

FRANKLIN COUNTY AREA TAX BUREAU (FCATB)
306 NORTH 2ND STREET, CHAMBERSBURG PA 17201-1613
Phone: (717) 263-5141 Website: www.fcatb.org

Dear Taxpayer(s):

This document provides the instructions for filing your annual **Form 531 (Local Earned Income and Net Profits Tax Return)**. FCATB has transitioned to an online system (referred to as the tax portal) to file this form. This document, including instructions, and applicable tax forms are available on the FCATB website. Please consult pages 2 – 4 of this document for general and line-by-line instructions for completing the return.

- **Each tax portal account will have the capability of submitting two Form 531 (Local Earned Income and Net Profits Tax Return).** This will allow us to better keep tax information separate as required under Pennsylvania’s local tax law. Note that while two returns can be filed under one tax portal account, the returns will be entered separately. The second return should also be someone that is linked (or combined) in our system to the person creating the tax portal
- **Your tax return must be fully completed prior to submitting it to the FCATB.** All W-2 forms and/or supporting schedule(s) must be uploaded (or attached) prior to the return being submitted (or finalized). Incomplete returns requiring follow-up may be assessed a fee, in addition to penalties and interest.
- **State law requires that all figures on your tax return be rounded.** See *ROUNDING OFF TO WHOLE DOLLARS* in these instructions.
- **Earned income and net profits that you report for Pennsylvania State tax purposes should be reported for local tax purposes with few exceptions which are covered in the instructions.** Other “unearned” classes of income taxed by the State, such as interest and dividends, are not taxed locally. All earned income and net profits regardless of where you worked should be reported. Upload/Attach a detailed explanation of any difference between what you reported to the State as Compensation and Net Income or Loss from Operations of a Business, Profession or Farm and what you are reporting on the local return. *After the PA Department of Revenue processes the returns it receives, we compare what you reported to the State as Compensation and Net Income to what you reported on the local return and follow-up with the taxpayer on any unexplained discrepancies;* this State Match process usually occurs approximately two years after the filing deadline for the respective tax year.
- **If you moved during the tax year and have to file a local tax return with more than one tax bureau, the law requires that you prorate your income in full month increments.** See *IF YOU MOVED* under the *GENERAL INSTRUCTIONS* section of these instructions.
- **All taxpayers who received taxable income not subject to withholding and owed \$100.00 or more in non-withheld tax were required to make quarterly estimated tax payments.** This often applies if you worked out-of-state or you were self-employed. If you were required to do so and failed to make the required payments, you will owe interest and penalty. See the instructions for Line 20 of your return.
- **If you do not have the capability of submitting your return using the tax portal and must submit it by mail, please indicate one of the following on the envelope: Refund, Payment, or No Payment/No Refund.** This will help us process your returns more efficiently.
- **Current hours of operation are posted on our website (www.fcatb.org) and on our office door.** Please utilize the counter for any cash transactions, any transactions requiring a receipt or lengthy transactions. When the office is closed, there is a drop-box available by the office door; please place anything that you will be depositing in the drop-box in a securely sealed envelope before depositing the envelope in the drop-box.
- **If you work anywhere in Pennsylvania, your employer must withhold your local tax at the correct tax rate.** For taxpayers living within our collection area, that rate would be either 1.7% if you reside in the Chambersburg Area School District or 1% if you reside elsewhere in our collection area. If your employer is not withholding the correct amount, contact your payroll department immediately to correct the withholding amount.

If you still have questions after carefully reading these instructions, please contact us for assistance.

Respectfully,

Franklin County Area Tax Bureau Team

DISCLOSURE STATEMENT

You are entitled to receive a written explanation of your rights with regard to the audit, appeal, enforcement, refund and collection of local taxes by calling Franklin County Area Tax Bureau at 717-263-5141 during the hours of 8:00 am and 4:00 pm, Monday thru Friday.

NOTICE TO DISABLED PERSONS

Auxiliary aids and/or other special assistance will be provided if you contact the FCATB in advance to make an appointment for your visit.

GENERAL INSTRUCTIONS FOR FILING FORM 531 (LOCAL EARNED INCOME AND NET PROFITS TAX RETURN)

FILING DEADLINE – Generally, April 15th of the succeeding year for which this return is filed for calendar year returns. **Please check our website (www.fcath.org) for due date updates.** For fiscal year returns, the 15th day of the 4th month following the close of the taxable year. If the normal filing due date falls on a Saturday, Sunday, or legal holiday, the due date for filing will be extended to the next business day.

LATE FILING FEE (Line 19) – A late filing fee is charged to each taxpayer who files a return, or whose return is incomplete, after the filing deadline. This fee is assessed even if all tax has been withheld by your employer, and is in addition to any other interest and penalty charges and costs that have accrued. This fee will be waived if you have filed for an extension as outlined below. The fee increases if the return is filed, or is still incomplete, after December 31 of the year that the return was due.

EXTENSION OF TIME TO FILE – A federal and/or state granted extension to file ***does not*** automatically give you an extension to file your local tax return. To receive a 6-month extension of time to file, you must submit to FCATB a copy of Federal Form 4868 by the original due date of the return. *To avoid interest and penalty charges, you still must pay all tax due by the original due date of the return.* By filing an extension, you will not be assessed a late filing fee if the return is filed within the extension period and no tax, interest, or penalties are due on the extended return. Extensions can be filed through the online tax portal.

WHO MUST FILE – A person must file if that person resided in a **MEMBER MUNICIPALITY** whether residing in the **MEMBER MUNICIPALITY** for all or part of the tax year and has earnings and/or net profits and/or net losses even if no tax is due and regardless of where the person works. See the back of *Form 531* for a list of the **MEMBER MUNICIPALITIES**. Failure to file a return may subject you to a \$500 fine. Tuscarora School District residents are not subject to the tax until they turn 18 and must file a return providing birth date to obtain a refund of tax withheld prior to turning 18. Is this still the case?

IF YOU HAD NO EARNINGS, NET PROFITS, OR LOSSES TO REPORT – Enter zero (0) on Line 10 and list reason (e.g. retired, disability, housewife, did not work THIS year, etc.). This will eliminate needless correspondence.

WHERE TO FILE – If you must mail your return and don't have the capability of using our online tax portal, file your return at the bureau (address listed at the upper left corner on the front of your return). FCATB also provides a drop box at our office location.

ROUNDING OFF TO WHOLE DOLLARS – Round off cents to the nearest whole dollar on your return. If rounding, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1.00 and \$2.50 becomes \$3.00. If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and only round off the total. Example: You receive two W-2 forms, one showing wages of \$5,000.55 and one showing wages of \$18,500.73. On form 531 Line 1, you would enter \$23,501 ($\$5,000.55 + \$18,500.73 = \$23,501.28$) instead of \$23,502 ($\$5,001 + 18,501$).

EFFECTIVE DATES FOR THIS TAX – This return covers the taxable period from January 1 through December 31 of the year listed on the return, or any fiscal tax year so designated by the taxpayer.

TAXABLE INCOME ITEMS – Wages, salaries, commissions, bonuses, work related rewards and prizes, tips, fees, net profits, severance pay, premature retirement or other deferred payment plan distributions for reasons other than death or disability not rolled over into another federally qualified retirement plan to the extent they were taxable for PA State Income Tax purposes (see more detailed explanation of this item below), employee contributions to 401(k), 403(b), 457 and other types of deferred payment programs, taxes assumed by the employer, incentive payments, fellowships (when compensation for services), inactive military service (e.g. reserves) pay and bonuses. Internal Revenue Code Section 125 (Cafeteria Plan) benefits taxable for PA State Income Tax are also taxable for PA Local Income Tax purposes.

TAXABLE RETIREMENT/SAVING PLAN DISTRIBUTIONS – This bureau follows the PA Department of Revenue's Personal Income Tax Regulations regarding the taxability of distributions from employee deferred payment programs such as pensions (retirement plans), profit sharing, ESOP's, SEP, 401(k), 403(b) and 457 plans. Under Act 166, the taxable amount of a distribution of this type will now be the same for the local tax as it is for the state tax. A distribution of such a plan can be made up of three ingredients: 1) the employee's previously taxed contributions, 2) the employer's untaxed contributions, and 3) income generated by the plan's assets. Items 2 and 3 are taxable for state and local tax purposes. The taxpayer must provide a statement from the plan administrator or trustee of the account showing what portion, if any, of the distribution is attributable to the employer's contribution and income (gains) on the plan's assets. This is the portion that is taxable for earned income tax purposes and must be listed on Line 4 of your return. Without a statement breaking down the distribution, the entire amount of the distribution will be taxed.

NON-TAXABLE ITEMS – Interest, dividends, social security benefits, pensions, annuities, and retirement pay received after retirement from employment and upon reaching a specific age or years of service or upon death or disability. IRA benefits, disability benefits, third party sick pay, capital gains, death benefits, life insurance proceeds, gifts or bequests, public assistance, unemployment compensation, income from trusts, active military service pay or bonuses, minister's housing allowance, personal use of company property, rental income by individuals not licensed (or conducting a business) as realtors by the Commonwealth of Pennsylvania, Subchapter S pass-thru income (unless taxpayer is not receiving fair compensation for services rendered to the corporation), passive limited partnership income. Internal Revenue Code (IRC) Section 125 benefits not taxed for PA State Income Tax are also excluded from PA Local Income Tax. For taxpayers engaged in farming, local net profits do not include interest earned on the monetary accounts of the farming business and gains from the sale of farm machinery, most livestock, and the capital assets of the farm.

ATTACHING W-2'S AND FORMS/SCHEDULES TO RETURN – Upload all W-2's and forms/schedules before submitting your return. The tax portal will accept the following file format for uploads: PDF, JPG, and PNG. Forms that may be required to be uploaded include: W2, PA UE, PA State Schedule C, F, and/or RK-1, Schedule G, Schedule X, and any other worksheets or documentation (i.e. IRS Form 2106) that explains how you calculated the figures on the tax return.

SIGN AND DATE THE TAX RETURN – Before a tax return can be submitted, you will be required to sign and date the return. This will be done electronically. By using electronic signature, you agree that it is the legal equivalent of your handwritten signature. Indicate your occupation and telephone number. Any filing received without the proper signature(s) will be considered not filed.

IF YOU MOVED – If you moved from the beginning of the tax year to present, please supply the information requested (Sections A and C). If you have lived in different municipalities, falling under different tax bureau jurisdictions during the year, you **MUST** prorate your earnings and withholdings accordingly and file with the appropriate tax bureaus. **ATTACH A COPY OF THE OTHER TAX BUREAU RETURN** when you file this return. State law requires that, if you move and have to prorate your earnings, you do so in full month increments. If you moved during a month, report the entire month’s earnings to the jurisdiction that you lived the most days during that month. Count the day you moved as being in the jurisdiction you moved to. If you lived an equal number of days during the month in the jurisdiction you moved from and the jurisdiction you moved to, report the entire month’s earnings to the jurisdiction you moved to.

IF YOU ARE SELF-EMPLOYED OR YOUR EMPLOYER DOES NOT WITHHOLD YOUR FULL TAX LIABILITY, YOU ARE REQUIRED TO PAY YOUR NON-WITHHELD TAX ON A QUARTERLY BASIS USING FORM 521 Quarterly Estimated Tax Return Individual Net Profits And Earned Income Tax. Form 521 and instructions are available at our website, www.fcatb.org, under *Individual Tax Forms*, and should be filed electronically. Failure to comply will result in an interest and penalty assessment.

LOCAL FILING COMPARED TO PA PERSONAL INCOME TAX RETURN – This bureau participates in a program with the Pennsylvania Department of Revenue to match earned income (compensation) and net profit/loss as reported on the local return against the same items reported on the state return. If, by audit, tax items are changed by either the IRS or State Department of Revenue that have a bearing on your local tax return, you must file an amended local return to reflect such changes. If you have Subchapter S corporation income, file a copy of any Subchapter S RK-1 that was reportable as a profit or loss for state tax purposes. Whereas Subchapter S income/loss does not typically apply to local tax, this information will prevent us from sending you a “discrepancy” letter when your local and state income does not match due to this tax item.

LINE-BY-LINE INSTRUCTIONS FOR COMPLETING FORM 531 (LOCAL EARNED INCOME AND NET PROFITS TAX RETURN)

LINE 1 – Enter total of W-2 wages earned while a resident of one or more “MEMBER MUNICIPALITIES.” One copy of all W-2’s must be uploaded/submitted with your return. W-2 income should be prorated to where the taxpayer lived when the income was earned. If you lived in different taxing jurisdictions during the tax year, complete Sections “A” and “C” with your return. This will help prorate your income.

If the employer completed your W-2 form correctly, you should use the “Local Wages” shown in Box 18 of the W-2 form. If there is nothing in Box 18, use the State Wages shown in Box 16. If your local wage box does not include your 401(k), 403(b) contributions, bonuses or other incentive payments, reimbursed moving expenses, or unaccounted for or excess business expense reimbursements, they should be added to arrive at your correct local wages. If the wages shown in the federal and/or Medicare wage boxes are higher and cannot be accounted for and reconciled by Box 12 and/or 14 as non-taxable items for state and/or local tax, the higher figure should be used. (Some items that may account for legitimate differences are the cost of group term life insurance for coverage in excess of \$50,000, Third Party Sick Pay, or prorated local and/or state wages if you moved during the tax year.) If you cannot account for differences in the various wage boxes on your W-2, you should ask your employer to explain the differences and provide you with a statement to attach with your return.

LINE 2 – (Note: Report any excess reimbursement of allowable employee business expenses on Line 4.) We will accept the Pennsylvania Individual Income Tax regulations for allowable employee business expenses. You cannot deduct personal expenses or expenses that you incur for your own convenience. If your employer requires you, as a condition of your employment, to incur business expenses out of your own pocket, they are likely deductible.

Expenses claimed must be explained in detail giving as a minimum the information requested on the appropriate PA UE Schedule and the IRS Form 2106 when used to back up figures on the PA UE. Copies of these supporting schedules are sufficient. A separate schedule must be used for each job. Expenses from one job may not be used to reduce compensation from another job. **ANY EXPENSES TAKEN WITHOUT PROPER SUPPORTING DOCUMENTATION WILL BE SYSTEMATICALLY DENIED WITHOUT NOTIFICATION TO THE TAXPAYER.** Records must be available for verification. Estimates will not be accepted.

Examples of expenses that can be deducted are union dues, professional fees and licenses required as a condition of employment, cost and upkeep of work clothing provided they are not suitable for everyday use and they are required as a condition of employment, cost of small tools required but not provided by employer, non-commuting business transportation, away from home overnight expense, and office-in-home, moving, and education expenses when required as a condition of employment. Educator expense shall be limited to \$250 unless accompanied by a letter from your employer requiring the expense as a condition of employment.

Examples of expenses that cannot be deducted include “on call” telephone, travel to and from work, travel from union hall to work assignments, child care, medical expenses, charitable contributions, personal expenses, taxes, interest, subscriptions to publications, dues to professional or fraternal societies, Chambers of Commerce, or recreational club memberships, and insurance, IRA, annuity and pension plan payments. For additional information, see the PA 40 instructions and regulations.

LINE 3 (Calculated field, no entry required) – Line 2 is subtracted from Line 1 to arrive at the taxable W-2 earnings.

LINE 4 – Enter the total of other taxable earned income as detailed on Section B of tax return. Use this line to report tips not included in W-2 wages, excess reimbursements of employee business expenses, fees (e.g., director’s, executor’s and trustee’s fees), work-related rewards and prizes, taxable premature distributions from retirement plans, and any other earned income not reported elsewhere on the return.

LINE 5 (Calculated field, no entry required) – The total of Lines 3 and 4. This is your total taxable earned income.

LINE 6 – Enter the total of any net profits you incurred from your business, and/or profession, and/or farm activities, including limited liability companies and limited liability partnerships.

LINE 7 – Enter the total of any net losses you incurred from your business, and/or profession, and/or farm activities, including limited liability companies and limited liability partnerships.

LINE 8 (Calculated field, no entry required) – Line 7 subtracted from Line 6 to arrive at taxable profits.

LINE 9 – Report any Subchapter S or other “passive” profits or losses reported on your State tax return that are not taxable on your local return. Attach documentation to explain the nature of the profits and/or losses. This is needed when we compare local and state income reporting and for auditing purposes. If you did not receive a W-2 form representing fair compensation for the services you provided to a Subchapter S corporation, 100% of the pass-thru profits shall be subject to tax.

LINE 10 (Calculated field, no entry required) – The total of Lines 5 and 8. This is your total taxable earned income and net profits.

LINE 11 (Automatically populated based on address) – If you are only reporting income that you earned while residing in the Chambersburg Area School District, the tax rate is 1.7% (.017). If you are only reporting income that you earned while residing in Fannett Metal School District and/or Greencastle-Antrim School District and/or Tuscarora School District and/or Waynesboro Area School District, the tax rate is 1% (.01). If you moved between Chambersburg Area School District and one of the other school districts in our collection area during the tax year, check the Schedule X Completed box and complete the schedule to determine the tax rate to enter on Line 11. Attach Schedule X to your return.

LINE 12 (Calculated field, no entry required) – Line 10 multiplied by Line 11 to determine your tax liability.

LINE 13 – Enter the total (or prorated portion if partial year resident) of all Pennsylvania local tax withheld found in Box 19 of your W-2’s. Use Line 15 to report credit for tax paid to the City of Philadelphia or other state’s political subdivisions.

LINE 14 – Enter the total of all quarterly tax payments you made directly to this bureau for the filing tax year only. Also add in any overpayment from the previous tax year credited to this tax year.

LINE 15 – If you were legally liable for and paid taxes on net profits and/or compensation to Philadelphia or any state other than Pennsylvania, and the same net profits and/or compensation is also taxable on your local Franklin County Area Tax Bureau resident return, you may be entitled to take a credit (against your local tax liability) for all or a portion of the taxes paid elsewhere. Please contact our bureau and request a Local Schedule G. Local Schedule

G provides specific instructions and a worksheet to determine whether you are entitled to any such credit.

LINE 16 (Calculated field, no entry required) – The total of Lines 13, 14 and 15. This is the total of your withholdings, credits and direct payments to be applied against your tax liability.

LINE 17 (Calculated field, no entry required) – If Line 12 is larger than Line 16, the program will subtract Line 16 from Line 12 and enter the result. If Line 17 is \$1.00 or less, you need not make any payment. However, you still must file a return.

LINE 18 (Calculated field, no entry required) – If for any reason the tax is not paid when due, interest at a rate established annually by the Commonwealth of Pennsylvania under Section 806 of the Fiscal Code, and an additional penalty of 1% for each month or fraction thereof during which the tax remains unpaid shall be added and collected.

LINE 19 (Calculated field, no entry required) – If you are filing your return after the due date and you did not file a local extension and pay all tax due by the due date, the program will calculate the Late Filing Fee. This fee is also assessed if your return is incomplete after the due date. The late fee will increase if you do not file before the end of the year the tax return is due.

LINE 20 (Calculated field, no entry required) – If you are reporting a Tax Balance Due on Line 17, you will owe quarterly interest and penalty. If your non-withheld tax liability was greater than \$100.00, you were required to make quarterly estimated payments using Form 521.

LINE 21 (Calculated field, no entry required) – The total of Lines 17, 18, 19 and 20. This is your total balance due and will be shown after all the applicable forms have been updated. This balance due must be paid in full when filing your return. You will be able to pay the amount due in one of three ways. The first is via ACH (or automatically through your bank checking or savings account). You will need your routing number and account number to process the ACH. The second method to pay is by credit/debit card (or Official Payments). You may pay by credit card or debit card by going online to www.officialpayments.com, or by calling 1-800-272-9829. Credit or debit card payments by phone require a 4-digit jurisdiction code. Our jurisdiction code is 4844. You will be charged a service fee to pay by credit or debit card; this fee goes directly to the card processor. If you choose to pay by credit or debit card, enter the confirmation number(s) in the space provided below Line 21 on the tax form before you file the return with the tax bureau. You may also pay by check. Enter the check number and make check payable to “FCATB” (Franklin County Area Tax Bureau). Place the last 4 digits of your social security number(s) on your check along with the notation “Form 531 - Tax Year 20xx”.

Before you can submit your return (or click Finalize 531 Form), you will need to type your name indicating that it is the legal equivalent of handwriting your signature. You will also need to enter your Occupation and Daytime Phone. If you paid a tax preparer to complete your return, enter the name of the person/firm, their EIN and phone number. Clicking on Finalize 531 Form will send your return to our office. You will get a automated email letting you know that your return has been received. We will follow up with you as needed.