

# INSTRUCTIONS FOR FILING LOCAL INCOME TAX RETURN

EIT-40-Inst

## 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, send us a copy along with estimated payment by April 15 unless the 15th is a Saturday or Sunday then by the next business day.
  - 2. WHERE TO FILE:** File this return with the Earned Income Tax Receiver. Remit to the address printed on the tax return.
  - 3. WHO MUST FILE:** **Every resident between the age of 18 and 66 must file a Local Earnings Tax Return. If you are under the age of 18 or over the age of 66 and had Earned Income or Net Profits you must file a Local Earnings Tax Return.** This return must be filed even if the tax was fully withheld by your employer or if no additional tax is due. Part year residents should complete the section at the top of the tax return and provide evidence that local earned income tax was paid to that other place of residence to avoid further inquiry. Failure to receive a tax form shall not excuse your obligation to file this return. If you had no earned income, check box located top right section under your social security number.
  - 4. EFFECTIVE DATES:** January 1 through December 31, unless otherwise noted on your Local Earned Income Tax Return.
  - 5. 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.
  - 6. RECEIPT:** Your cancelled check is sufficient proof of payment. If you desire an additional receipt, please include a self-addressed stamped envelope.
  - 7. PENALTY AND INTEREST:** If for any reason the tax is not paid when due, penalty and interest will be charged.
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## B. REGULATIONS/LINE BY LINE INSTRUCTIONS

### LINE 1: GROSS EARNINGS FOR SERVICES RENDERED

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

TOTAL GROSS EARNINGS FROM ALL EMPLOYERS.

Complete Section 2 - Employment Worksheet on reverse side of EIT-40. Total the "Employment Worksheet" Column D and transfer it to Section 1 Line 1.

TAXABLE INCOME INCLUDES: Salaries; Wages; Commissions; Bonuses; Incentive Payments; Fees; Tips and other compensation received by you for services rendered. Benefits from employment such as annual leave, vacation, holiday, sabbatical leave, separation pay, reimbursement in excess of actual expenses, and sick pay (if employee received regular salary during illness); Payments received from weekend National Guard or Reserve Units; Active Duty pay if stationed within PA; Early Distribution from Individual Retirement Programs. The Net Profits of a business are subject to a Net Profits tax. "Net Profits" are defined as the net income from the operation of a business, profession or other activity except corporations.

NON-TAXABLE INCOME INCLUDES: Income from dividends, interest income from savings accounts, trusts, bonds, insurance proceeds, stocks (Schedule D) and S corporations (Schedule K-1, form 1120S) is exempt. Also exempt are winnings, payments for disability benefits, retirement pay, pensions, social security payments, public assistance, and any wages or compensation received by the Federal Government for active duty in the Armed Forces earned out of state.

### LINE 2: ALLOWABLE EMPLOYEE BUSINESS EXPENSES

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

LINE 3: TAXABLE EARNINGS: Subtract line 2 from line 1.

**\*\*\*IMPORTANT LOCAL TAX CHANGE REGARDING BUSINESS LOSSES\*\*\***

**Starting with tax year 2009, the State of Pennsylvania has made some changes that affect the handling of business losses at the local level. A taxpayer will no longer be permitted to offset a business loss against their W2 wages.**

LINE 4: NET PROFITS/LOSSES FROM BUSINESS. If less than zero, enter zero.  
**DOCUMENTATION REQUIRED: 1099(s), PA Schedules C must be enclosed (photocopies are accepted).**

**\*\*\*IMPORTANT LOCAL TAX CHANGE REGARDING BUSINESS LOSSES\*\*\***

**Starting with tax year 2009, the State of Pennsylvania has made some changes that affect the handling of business losses at the local level. A taxpayer will now be permitted to offset net losses from the operation of one business against the net profits from another business.**

Net profits shall be computed by subtracting the cost of goods sold and all ordinary and necessary expenses of doing business from the gross receipts. Any business deductions not allowed for federal income tax purposes will generally not be allowed.

LINE 5: TOTAL EARNED INCOME subject to tax: Add lines 3 and 4.

LINE 6: TAX LIABILITY: Multiply line 5 by tax rate of 1% use .01.

LINE 7: QUARTERLY ESTIMATED PAYMENTS:  
List any quarterly estimated payments made to date for appropriate filing year.

LINE 8: 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 6 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.

If your employer is located in the City of Erie you MUST complete Section 2. See instructions included in that section.

LINE 9: MISCELLANEOUS CREDITS (Tax Paid to Other States)  
A credit may be allowed against your local tax liability for income taxes you paid to another state. Complete Section 3, Out-of-State Credit Worksheet and include a copy of your completed PA Tax Return (PA-40), and a copy of your Non-Resident Return from the States in which you worked must be attached to the tax return.

LINE 10: TOTAL TAXES/CREDITS: Sum of line 7, 8 and 9.

LINE 11: REFUND: If your credits (line 10) is larger than your tax (line 6), enter the amount of refund due. Subtract line 10 from line 6. IF LESS THAN \$2.00 - ENTER ZERO. Overpayments on your Earned Income Tax will be refunded directly to the taxpayer.

LINE 12: TAX DUE:  
If tax (line 6) is larger than your credits (line 10), enter amount of tax due. IF LESS THAN \$2.00, ENTER ZERO. Any checks returned for insufficient funds will be charged an additional fee and subject to being turned over for collection with additional cost of prosecution.

LINE 13: INTEREST & PENALTY:  
Payments made after due dates will be subject to interest and penalties at a rate of 1% per month or fraction of month.

LINE 14: TOTAL AMOUNT DUE: Line 12 plus line 13; If less than \$2.00, enter zero.

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NOTE: All accounts are subject to audit and review. Failure to properly complete, sign and date this return may subject the taxpayer to a fine up to \$500.00 plus costs or days in jail. 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).