

IMPORTANT TAX NOTICE

FOR EMPLOYERS WITH PENNSYLVANIA LOCATIONS

There are MAJOR CHANGES to EMST in 2008



It was **OPT**... flat amount of \$10.00

Then came **EMST**... flat amount up to \$52.00

It's changing to **LST**... up to **\$1.00 / week** with a **maximum of \$52.00/year**

The LST deduction is prorated over the # of pay periods in the year.

EMST – EMERGENCY AND MUNICIPAL SERVICE TAX
will become

LST – LOCAL SERVICES TAX effective January 1, 2008

What was formerly a one-time deduction once a year...
will be prorated over the pay periods in the year.

EXAMPLE: If the LST is \$52.00, the deduction will be \$1.00/week

\$1.00/pay for weekly payrolls

\$2.00/pay for bi-weekly payrolls

\$2.16/pay for semi-monthly payrolls

\$4.33/pay for monthly payrolls

Employees earning less than \$12,000 / year can file an up-front exemption and are not subject to the LST

- ◆ Exemptions are also available for employees who have more than 1 job, active duty military or military disability.
- ◆ Employees must file the exemption certificate every year with both the employer and local taxing jurisdiction where the employee works.
- ◆ Employers must provide the exemption form to all new employees and make it available to all employees.

The EXEMPTION CERTIFICATE and a link to FAQ's are available at –
www.adcomputer.com/customer under "A D Computer Forms" and "News"

The changes sound simple but tracking payments, exemptions and filing the new Quarterly LST returns can be complicated.

If an employee with a low earnings exemption earns \$12,000, the employer must calculate the required 'catch-up' deduction amount for the current year based on the number of pays the employee has been paid but the deduction was not taken due to this exemption. This 'catch-up' amount must be added to the normal LST amount and deducted from the employee's next pay. The LST deduction must continue at the required rate for the balance of the year. The 'catch-up' amount is not simply a year-to-date calculation.

EXAMPLE: John Doe started work on April 21st and filed an exemption certificate. His employer pays weekly. He exceeds \$ 12,000.00 in earnings on November 14th. John's employer must now deduct \$ 31.00 (\$30 catch-up + \$1) to catch up the LST deduction for the year and deduct \$1.00/ week thereafter. The employer is not responsible to deduct the LST for the period January 1st – April 20th since John Doe was not working for him.

A D Computer WILL AUTOMATICALLY DO THIS FOR YOU!
We will calculate the proper catch-up amount, deduct it from the employee's check, and complete the deduction for the year.