

**A. GENERAL INSTRUCTIONS**

1. **WHEN TO FILE:** This return must be completed and filed by all persons subject to the tax on or before April 15 (unless the 15th is a Saturday or Sunday then file the next business day), regardless of whether or not tax is due. If you file a Federal or State Application for Extension, check the extension box on the front of the form and send this form along with your estimated payment by April 15, unless the 15th is a Saturday or Sunday, then by the next business day. If you use a professional tax preparer verify if you are responsible to submit your final return or if it was submitted for you.
2. **WHERE TO FILE:** Remit to the address printed on the tax return or see if you are eligible to file online at [www.berk-e.com](http://www.berk-e.com).
3. **EFFECTIVE DATES:** January 1 through December 31, unless otherwise noted on your Local Earned Income Tax Return.
4. **AMENDED RETURN:** If a taxpayer amends his federal income tax return, an amended Local Earned Income Tax Return must also be filed with this office. Check the Amended Return box on the front of the form.
5. **FINAL RETURN:** "Final Return" box indicates this is your final tax return to be filed; you will not have any future earnings to report.
6. **RECEIPT / COPY:** Your cancelled check is sufficient proof of payment.
7. **PENALTY AND INTEREST:** If for any reason the tax is not paid when due, Penalty and Interest will be charged. Any late, incorrect filing or payment may result in fees and penalties including a 10% Delinquent Account Servicing fee.
8. **ROUND OFF CENTS** to the nearest whole dollar. Do not include amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar amount.
9. **USE BLACK OR BLUE INK ONLY WHEN COMPLETING THIS FORM.**

**B. REGULATIONS/LINE BY LINE INSTRUCTIONS****LINE 1: GROSS EARNINGS FOR SERVICES RENDERED**

**DOCUMENTATION REQUIRED: W-2(S) must be enclosed (photocopies are accepted).**

**LINE 1: TAXABLE INCOME INCLUDES:** Salaries; Wages; Commissions; Bonuses; Tips; Stipends; Fees; Incentive Payments; Employee Contributions to Retirement Accounts; Compensation Drawing Accounts (if amounts received as a drawing account exceed the salaries or commission earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly); Benefits accruing from the employment, such as: Annual Leave, Vacation, Holiday, Separation, Sabbatical Leave; Compensation received in the form of property shall be taxed at its fair market value at the time of receipt; Jury Duty Pay; Payments received from weekend meetings for National Guard or Reserve Units; Sick Pay (if employee received a regular salary during period of sickness or disability by virtue of his agreement of employment); Taxes assumed by the Employer.

**NON-TAXABLE INCOME INCLUDES:** Social Security Benefits; Unemployment Compensation; Pensions; Public Assistance; Death Benefits; Gifts; Interest; Dividends; Boarding and Lodging to employees for convenience of employer; Lottery Winnings; Supplementary unemployment benefits (sub pay); Capital Gains (Capital losses may not be used as a deduction against other taxable income); disability benefits (Periodical payments received by an individual under a disability insurance plan.); Active military service and summer encampment; personal use of company cars; cafeteria plans; and clergy housing allowance. Some forms of payments from Individual Retirement Programs, such as Keogh, Tax Shelter Annuity, IRA, and 401K are not taxable. Taxpayer should refer to the PA Department of Revenue regulations regarding taxable compensation.

**LINE 2: ALLOWABLE EMPLOYEE BUSINESS EXPENSES**

**DOCUMENTATION REQUIRED: Pennsylvania form PA-UE must be enclosed (photocopies are accepted).**

**LINE 3: OTHER TAXABLE EARNED INCOME:** Include income from work or services performed which has not been included on line 1 or line 5. Do not include interest, dividends or capital gains.

**LINE 4: TOTAL TAXABLE EARNED INCOME:** Subtract line 2 from line 1 and add line 3.

**LINES 5 & 6: NET PROFITS/NET LOSSES FROM BUSINESS:** Use line 5 for profit and line 6 for loss.

**DOCUMENTATION REQUIRED: 1099(s), PA schedules C, E, F, or K-1 must be enclosed (photocopies are accepted).**

**RULE:** A taxpayer may NOT offset a business loss against wages and other compensation (W-2 earnings -- line 1). "Pass-through" income from an S-Corporation is NOT taxable and loss is not deductible. A taxpayer may offset a loss from one business entity against a net profit from another business entity.

**LINE 7: TOTAL TAXABLE NET PROFIT:** Subtract line 6 from line 5; if less than zero, enter zero.

**LINE 8: TOTAL TAXABLE EARNED INCOME AND NET PROFIT:** Add lines 4 & 7.

**LINE 9: TAX LIABILITY:** Multiply line 8 by the tax rate printed on the tax return. For example, if 1% use .01, if 1/2% use .005.

**LINE 10: EARNED INCOME TAX WITHHELD:** You may claim credit for local tax withheld as shown on your W-2 form, but only up to the rate of tax printed on line 9 of the tax return. Do not claim entire amount of tax withheld if it is greater than the tax rate for your resident taxing jurisdiction.

**LINE 11: QUARTERLY ESTIMATED PAYMENTS/CREDITS FROM PREVIOUS TAX YEAR:** List any quarterly estimated payments made to date for appropriate filing year. Do not include any penalty and interest amounts that may have been made with the quarterly payments. Also, include tax credit from the previous tax year.

**LINE 12: MISCELLANEOUS CREDITS**

**GENERAL RULES APPLICABLE TO ALL LINE 12 CREDITS:** (1) Credits for income taxes paid to other states must first be used against your Pennsylvania state income tax liability; any credit remaining thereafter may be used against your local earned income tax liability. (2) Credits for income taxes paid to political subdivisions located outside of Pennsylvania or for wage taxes paid to Philadelphia may be taken directly against your local earned income tax liability. (3) In calculating your credit for income taxes paid to another state or to a political subdivision, note that the same items of income must be subject to both your local earned income tax and the out-of state tax. (4) **No credit for income taxes paid to another state or political subdivision may exceed your total local earned income tax liability.**

**LINE 12: (CONTINUED)**

**CREDIT FOR TAXES PAID TO OTHER STATES:** You may take a credit based upon the gross earnings taxed both in another state and in Pennsylvania that is in excess of Pennsylvania state personal income tax rate. THIS CREDIT WILL BE DISALLOWED IF THE FOREIGN STATE RETURN AND YOUR W-2 FORM SHOWING STATE INCOME TAX WITHHELD IS NOT PROVIDED. **No credits are given for state income taxes paid to states that reciprocate with the Commonwealth of Pennsylvania.** These states are: Maryland, New Jersey, Ohio, Virginia, West Virginia, and Indiana.

*EXAMPLE:* Taxpayer earned wages of \$10,000.00 in Delaware and paid an income tax liability to that state of \$317.00. Assuming the current Pennsylvania state tax rate is 3.07% for the tax year in question, since the \$317.00 exceeds 3.07% (PA Tax) amount of \$307.00 by \$10.00, the \$10.00 may be credited against your local income tax.

Gross Income	(1)	\$10,000.00
Local Tax 1%		x .01
	(2)	100.00
Tax paid to Delaware	(3)	317.00
PA Income Tax (3.07% x \$10,000.00)	(4)	<u>307.00</u>
Credit to be used against Local Tax (Line 3 minus Line 4)		
On Line 12 of the tax return, enter this amount or the amount on Line 2 of worksheet, whichever is less	(5)	<u>10.00</u>

If all your wages or gross earnings are subject to Delaware State Income Tax (not PA), use the above example to complete your tax obligation on Worksheet located on the reverse side of the tax return. If you had earned income NOT taxed by Delaware, this income would be subject to the earned income tax effective in your district and must be shown separately on the Local Earned Income Tax Return. You may not use any tax paid to another state as credit on earnings outside the other state.

**CREDIT FOR TAXES PAID TO POLITICAL SUBDIVISIONS OUTSIDE OF PENNSYLVANIA:** You may take a credit based upon the gross earnings taxed in both another political subdivision and in your home taxing district in Pennsylvania. THIS CREDIT WILL BE DISALLOWED IF THE FOREIGN CITY RETURN AND OR YOUR W-2 FORM SHOWING CITY INCOME TAX WITHHELD IS NOT PROVIDED.

**CREDIT FOR TAXES PAID TO PHILADELPHIA:** You may use any wage taxes paid to Philadelphia as a credit on wages, salaries and commissions, etc., or net profits earned outside of Philadelphia. A COPY OF YOUR W-2 AND/OR VERIFICATION OF TAXES PAID MUST BE ENCLOSED WITH THE FORM OR CREDIT WILL BE DISALLOWED. No refunds or credits will be allowed for any overpayment made to Philadelphia.

**LINE 13: TOTAL PAYMENTS AND CREDITS:** Enter the sum of lines 10, 11 & 12.

**LINE 14: REFUND:** If tax (line 9) is less than your credits (line 13), enter amount of refund. If you have an overpayment of taxes in excess of \$1.00, you may elect to receive a refund or take same as credit against the next year's tax liability. A 1099 will be issued to the Federal Government for any credit or refund in excess of \$10.00.

**LINE 15: CREDIT:** If tax (line 9) is less than your credits (line 13) enter amount of credit and check the applicable box for credit to spouse or credit to next year. A 1099 will be issued to the Federal Government for any credit or refund in excess of \$10.00.

**LINE 16: AMOUNT OF TAX DUE:** If tax (line 9) is larger than your credits (line 13), enter amount of tax due. If less than \$1.00, ENTER ZERO.

**LINE 17 & 18: INTEREST AND PENALTIES:** If for any reason the tax is not paid when due, interest and an additional penalty of the unpaid tax for each month shall be added and collected. Additional costs will be charged for any return received after the due date.

**LINE 19: TOTAL AMOUNT DUE:** The sum of lines 16, 17 & 18. OMIT IF LESS THAN \$1.00. Make Checks Payable to HAB-EIT.

NOTE: All accounts are subject to audit and review. Local or city copy of W-2 and/or supporting schedules must be enclosed with tax return.

(Photocopies of W-2s and schedules are accepted).

**SUBMIT YOUR RETURN**

For Returns with Payments:

HAB FI Payment  
PO Box 25158  
Lehigh Valley, PA 18002-5158

For Returns with No Payment,  
No Refund:

HAB FI None  
PO Box 25159  
Lehigh Valley, PA 18002-5159

For Returns with Refunds:

HAB FI Refund  
PO Box 25160  
Lehigh Valley, PA 18002-5160