

BOROUGH OF FOREST HILLS

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LOCAL SERVICES TAX RULES & INFORMATION

RULES/INFORMATION:

General

- I. The Local Services Tax has been authorized by the State of Pennsylvania and approved by Forest Hills Borough Council via ordinance 973. As permitted by the ordinance, the collector of this tax establishes these rules, information & directions and all appropriate reporting forms for collection of this tax after submission to borough council for review and approval. Full details of all requirements are set forth in ordinance 973 which shall be used to answer any questions not established by this document.

Total due from each employee within the Borough of Forest Hills is \$52 annually. All those who work in Forest Hills, whether for an employer or self employed, must pay the tax.

- II. For each taxpayer employed for any length of time during a calendar year, each employer shall deduct a pro rata share of the tax from compensation payable to the taxpayer for each payroll period in which the taxpayer is engaging in the occupation. The pro rata share of the tax assessed on the taxpayer for a payroll period shall be determined by dividing total amount of the tax for the calendar year, \$52.00 dollars, by the number of payroll periods established by the employer for the calendar year. For purposes of determining the pro rata share, an employer shall round down the amount of the tax collected each payroll period to the nearest one-hundredth of a dollar. Collection of the tax levied under this Part shall be made on a payroll period basis for each payroll period in which the taxpayer is engaging in the occupation.

The full amount is due as follows:

For those working for an employer/self employed in any quarterly period of a given year the tax must be deducted by the employer as noted here and paid no later than the dates specified below.

For those who begin work after March 31 of each year, the tax should be paid in the next quarter closest to the beginning of their employment. Deadlines for quarterly payments are as follows:

First Quarter deadline: April 30
Second Quarter deadline: July 31
Third Quarter deadline: October 31
Fourth Quarter deadline: January 31 of the next year.

- III. The tax must be deducted from each employee's compensation without exception (see employer's responsibility section for more information). However, the borough has placed a minimum compensation level making lower income individuals exempt from the tax and eligible to request a refund. Any employee who makes less than \$12,000 during a given calendar year may apply to the borough for a refund of the \$52 tax. Employees or self employed persons applying for a refund must submit a copy of their W2 form (1040 Schedule C for self employed) with a request for refund form (available at the borough office) no later than April 15 of the year following the collection of the tax. No refund will be possible after that date.

A person seeking to claim an exemption from the tax may annually file an exemption certificate with the Borough and with the person's employer affirming that the person reasonably expects to receive earned income and net profits from all sources within the Borough of less than twelve thousand (\$12,000) dollars in the calendar year for which the exemption certificate is filed. The Borough shall provide a copy of the exemption certificate to the Collector. The exemption certificate shall have attached to it a copy of all the employee's last pay stubs or W-2 forms from employment within the Borough for the year prior to the fiscal year for which the employee is requesting to be exempted from the tax. Upon receipt of the exemption certificate and until otherwise instructed by the Borough or as required by § 24-306.2 of Ordinance 973, the employer shall not withhold the tax from the person during the calendar year or the remainder of the calendar year for which this exemption certificate applies. Employers shall ensure that the exemption certificate forms are readily available to employees at all times and shall furnish each new employee with a form at the time of hiring.

- IV. The ordinance provides the following definitions:

COMPENSATION – salaries, wages, commissions, tips, bonuses, fees, gross receipts or any other income.

EMPLOYER – any person, partnership, limited partnership, unincorporated association, institution, trust, corporation, governmental agency, or any other body engaged in business or situated in the Borough employing one or more employees engaged in any occupation, other than domestic servants.

OCCUPATION – any livelihood, job, trade, profession, business or enterprise of any kind, including services, domestic or other, for which monetary compensation is received or charged.

- V. The ordinance specifies the following exemptions from the Local Services Tax:

- A. Any natural person whose total income during the subject calendar year is less than \$12,000;
- B. Any person who served in any war or armed conflict in which the United States was engaged and is honorably discharged or released under honorable circumstances from active service 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 or its successor to be a total one hundred (100%) percent permanent disability; or
- C. Any person who serves as a member of a reserve component of the armed forces and is called to active duty at any time during the taxable year. For purposes of this section,

“reserve component of the armed forces” shall mean 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.

Employer Responsibility

- VI. Every employer shall register with the Collector by providing the employer’s name, address and such other information deemed necessary or required by the Collector.
- VII. For each taxpayer employed for any length of time on or before March 31st of a calendar year, each employer shall file a return on a form prescribed by the Collector and pay the Collector the full amount of taxes deducted for such three-month period on or before April 30th of the calendar year. Thereafter, as to each taxpayer for whom pro rata deductions have been made and who is employed for any length of time in any of the three-month periods ending June 30th, September 30th, and December 31st of the calendar year, each employer shall deduct the tax from compensation payable to the taxpayer, file a return on a form prescribed by the Collector and pay to the Collector the full amount of all taxes deducted for each such three-month period on or before July 31st and October 31st of the calendar year, or January 31st of the following calendar year, respectively.
- VIII. Any employer who discontinues business or ceases operation before December 31st of the calendar year shall, within 15 days after discontinuing business or ceasing operation, file the return hereinabove required and pay the tax to the Collector.
- IX. The failure of any employer to deduct the tax shall not relieve the employee from the duty to file a return and pay the tax. Any employer who fails to deduct the tax as required by this Section, or who fails to pay such tax to the Collector, shall be liable for such tax in full, without deduction of any fees provided for in this Section, as though the tax had originally been levied against the employer.
- X. As to employees who present official receipts evidencing prior payment of the tax either directly or by collection through other employers, the employer shall not deduct the tax but shall maintain adequate records concerning such employees.
- XI. The tax is imposed on all individuals whose occupation exists in whole or in part within Forest Hills Borough regardless of their residence.
- XII. If for any reason any tax is not paid when due, interest at the rate of 6% per year on the amount of unpaid tax and an additional penalty of one-half of one percent ($\frac{1}{2}$ of 1%) of the amount of unpaid tax, for each month or fraction of month during which the tax remains unpaid, shall be added and collected. Whenever suit is brought for the recovery of unpaid tax, the taxpayer shall, in addition, be liable for the costs of collection as well as for interest and penalties. The Collector may accept payment under protest of the tax claimed by the Borough in any case where any person disputes the Borough’s claim for the tax. If a court of competent jurisdiction thereafter decides that there has been overpayment to the Collector, then the Collector shall refund the amount of the overpayment to the person who paid under protest.

Submitting an incomplete or improperly completed return may result in penalties and interest if corrections are not received prior to the deadlines indicated here. Such forms will be returned to the employer for correction with any funds submitted retained by the collector. See violations & penalties section for further information.

- XIII. Should the borough collector require, the employer must provide full and complete records of their list of employees and records of payment of this tax along with any supporting detail including compensation, social security number and place of residence.

Self Employed Persons Responsibility

- XIV. Every taxpayer who is self-employed or whose tax for any other reason is not collected under § 24-304 of the ordinance shall file a return on a form prescribed by the Collector and shall pay the tax directly to the Collector. Taxpayers subject to the tax shall file the return and pay the tax on a quarterly basis on or before April 31st, July 31st, October 31st of the calendar year, and January 31st of the following calendar year.
- XV. Failure to submit the tax in a timely fashion as explained here or in the ordinance will result in penalties and interest as specified in section XII above and as otherwise stated here and in the ordinance.

Violations & Penalties

- XVI. Any person, firm or corporation or entity who violates a provision of this Part, or who fails to comply therewith, or with any of the requirements thereof, shall, upon being found liable therefor in a civil enforcement proceeding commenced by the Borough, pay a civil penalty of not less than \$100 nor more than \$600 for each violation, plus costs and reasonable attorney fees incurred by the Borough in the enforcement proceedings. The civil enforcement proceeding shall be initiated by complaint or by such other means as may be provided by the Pennsylvania Rules of Civil Procedure.
- XVII. A separate offense shall arise for each day or portion thereof in which a violation is found to exist or for each Section of this Part found to have been violated. All fines and penalties collected for violation of this Part shall be paid to the Borough Treasurer.
- XVIII. The initial determination of a violation of this Part and the service of notice of violation are hereby delegated to the Borough Manager, the Collector and their designees and to any other officer or agent that the Borough Manager or Borough Council shall deem appropriate.