

Borough of Northumberland

175 Orange Street
Northumberland PA 17857
Email: office@northumberlandborough.com

Phone: 570-473-3414
Fax: 570-473-3986
www.northumberlandborough.com

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To: Employers in the Borough of Northumberland

The Commonwealth of Pennsylvania adopted Act 7 of 2007 which amends the Local Tax Enabling Act, Act 511 of 1965, to make major changes to the Emergency and Municipal Service Tax (EMST). The name of the tax is changed to the **Local Services Tax (LST)**.

The following forms are included in this mailing:

- LST-1 Employer's Return
- LST-2 Local Services Tax Report Form
- Employee Contribution Certification

The LST for the Borough of Northumberland for 2017 is \$40.00 and must be assessed and collected on a pro-rata basis determined by the number of payroll periods established by an employer for a calendar year. Employers must remit withheld taxes to the Borough Secretary thirty (30) days after the end of each calendar quarter.

If an employee has two or more jobs in different political subdivisions during a payroll period, the priority of claim to collect the LST is as follows:

1. Where the taxpayer maintains his or her principal office or is principally employed;
2. Where the taxpayer resides and works; and
3. Where the taxpayer is employed that is nearest in miles to the taxpayer's home.

The total LST paid by any taxpayer in a calendar year remains limited to \$52, regardless of the number of political subdivisions in which an individual works during the year. Upon request, a political subdivision must provide a taxpayer with a receipt for payment of the tax. Taxpayers are not subject to the payment of the LST at more than one place of employment during a payroll period.

Exemption. Any employee whose total earned income and net profits from all sources within the borough is less than \$12,000 is exempt from the LST. Exemption forms are available on the Borough website or by calling the Borough office.

- Employers are required to stop withholding the LST if an employee files an annual upfront exemption form (developed by DCED) with the borough and the employee's employer.
- The exemption certificate would verify that the employee reasonably expects to receive earned income and net profits of less than \$12,000 from all sources within the borough for the calendar year for which the exemption certificate is filed.
- A copy of the employee's last pay stubs or W-2 forms from employment within the borough for the year prior to the calendar year for which the employee is requesting an exemption must be attached to the exemption certificate.
- Employers must make upfront exemption forms readily available to employees at all times and provide new employees with the forms at the time of hiring.

- Upon receipt of an upfront exemption form and until otherwise instructed by the Borough, employers must stop withholding the LST for the specific calendar year from employees for whom the exemption applies.

Employers must “restart” withholding the LST from an employee who files an exemption certificate in the following circumstances:

1. If instructed to do so by the political subdivision levying the LST;
2. If notified by the employee that they are no longer eligible for the exemption; or
3. If the employer pays the employee more than \$12,000 for the calendar year.

Employers “restart” withholding of the LST by withholding

1. 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; and
2. the same amount per payroll period that is withheld from other employees.
3. Except for monitoring when an employee who has filed an exemption certificate earns more than \$12,000, the intent of the amendment is that **employers are not responsible for investigating exemptions, monitoring tax exemption eligibility or exempting an employee from the tax.**

Military Exemption. Political subdivisions must exempt from the LST:

1. members of a reserve component of the armed forces called to duty and
2. honorably discharged veterans who served in any war or armed conflict who are blind, paraplegic, or a double or quadruple amputee as a result of military service or who are 100% disabled from a service-connected disability.

At the end of the year, employees who earned less than \$12,000 and paid the LST may request a refund from the Borough. Employees submit the Exemption Form. Upon receiving from employer, the Borough will issue a refund directly to the employee.

You may make copies of the forms supplied or if you wish to have forms emailed to you, email your information to office@northumberlandborough.com. The forms are also available on the “Documents” page of our website: www.northumberlandborough.com

If you have any questions, please contact the Borough Office at (570) 473-3414 or email: newsletter@northumberlandborough.com