

How to set up Pennsylvania local taxes

Starting January 1, 2012 Pennsylvania requires employers to withhold the higher of the employee's resident earned income tax amount or employee's municipal non-resident earned income tax amount unless the tax district is Philadelphia. For more information refer to [Pennsylvania Act 32](#).

Follow the steps below to set up Payroll to calculate the Pennsylvania local taxes:

Tax Rate Setup

A separate tax rate must be created for each tax collection district that your employees reside or work in. Follow the steps below to set up the new tax rates.

Important: A new tax rate must be set up for each tax collection district. Do not re-use existing tax rates as this will cause **Tools > Recalculate Subject-to** to populate your employee totals with incorrect numbers. Once a tax rate for a comparison tax has been set up and checks have been posted for that tax do not change the tax type as this will cause **Tools > Recalculate Subject-to** to populate your employee totals with incorrect numbers.

1. In Payroll choose **Setup > Taxes > Tax Rates**.
2. Enter a new Tax ID and description for the collection district.
3. Choose the **Local Tax Level** and a **Tax Type** of **Comparison**.
4. In the **State Code** box type "PA".
5. If the collection district is Philadelphia, leave the **Compare rates?** box unchecked. If the collection district is not Philadelphia check the **Compare rates?** box.
6. Enter a Printed Description. This description will appear on the employees check stub.
7. Enter the **Resident** tax rate, and the **Non-Resident** tax rate in the appropriate boxes.
8. You may enter a **Local tax code** and description in the respective boxes. These boxes are available for use in custom reports and do not affect the tax calculation, or appear on any current reports.
9. Click **[Save]** and repeat steps 1-8 for the remaining tax districts. Only set up one Tax ID per tax collection district, it is not required to set up separate Tax IDs for the Resident and Non-Resident taxes.

Tax Group Setup

A separate tax group must be created for each tax collection district that your employees reside or work in. If you already have a tax group created for each district you are not required to create a new district. Before you process your first check of 2012, remove the old Tax ID from the tax group, and add the new comparison tax to the group. Follow the steps below to set up a new tax group.

Important: The tax collection district tax group should only contain one Tax ID with a **Tax Type** of **Comparison**.

1. In Payroll choose **Setup > Taxes > Tax Groups**.
2. Click Local under the Tax level.
3. Enter a **Tax Group ID** and a **Description** for the tax district.
4. Tab to the Tax ID column and click **[List]** to choose the tax ID you created for the district. Only one tax ID with a **Tax Type** of **Comparison** should be used for this tax group.

5. Click [**Accept table**] and repeat steps 1-3 for the remaining tax districts.

Important: Reciprocal agreements between tax groups are not required for the Pennsylvania local tax calculations to work. If you will use existing Pennsylvania local tax groups and have reciprocity set up between them, you must go to **Setup > Taxes > Reciprocity** and delete the setup for all agreements prior to processing the first check of 2012.

Employee Setup

Complete the following steps for each employee who:

- Resides in Pennsylvania
OR
 - Works in Pennsylvania and the work location is not defined on the Job setup in Job Cost.
1. In Payroll choose **Setup > Employees** and type in the Employee ID.
 2. Choose the **Entry Info** tab.
 3. If the employee resides in a Pennsylvania tax collection district click the **Residence Local** box and then click [**List**] to select the appropriate tax group for the district the employee resides in.
 4. If your company is based in a Pennsylvania tax collection district click the **Work Local** box and then click [**List**] to select the appropriate tax group for the district the company is based in.
Note: Depending on where your employee lives and where the company is located, you may have to enter one or both.
 5. Click [**Save**]
 6. Repeat steps 1-5 for each employee that meets the conditions above.

Job Setup

Complete the following steps if:

- Your company is not based in Pennsylvania but the Job is in a Pennsylvania tax collection district and you are required to withhold the local tax.
OR
 - Your company is based in Pennsylvania and the Job tax collection district should be withheld instead of the tax district your company is based in.
1. In Job Cost, choose **Setup > Jobs**.
 2. On the **Scope, PR and EQ** tab click in the **Local** box and click [**List**] to select the appropriate tax group.
 3. Click [**Save**].
 4. Repeat steps 1-3 for each job that meets the conditions above.

How Pennsylvania Local Taxes will Calculate

If Payroll is set up for Pennsylvania locals as outlined above, Pennsylvania taxes will calculate as outlined in the scenarios below. The evaluation will occur for each line of time entered on a check.

An Employee Resides in a Pennsylvania tax district but the work district is not within Pennsylvania:

- In the employee setup a Pennsylvania Tax district tax group is included in the **Residence Local** box.
AND
- A Pennsylvania tax group is not included in the employee setup in the **Work Local** box.
AND
- A Pennsylvania tax group is not included in the job setup on the **Local** box.

The resident tax will be calculated for the line of time as normal.

An Employee works in a Pennsylvania tax district but do not reside in Pennsylvania:

- In the employee setup a Pennsylvania Tax district tax group is not included in the **Residence Local** box.
AND
- (A Pennsylvania tax group is included in the employee setup in the **Work Local** box.
OR
- If a job is listed on the line of time, a Pennsylvania tax group is included in the job setup on the **Local** box.)

The non-residence tax will be calculated for the line of time as normal.

Note: If a tax group is listed on both the job and employee setup the normal hierarchy applies where the local on the job setup takes precedence over the work local on the employee setup.

An Employee works in a Pennsylvania tax district (not Philadelphia) and resides in Pennsylvania (not Philadelphia):

- In the employee setup a Pennsylvania Tax district tax group is included in the **Residence Local** box.
AND
- (A Pennsylvania tax group is included in the employee setup in the **Work Local** box.
OR
- If a job is listed on the line of time, a Pennsylvania tax group is included in the job setup on the **Local** box.)

The tax that calculates for the line of time is based on which of the two taxes have the higher rate in **Setup > Taxes > Tax Rates**:

The **Resident Rate** of the tax associated with the tax group included in the **Residence Local** box on the employee setup.

Or

The **Non-Resident Rate** of the tax associated with the tax group that is on the line of time (either the **Local** on the job setup or the **Work Local** on the employee setup).

An Employee works in Philadelphia and resides in Pennsylvania (not Philadelphia):

- In the employee setup a Pennsylvania Tax district tax group (not Philadelphia) is included in the **Residence Local** box.
AND
- (The Philadelphia tax group is included in the employee setup in the **Work Local** box.
OR
- If a job is listed on the line of time, the Philadelphia tax group is included in the job setup on the **Local** box.)

The Philadelphia tax will calculate.

An Employee works Pennsylvania (not Philadelphia) and resides in Philadelphia:

- In the employee setup the Philadelphia tax group is included in the **Residence Local** box.
AND
- (A Pennsylvania tax group is included in the employee setup in the **Work Local** box.
OR
- If a job is listed on the line of time, a Pennsylvania tax group is included in the job setup on the **Local** box.)

The Philadelphia tax will calculate.

An Employee works in Philadelphia and resides in Philadelphia:

- In the employee setup the Philadelphia tax group is included in the **Residence Local** box.
AND
- (The Philadelphia tax group is included in the employee setup in the **Work Local** box.
OR

- If a job is listed on the line of time, the Philadelphia tax group is included in the job setup on the **Local** box.)

The Philadelphia tax will calculate.

Recalculate Subject-To

Tools > Recalculate Subject-to functionality remains the same except in the case where a comparison tax rate is changed.

If a comparison tax rate is changed so that the rate of the tax that calculated is now lower than the tax rate that it was compared to, the Gross, Taxable, and Subject-to will be associated with the tax with the higher rate for the applicable time entries. The tax with the rate that is now lower will no longer have any Gross, Taxable or Subject-to associated with the tax for the applicable time entries. As the Recalculate Subject-to task never changes the tax withheld, the tax amount will stay on the original tax.

Technical Assistance

Depending on your Sage Service Plan, you may be able to take advantage of the following services:

Sage Customer Portal

You may log on to the Sage Customer Portal at <https://customers.sagenorthamerica.com/irj/portal/anonymous/login> to access any of the following:

- **Knowledgebase:** Find answers to your questions, access downloads, and subscribe to your favorite articles. This service is available online 24/7.
- **Live Chat:** Chat online with a customer support analyst - a great option for quick questions. Chat hours are Monday through Friday from 6 a.m. to 3 p.m. Pacific Time, with the same exceptions as telephone support (see below).
- **Online Support Request:** Submit an online support ticket when you have a non-urgent question. One of our call center support analysts will assist you. Online support hours are the same as our customer support call center hours (see below).

Sage Customer Support Call Center

Telephone Support: When you have a more urgent question or would prefer to speak to a customer support analyst directly, call us at 800-551-8307. Telephone support is available Monday through Friday from 6 a.m. to 5 p.m. Pacific Time with the following exceptions:

- Every Thursday from 2 p.m. to 3 p.m. Pacific Time (closed for customer support staff meetings)
- Standard United States holidays
- Quarterly company meetings

Holiday Schedule: We will be closed on the days listed below. Please note we will observe the Christmas holiday on December 26 and December 27 this year.

Holiday	Date
Thanksgiving Day	Thursday, November 24, 2011
Day Following Thanksgiving	Friday, November 25, 2011
Christmas Day (observed)	Monday, December 26, 2011
Day Following Christmas (observed)	Tuesday, December 27, 2011

New Year's Day 2012 (observed)

Monday, January 2, 2012

Upgrading Your Service Plan

If your service plan does not provide online or telephone customer support and you would like to add or upgrade a service plan, please call 800-858-7098.

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