

**LOCAL SERVICES TAX (LST)  
FREQUENTLY ASKED QUESTIONS**

---

**Q. When will Act 7 of 2007 take effect?**

A. Act 7 of 2007 will take effect on January 1, 2008.

**Q. Why was the name of the tax changed from the emergency and municipal services tax to the local services tax?**

A. The name change was a result of the assumption by some that the tax was sufficient to fully fund the operations of emergency services providers. This assumption resulted in a decline in voluntary donations to these providers after the tax was first enacted. The name change is intended to address this problem.

**Q. Who is subject to the tax?**

A. All individuals employed within East Donegal Township whose total earnings and net profits from all sources exceed \$12,000 for the calendar year in which the local services tax is levied and who do not qualify for one of the exemptions provided for in Act 7. Sole proprietors, partners, and other types of business owners are subject to the LST.

**Q. Can an individual's total annual LST liability exceed \$52?**

A. No. The maximum total LST paid by any individual in a calendar year is \$52 regardless of the number of political subdivisions in which an individual works during the calendar year.

**Q. Does Act 7 define "income from all sources" for the purposes of the low income exemption?**

A. Yes. The act defines "income from all sources" as the total earnings and net profits from all sources within the municipality for the calendar year in which the local services tax is levied.

**Q. Is the \$12,000 low income exemption mandatory?**

A. Each political subdivision that levies a LST at a rate exceeding \$10 is required to exempt persons whose total earned income and net profits from all sources within the political subdivision are less than \$12,000 for the calendar year in which the LST is levied.

**Q. Should employers withhold the tax from employees who earn less than the \$12,000 low income exemption?**

A. Not if the employee files an upfront exemption certificate with both the employer and the municipality affirming that he or she reasonably expects to earn less than \$12,000 during the calendar year for which the exemption certificate is filed.

**Q. What happens if the income of an individual who filed an upfront exemption certificate exceeds \$12,000 during the calendar year?**

A. If that individual's earned income and net profits from the primary employer exceeds \$12,000 or the municipality's tax collector informs the employer that the employee's income has reached \$12,000, employers "restart" withholding of the LST by withholding 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. Subsequent withholdings should equal the same amount per payroll period that is withheld from other employees who did not file an upfront exemption.

**Q. What other exemptions are provided for in Act 7?**

A. In addition to the low income exemption, exemptions are provided for individuals who are secondarily employed and whose primary employer is withholding the \$52 annual tax liability, for members of a reserve component of the armed forces during anytime he or she is called to active duty (not inclusive of annual training requirement), and to honorably discharged veterans who served in any war or armed conflict who are blind, paraplegic, a double or quadruple amputee as a result of military service, or who are 100% disabled from a service-connected disability. For the purposes of

this act, reserve component of the armed forces shall mean United States Army Reserve, United States Navy Reserve, United States Marine Corps Reserve, United States Coast Guard Reserve, United States Air Force Reserve, Pennsylvania Army National Guard, or the Pennsylvania Air National Guard.

**Q. We have heard that Act 7 requires employers to deduct the tax weekly. Is this true?**

A. If a municipality and school district's combined local services tax exceeds \$10, employers must withhold the tax based on their number of annual payroll periods and are prohibited from withholding the tax in a lump-sum payment. Therefore, if an employer pays its employees weekly, the tax must be withheld weekly. If an employer pays its employees biweekly, the tax must be withheld biweekly.

**Q. What if an individual is self-employed and does not have a regular payroll period?**

A. The tax should be pro-rated and paid by self-employed individuals on a quarterly basis, as if their payroll period is a calendar quarter. Self-employed taxpayers shall pay the tax to the municipality 30 days after the end of each calendar quarter.

**Q. What if an employee works in more than one municipality that levies the local services tax in the amount of \$52?**

A. If a taxpayer concurrently has two or more jobs in different political subdivisions that levy the local services tax in the amount of \$52 during a payroll period, the priority of claim to collect the LST is as follows:

Where the taxpayer maintains his or her principal office or is principally employed

Where the taxpayer resides and works

Where the taxpayer is employed that is nearest in miles to the taxpayer's home.

**Q. How often are employers required to submit tax revenues to the municipal tax collector?**

A. For municipalities and school districts with a combined tax rate of more than \$10, employers must submit tax revenue within 30 days of the end of each quarter. The following is a listing of quarterly due dates:

1<sup>st</sup> Quarter- April 30, 2008

2<sup>nd</sup> Quarter- July 31, 2008

3<sup>rd</sup> Quarter- October 31, 2008

4<sup>th</sup> Quarter- January 31, 2009

**Q. Who should remittance checks be made out to and where do we send them?**

A. Remittance checks should be made payable to East Donegal Township and should be mailed to the East Donegal Township Municipal Building, 190 Rock Point Road, Marietta, PA 17547.

**Q. What happens if an employee resigns? Must the employer try to collect the tax from the former employee for the remainder of the year?**

A. No. The employee is now liable for the tax. If an employee quits, his or her previous employer only needs to withhold the tax for the payroll periods in which the former employee was employed. The former employee's new employer will be responsible for withholding the tax from future paychecks.

**Information was assembled using information published on the Pennsylvania Department of Community and Economic Development's website, [www.newpa.com](http://www.newpa.com).**