

CITY OF WILLIAMSPORT, PENNSYLVANIA

**LOCAL SERVICES TAX
REGULATIONS**

Effective: January 1, 2020

INTRODUCTION

Persons engaging in an occupation in the City of Williamsport (the “**City**”) are required to pay an annual Local Services Tax.

These Regulations provide a formal interpretation of the City’s Local Services Tax Ordinance (“**LST Ordinance**”). These Regulations shall be interpreted, whenever possible, to be consistent with the LST Ordinance. In the event that a provision of these Regulations is inconsistent with the LST Ordinance, the provisions of the LST Ordinance shall prevail.

THESE REVISED REGULATIONS ARE EFFECTIVE AS OF JANUARY 1, 2020.

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LOCAL SERVICES TAX REGULATIONS

Section 100. Authority.

The Tax Ordinance was enacted under authority of the Local Tax Enabling Act (Act 511 of 1965), as amended, 53 P.S. § 6901 *et seq.*, and appears in the Codified Ordinances of the City of Williamsport at Part Three, Title Five, Article 344.

Section 101. Definitions.

Words used in the Local Services Tax Ordinance, and/or these Regulations, but not defined in the Ordinance, these Regulations, by state statute, or by the Pennsylvania judiciary, will be interpreted using the common and ordinary meaning afforded to such words in a local tax context.

As used in these Regulations:

TREASURER - The Treasurer of The City of Williamsport, or his duly authorized representative.

EARNED INCOME - Compensation as this term is defined in Section 13 (relating to earned income taxes) of the Local Tax Enabling Act.

EMPLOYER - An individual, partnership, association, limited liability corporation, limited liability partnership, corporation, governmental body, agency or other entity employing one or more persons on a salary, wage, commission or other compensation basis, including a self-employed person.

INDIVIDUAL - Any person engaged in any occupation, trade or profession within the corporate limits of the City of Williamsport.

LST – City of Williamsport Local Services Tax.

NET PROFITS - The net income from the operation of a business, profession, or other activity, as this term is defined in Section 13 (relating to earned income taxes) of the Local Tax Enabling Act, the Act of Dec. 31, 1965, P.L. 1251, § 13, as amended, 53 P.S. § 6913, as amended.

OCCUPATION - Any trade, profession, business or undertaking of any type, kind or character (including services, domestic or other, earned in or performed within the corporate limits of the political subdivision) for which compensation is charged or received; whether by means of salary, wages, commission, tips, or fees for services rendered.

TAX - The local services tax at the rate fixed in Article 344 of the Codified Ordinances of the City of Williamsport.

TAX YEAR - The period from January 1 until December 31 in any year; a calendar year.

CITY OF WILLIAMSPORT– The area within the corporate limits of the City of Williamsport.

WILLIAMSPORT OR CITY – the City of Williamsport.

Section 102. Rate and Subject of Tax.

All persons who engage in an occupation in the City of Williamsport for any length of time are subject to the Local Services Tax. The rate of the tax is \$52.00 per year. The tax is assessed on a pro rata basis, meaning that the tax is divided by the number of annual payroll periods of the employer and is withheld each payroll period in which the person is engaged in an occupation.

Examples:

Weekly payroll:	52 pay periods. Tax is assessed at \$1 per pay
Bi-weekly payroll:	26 pay periods. Tax is assessed at \$2 per pay
Semi-monthly payroll:	24 pay periods. Tax is assessed at \$2.16 per pay
Monthly payroll:	12 pay periods. Tax is assessed at \$4.33 per pay

Other payroll: Irregular pay periods, e.g., self-employed and employment with unusual, or irregular pay periods. Each calendar quarter is treated as a 13-week pay period and the Tax is assessed at a rate of \$13 per quarter. This amount is pro-rated for persons employed less than the entire 13-week period of a particular quarter.

The tax can be no more than \$52 on each person for each calendar year, regardless of the number of municipalities in which the person may be employed.

If a person is employed by more than one employer in any given payroll period, only one employer may withhold the tax. The employee should file an Application for Exemption of Tax with the second employer and include a pay statement from his/her principal employer that shows the length of the payroll period and the amount of tax withheld.

A person engaged in an occupation in Williamsport who spends time working outside Williamsport is subject to the LST if the person's employer or primary place of business is in Williamsport.

Example: Taxpayer is a salesman for a distributor of medical supplies located in Williamsport. Taxpayer travels 80% of the time to customers in the various states, and works at the Williamsport office several days each month.

Taxpayer is subject to the LST and must pay on all weeks of his employment, not just those weeks worked in Williamsport.

Section 103. Persons Exempt from Tax.

A. Minimum Income. Any person whose total earned income (including tips) and net profits from all sources connected to Williamsport is less than \$12,000 for the calendar year is exempt from the payment of the tax for that calendar year. For the purpose of this income test, earnings and net profits from business activities conducted outside Williamsport are treated as connected to Williamsport when the person's employer or primary place of business is in Williamsport.

B. Disabled Veterans. By State law, any person who served in any war or armed conflict of the United States and received an honorable discharge or was released under honorable circumstances from active service, is exempt if, as a result of military service, the person is blind, paraplegic or a double or quadruple amputee or has a service-connected disability declared by the United States Veterans' Administration to be a total (one hundred percent) disability.

C. Reservists on Active Duty. Any person who serves as a member of a reserve component of the armed forces and is on, or is called to active duty for at least three weeks, at any time during the taxable year is exempt from Local Services Tax for that year. This includes reservists in the United States Army Reserve, United States Navy Reserve, United States Marine Corps Reserve, United States Coast Guard Reserve, United States Air Force Reserve, the Pennsylvania Army National Guard or the Pennsylvania Air National Guard.

Section 104. Procedure to Claim Exemption.

Any person seeking to claim exemption from the LST must **annually** file an exemption certificate with the City and with his/her employer and attach copies of documents in support of a claimed exemption.

A person claiming exemption under the Minimum Income provision (Section 103) must affirm that he/she reasonably expects to receive earned income and net profits from all sources connected to Williamsport of less than \$12,000 in the calendar year.

The person must use the exemption certificate form that is provided by or available from the City and must attach to the certificate his/her last pay stub(s) or W-2 form(s) from employment within Williamsport for the prior year. If the exempt status results from special circumstances, attach a statement to that effect with an explanation and supporting documents. The exemption certificate form is available online at www.cityofwilliamsport.org or at the City's Treasurer's Office.

If during the year the person does earn income or net profits which aggregate \$12,000 or more, or is otherwise no longer eligible for exemption, he/she must notify both the City and his/her employer(s) immediately, at which time the amount of tax owed or coming due will be withheld by the employer and remitted to the City with the next quarterly LST return.

Example: Taxpayer is a part-time employee who works in Williamsport. Based on his W-2 earnings of \$8,000 from last year, Taxpayer files an exemption certificate with the City and his employer in early January of the current year. No LST is withheld from Taxpayer or paid to Williamsport for the first three calendar quarters. Early in October, Taxpayer's year-to-date earnings exceed \$12,000. Taxpayer must notify Williamsport and his employer, and Taxpayer's employer must withhold the full amount of tax for the previous three quarters and initiate withholding for subsequent pay periods in accordance with Section 102 of these Regulations. Taxpayer's total tax of \$52 is paid to Williamsport with the employer's filing of its fourth quarter LST return.

In the event of a dispute, the Treasurer determines whether a person qualifies for exemption.

Section 105. Duty of Employers to Collect.

Each employer who has a business location in the City or engages in business in the City is required to collect the tax from its employees and remit the tax to the City.

An employer is generally not responsible for investigating exemption certificates, monitoring tax exemption eligibility, or exempting any employee from the local services tax. However, if at any time during the year an employer has paid an employee who has claimed an exemption an aggregate of \$12,000 or more, the employer must withhold and remit tax in accordance with these regulations and the LST Ordinance.

An employer is responsible for paying the required amount of tax based on the number of non-exempt employees ***whether or not*** the employer has collected the tax from his/her employees. In this way, the employer is responsible for the payment of tax in full as though the tax had been originally levied against the employer. However, an employer is generally not responsible for failing to withhold and remit tax if the failure to withhold tax arises from incorrect information submitted by the employee as to the employee's place or places of employment, the employee's principal office or where the employee is principally employed. Further, an employer is not liable for payment of the local services tax in an amount exceeding the amount withheld by the employer ***if*** the employer has complied with the provisions of the Ordinance concerning exemptions and remits the amount so withheld in accordance with the Ordinance.

Section 106. Returns.

A. Who Must File. Each employer must prepare and file a return showing a computation of the tax on forms provided by or available from the City. An authorized representative of the employer must sign the LST return.

Section 107. Due Dates for Returns.

Employers must file a Local Services Tax return for each calendar quarter. Payment of the LST must be remitted with the quarterly returns. The quarterly returns are due on or before the last day of the month following the end of each calendar quarter: April 30, July 31, October 31, January 31. If any due date falls on a Saturday, Sunday, or legal holiday, returns filed on the next business day will be accepted as timely. Returns submitted by mail or are deemed to be filed on the date of the U.S. postmark. Returns submitted by other means are considered filed on the date the returns are received by the City.

Section 108. Self - Employed Individuals.

Each self-employed individual who performs services of any type or kind, or engages in any occupation or profession in Williamsport is subject to the LST. See Section 102 above.

Section 109. Individuals Engaged in More Than One Occupation or Employed in More Than One Political Subdivision.

The situs of the tax shall be the place of employment on the first day the person becomes subject to the tax during each payroll period. In the event a person is engaged in more than one occupation, that is, concurrent employment, or an occupation which requires the person working in more than one political subdivision during a payroll period, the priority of claim to collect the local services tax shall be in the following order:

- (1) First, the political subdivision in which a person maintains his or her principal office or is principally employed;
- (2) Second, the political subdivision in which the person resides and works if the tax is levied by that political subdivision;
- (3) Third, the political subdivision in which a person is employed and which imposes the tax nearest in miles to the person's home.

In case of dispute, a tax receipt of the taxing authority for that calendar year declaring that the taxpayer has made prior payment constitutes prima facie certification of payment to all other political subdivisions.

Section 110. Nonresidents Subject to Tax.

All employers and self-employed individuals residing or having their places of business outside of Williamsport but who perform services of any type or kind or engage in any occupation or profession within Williamsport are subject to the Local Services Tax just as if they were residents of the City.

Anyone engaged in an occupation within Williamsport and any employee of a nonresidential employer will be considered a self-employed person, and in the event his or her tax is not paid, the City can collect the tax either from the employer or the employee.

Section 111. Administration of Tax.

A. Duties of Treasurer. The Treasurer accepts and receives payments of the tax and keeps a record showing the amount received from each employer or self-employed person, together with the date the tax was received.

B. Audit or Review of Employer Records. The Treasurer is authorized to examine the books and payroll records of any employer in order to verify the accuracy of any return made by an employer or, if no return was made, to ascertain the tax due. Each employer is required to give the Treasurer the means, facilities and opportunity for such examination.

C. Assessment Based on Estimate. In the event an employer does not have sufficient records to support the correct calculation of the tax, or fails to make books and records available for examination, the Treasurer is authorized to ascertain the tax due using estimates.

Section 112. Interest, Penalties, Suits for Collection.

A. Penalty and Interest. If for any reason the quarterly returns are not filed, or the correct tax is not paid when due, interest at the rate of .5% per month or fraction of a month on the amount of such tax shall be calculated beginning with the due date of the tax and a penalty of 5% shall be added to the flat rate of such tax.

B. Collection. In the event that any tax remains due or unpaid 30 days after the due date, the City may sue for the recovery of tax due, together with interest and penalty. The person liable for unpaid tax is also responsible and liable for the City's costs of collection.

C. Fines. Anyone who fails to comply with this ordinance in any way may be subject to a \$600.00 fine for each failure to comply. Such person shall also be responsible for the costs of prosecution, and, if such person fails to pay such fines and costs, may be subject to imprisonment for not more than 30 days. The action to enforce such fines and costs may be instituted against any person in charge of the business of any employer who shall have failed or who refuses to file a return required by this article. Each incidence of non-compliance, shall be considered a separate offense.

Section 113. Refunds to Exempt Employees.

The Treasurer shall determine eligibility for exemption and provide refunds to exempt persons who have paid tax to the City. Claims for refunds by exempt persons will be denied in cases where the employer failed to remit the withheld LST to the City.

Section 114. Refund of Overpayments, Interest on Overpayments.

A. Taxpayer Request for Refund of Overpayments. Any taxpayer who has made an overpayment of tax to the City may file a written request with the Treasurer for a refund or credit. A request for refund shall be made within 3 years of the due date for filing the tax return, or one year after actual payment of the tax, whichever is later. If no return (or report) is required, the request shall be made within 3 years after the due date for payment of the tax or within one year after actual payment of the tax, whichever is later. A request for refund shall not be considered complete and filed unless and until all information necessary for the City to determine the merits of the request have been received by the City. A request for refund shall not be considered a Petition for Administrative Appeal and shall not preclude a taxpayer from submitting a Petition for Appeal.

B. Interest on Overpayments. All overpayments of tax due to the City shall bear simple interest from the date of the overpayment until the date of resolution. (See *53 Pa. C.S. § 8426*).

- 1. Rate of interest.** Interest on overpayments shall be allowed and paid at the same rate as the Commonwealth is required to pay pursuant to Section 806.1 of the Act of April 9, 1929 (P.L. 343, No.176), known as The Fiscal Code.
- 2. 75 Days before interest accrues.** No interest shall be allowed if an overpayment is refunded (or applied against any other tax, interest or penalty due the City) within 75 days after the last date prescribed for filing the report

of the tax liability or within 75 days after the date the return or report of the liability due is filed, whichever is later.

3. **No interest on Overpayments of Interest and Penalty.** Overpayments of interest or penalty shall not bear any interest.

Section 117. Dishonored Checks.

If any check received in payment of taxes is returned unpaid by the bank, there shall be added to the tax due the sum charged for dishonored checks established by the City.

END.