



KEYSTONE collections groupSM

546 Wendel Road • Irwin, PA 15642 • keystonecollects.com • Phone: 724.978.0300 • Fax: 724.978.0339

EMPLOYER FREQUENTLY ASKED QUESTIONS

LOCAL PAYROLL TAX WITHHOLDING

- + ***Are all employers required to withhold local earned income taxes from payroll?***
Yes. All businesses with employees working in Pennsylvania must withhold local earned income taxes from payroll or risk non-compliance penalties.
- + ***Are taxes due to the tax collector every payroll period?***
No. Employers are required to remit local tax withholdings within 30 days after the close of each calendar quarter. Some employers, particularly those with multiple facilities in different taxing jurisdictions, remit taxes monthly.
- + ***Can businesses file the employee taxes online?***
Yes. It's easy. With Keystone's [e-file](#) you simply create an account and follow the instructions. Once you file your first quarterly online tax form, Keystone's [e-file](#) will remember your employee information, making it easy for you to file future returns and update your employee rolls. For assistance call Keystone's Employer Help Line at 1-724-978-0328 to speak with a Business Compliance Coordinator. Keystone's [e-file](#) is easy, fast and secure.
- + ***Are there penalties on employers who do not withhold payroll taxes?***
Yes. Employers who do not file on a timely basis may be held liable for the payment of the income tax, including penalties, interest and the cost of collection.
- + ***Does the employer file the withholdings in the jurisdiction where the business is located?***
Yes. Employers must remit taxes for their employees to the tax collector where the business is located. The quarterly employer return must contain the resident- and work-location Political subdivision (PSD) Code for each employee. The Tax Collector is charged with distributing the taxes to the appropriate taxing jurisdictions.

EMPLOYER COMPLIANCE WITH LOCAL WITHHOLDING REQUIREMENTS

- + ***Is there an easy way to comply with Pennsylvania's local withholding requirements?***
Yes. Keystone's [e-file](#) is the easy, fast and secure online way to comply with Pennsylvania's local withholding requirements. With [e-file](#), you can register your business, set up an online account, file withholding reports and submit employee taxes. You can choose to upload your data or manually enter it into Keystone's secure system. For further assistance, [submit a question online](#) or call Keystone's Employer Help Line at 1-724-978-0328 to speak directly with a Business Compliance Coordinator from 8 a.m. to 4 p.m., Monday through Friday.

- + ***Is there information I must obtain from my employees to make sure my business complies with local tax requirements?***

Yes. Each employee must file a [Certificate of Residency](#) with the employer when they are hired and each time they change residence. Use the employee's resident address to determine the political subdivision (PSD) code and the local withholding rate, which can be found on the Pennsylvania Department of Commerce and Economic Development's Municipal Statistics website. Keystone provides convenient [links to the DCED](#) on the Business Resources page.
- + ***Should I submit the Certificate of Residency form to Keystone?***

No. The employer should retain the [Certificate of Residency](#) Form. Similar to the federal form W-4, the Certificate of Residency serves as an information tool for the employer. The Certificate of Residency helps the employer to provide accurate information to the tax collector, such as the correct political subdivision (PSD) codes and other employee identification information. Employers should maintain the certificates and, upon request, provide them to the taxing authority or the Pennsylvania Department of Commerce and Economic Development.
- + ***Should my business submit W-2s to Keystone?***

Yes. Employers are required to provide employee W-2 information with the employer's end-of-year reconciliation, which is due the last day of February. Paper copies of W-2s are not required for those employers who [e-file](#).
- + ***Does my business have to include a copy of each employee's pay stub each time it reports withheld earned income taxes?***

No. Employers are only required to submit the employee W-2s when they file their end-of-year reconciliation return. For quarterly or monthly reporting, employers will provide a listing sheet as part of the [Employer Quarterly Return](#).
- + ***Should my business include Local Services Tax withholdings on the employee's W-2?***

Yes. The Local Services Tax should be included in Box 14 of the W-2. Do not list Local Services Tax withholdings in Box 19. Local Services Taxes are not based on earned income and are remitted to the employee's work location. Local Services Tax withholdings cannot be used to offset resident local earned income tax liability.
- + ***I occasionally use independent contractors. Do I have to withhold and report EIT quarterly?***

No. An independent contractor is not an employee. Act 32 does not require you to withhold local earned income taxes for independent contractors.

REGISTRATION, ONLINE PAYMENTS, DUE DATES

- + ***Is there an easy way to register, make payments and meet my Act 32 withholding requirements?***

Yes. Keystone's [e-file](#) is the easy, fast and secure way to report local tax withholding. With [e-file](#), you can register your business, set up an online account, file your employee tax withholding all in one place. Upload your data or manually enter it into Keystone's secure system. You have 24/7 online access to file.

- + ***I am a tax preparer. Can I report my clients' withholdings online?***
Yes. Complete the [e-file registration](#) identifying yourself as the third-party preparer. You will have the opportunity to add your clients after you have registered. To expedite data entry, upload using CSV or the PA Standard file format.

- + ***Are returns and payments due quarterly in all circumstances?***
No. While most businesses will file on a quarterly basis, some businesses may opt to file online on a monthly basis. Any employer with locations in two or more Pennsylvania counties may file online on a monthly basis, reporting all withholdings to one of the county-wide Tax Collection Districts. The business must provide notice of its intent to file with one tax office on a monthly basis.

To see if you qualify as a combined monthly filer and for registration and filing guidelines, call Keystone's Employer Help Line at 1-724-978-0328 to speak with a Business Compliance Coordinator.

- + ***My business has locations in multiple counties, which use different tax collectors including Keystone. Can I file all my employee withholdings with Keystone?***
Yes. An employer with locations in two or more Pennsylvania counties, including at least one location where Keystone is the tax collector, may file all employee withholdings with Keystone. The business will file online on a monthly basis.

To see if you qualify as a combined monthly filer and for registration and filing guidelines, call Keystone's Employer Help Line at 1-724-978-0328 to speak with a Business Compliance Coordinator.

- + ***My business wants to file monthly instead of quarterly. Do I use a different filing format?***
No. But it is important to be aware that monthly filers must file online.

- + ***Are there benefits to my company if I file online?***
Yes. [e-file](#) saves you both time and money. Once you create your initial employee roster, you will only provide income and withholding information each time you file. Banking information is securely stored for future use. You may schedule your next payment in advance.

TAX RATES, TAXING JURISDICTIONS

- + ***Can I find tax rates for employee withholding on Keystone's website?***
Yes. Tax rates are listed for every jurisdiction on the [Pennsylvania DCED website](#). Find convenient links on the Business Resources page.

- + ***Can I identify the taxing jurisdictions where my employee works and resides?***
Yes. The Pennsylvania DCED lists the every taxing jurisdiction on its website. Each business must provide the correct Political subdivision (PSD) Code for both workplace address and employee resident address. Find convenient [links](#) on the Business Resources page.

- + ***The commuter tax (non-resident earned income tax) rate is higher than my employee's resident tax rate. Does this affect how I withhold local earned income taxes?***
Yes. The employer is required to withhold at the higher of the two rates.

OUT-OF-STATE EMPLOYEES, WORK-AT-HOME EMPLOYEES, WORK LOCATIONS

- + ***I have employees who live out of state. Am I required to withhold local taxes for these employees?***
Yes. If your business is located in a taxing jurisdiction that levies a non-resident or local services tax, you must withhold these taxes.
- + ***Are employees who live out of state but work in Pennsylvania required to pay the Local Services Tax?***
Yes. The Local Services Tax is based on where the employee works.
- + ***My employee works in Pennsylvania but lives in a state that has a taxation reciprocity agreement with Pennsylvania (Indiana, Maryland, New Jersey, Ohio, Virginia and West Virginia). Do I have to withhold earned income taxes?***
Yes. If your business is located in a taxing jurisdiction that levies a non-resident tax, you must withhold this tax.
- + ***My employee works in Pennsylvania but lives in a state that has a taxation reciprocity agreement with Pennsylvania (Indiana, Maryland, New Jersey, Ohio, Virginia and West Virginia). Do I have to withhold the Local Services Tax?***
Yes. If your business is located in a taxing jurisdiction that imposes the Local Services Tax, you must withhold this tax.
- + ***I have an employee who works from home. Should I consider the home to be the work location?***
Yes. If the employee performs the work at home or receives work orders and instructions at home, then the employee's home address should be treated as the work location.
- + ***Some of my employees work alternately at our company's sites and at our contractors' sites. Is there a way to determine their work location?***
Yes. The Pennsylvania DCED offers three tests depending on each employee's situation:
 1. If the employee works at a facility for the majority of a "reporting quarter", then the business must utilize that facility location as the workplace.
 2. If an individual works for an employer who has a central business location, but the employee "floats" or is transferred daily, weekly or monthly between other business sites, then the business must utilize the central or main employer business location as the workplace.
 3. If an employee receives work orders or instructions at home, but travels to multiple locations on a daily, weekly, or monthly basis, then the business must utilize the employee's home address as the workplace.

For more information on the workplace tests, visit the [DCED website](#).

- + ***If the tax rate where my employee lives is different from the work-location EIT rate, do I withhold at the higher of the two rates?***
Yes. Act 32 requires employers to withhold at the higher of the two rates.
- + ***If my employee moves, does this affect how I file my quarterly EIT returns?***
Yes. Any employee who moves is required to fill out and submit to the employer a new [Certificate of Residency](#) form. The employer must include both a resident and work-location political subdivision (PSD) code for each employee on the quarterly return and withhold at the appropriate tax rate.

BUSINESS LOCATIONS

- + ***My business has locations in Pennsylvania but our headquarters is in another state. Do we report each Pennsylvania work location?***
Yes. The business is required to remit earned income and local services tax withholdings to the work location taxing jurisdiction. Businesses with multiple locations in different counties may opt to file earned income tax with one Tax Officer as a combined filer.
- + ***My business has multiple locations throughout Pennsylvania. Can I file all EIT withholdings with Keystone?***
Yes. Businesses with workplaces in two or more counties may file all EIT withholdings one tax collector. To select this option, you must file online every month.

To see if you qualify as a combined monthly filer and for registration and filing guidelines, call Keystone's Employer Help Line at 1-724-978-0328 to speak with a Business Compliance Coordinator.

LOCAL SERVICES TAX

- + ***Do I have to withhold Local Services Taxes for my employees?***
Yes. If your workplace jurisdiction imposes a Local Services Tax, you must withhold the LST for each employee subject to the tax. If the tax is \$10 per year, the law permits the business to withhold the LST in one lump sum. If the LST is more than \$10 per year, the business must withhold the appropriate proportional amount from each payroll period and submit the LST quarterly.
- + ***Can I pay the Local Services Tax online?***
Yes. You can [e-file](#) your LST with Keystone. The tax is due quarterly.
- + ***Are there income exemptions to the LST?***
Yes. If the LST at your workplace location exceeds \$10, any employee earning less than \$12,000 per year is automatically exempt.
- + ***May I include LST withholdings on my employee's form W-2?***
Yes. LST withholdings may be included on an employee's form W-2 in box 14. Do not report LST withholdings in Box 19.

+ ***Can I pay the Local Services Tax online?***

Yes. Go to <https://business.keystonecollects.com/>

+ ***I file my EIT withholdings with Keystone. Does that automatically mean I should also file my LST with Keystone?***

No. Keystone may or may not serve as the LST collector in the jurisdiction. To identify the LST collector in any particular jurisdiction, click [here](#).

+ ***If the LST is higher than \$10 per year, and I hire someone after the first payroll period of the year, is the employee subject to the full Local Services Tax?***

No. If the annual Local Services Tax is more than \$10 per year, the tax is assessed during each payroll period. Therefore, the tax is withheld proportionately for the number of payroll periods in the calendar year.

For example, if the tax is \$52, and the employer pays its employees every two weeks, there are 26 payroll periods. So $\$52 \div 26 = \2 per payroll period.

An employer under the above scenario withholds the LST at \$2 per payroll period for each employee, regardless of hire date.

If the LST rate is \$10 or less, the employer must withhold the full tax in one lump sum during the employee's first payroll period.

+ ***Are employees who live out of state required to pay the Local Services Tax?***

Yes. The Local Services Tax is based on where the employee works, not where the employee lives.

+ ***Do I have to pay the Local Services Tax if I am self-employed or if I work from home?***

Yes. If you are self-employed or work from home, you are required to pay the appropriate LST to the taxing jurisdiction where you work.

+ ***I am self-employed but do not have an FEIN. Can I pay my Local Services Tax online?***

No. If you do not have an FEIN, you must mail your LST payment to the LST collector for your workplace jurisdiction using a quarterly [LST voucher](#).