received a form 1099MISC for income that you did NOT report as part of the gross income of a sole proprietorship, partnership, LLC or other business entity, please report the income on Line 3. Please be sure to attach a copy of your form 1099MISC, 1099R, or other proof of income to your earned income tax return. If you did not receive a form 1099MISC, 1099R, or other proof of income, please provide a brief description of the income on the earned income tax return. DO NOT REPORT INTEREST, DIVIDENDS, UNEMPLOYMENT COMPENSATION, or CAPITAL GAINS on the earned income tax return.
- Line 4. Line 1 minus Line 2 plus Line 3. IF LESS THAN ZERO. ENTER ZERO. (CAN NOT BE LESS THAN ZERO)
- Line 5. Enter amount of business profit (refer to section on Net Profits). The Net Profit and Loss of each business must be SEPARATELY stated and Net Profit or Net Loss is to be determined SEPARATELY for each business enterprise. Attach the appropriate PA Schedule(s) C, F, RK-1 and/or NRK-1.
- Line 6. Enter amount of business loss. Attach the appropriate PA Schedule(s) C, F, RK-1 and/or NRK-1. If **appropriate documentation is not attached, Loss from business will not be allowed.**
- Line 7. Subtotal-subtract Line 6 from Line 5. IF LESS THEN ZERO, ENTER ZERO.
- Line 8. Total Earned Income – Line 4 plus Line 7.
- Line 9. TAX LIABILITY (Line 8 multiplied by resident tax rate) Find your school district and municipality on the chart above and use the corresponding tax rate to calculate your total tax liability.
- Line 10. Complete Line 10 if you had the PA Local Income Tax withheld by your employer, with the exception of Philadelphia withholdings. (Generally, Box 19 of W-2). **CREDIT for withholding WILL NOT be given if W-2 is NOT provided.**
- Line 11. Complete Line 11 if you have made Quarterly payments, or if refund from previous tax year was credited to this tax year.
- Line 12. Complete Line 12 if you had any prior year credit, Out-Of-State or Philadelphia Tax credits as calculated on the NON RECIPROCAL STATE/PHILADELPHIA CREDIT WORKSHEET (on back of return). Please note that this credit cannot exceed your local income tax liability on the income taxed by the other state or Philadelphia. Copies of the other state's non-resident tax return along with a PA 40 and PA Schedule G must be attached or the Out of State credit will be denied.
- Line 13. TOTAL TAX CREDIT (If Line 13 is greater that Line 9, subtract Line 9 from Line 13). Refunds or credits \$10.00 or more must be reported by us to the Internal Revenue Service. No refunds or credits of \$1.00 or less will be issued.
- Line 14. REFUND/CREDIT ( If Line 9 is less than Line 13, subtract Line 9 from Line 13) Enter amount if more than \$1.00.
- Line 15. ( SPOUSE  NEXT YEAR) If appropriate box is not checked, any overpayment will be refunded to the taxpayer.
- LINE 16. TAX DUE (If Line 9 is greater than Line 13, subtract Line 13 from Line 9). Payment must be RECEIVED in this office, or mailed and POSTMARKED, ON or BEFORE April 15<sup>th</sup>. Enter amount if more than \$1.00. There will be a \$20.00 fee for returned checks.
- Line 17. PENALTY: Payable at the rate of 1% (.01) per month or any portion of a month that the earned income tax remains unpaid after the April 15 due date. (Example: \$ tax due x .01x # of months = penalty).
- Line 18. INTEREST: Payable at rate of 3% (.03) per annum or .000082 daily of the unpaid tax after the due date. (Example: .000082 x # of days after the due date)
- Line 19. TOTAL AMOUNT DUE (Add Line 16 plus Line 17 plus Line 18) Make check payable to INCOME TAX OFFICER.

**BE SURE TO SIGN AND DATE THE RETURN**