



ACT 32 FOR SELF-EMPLOYED INDIVIDUALS



As you may be aware, Pennsylvania is transitioning to a new local Earned Income Tax (EIT) collection system under Act 32. Earned Income Tax withheld from employees gets distributed by the tax collector to the municipality and school district where the employee lives.

Effective 1/1/2012, compliance with the requirements of Act 32 has become mandatory. If you are self-employed or obtain compensation other than through an employer/business entity, a Quarterly Estimated Earned Income Tax coupon must be filed with the Tax Officer for the tax collection district where you reside, within 30 days following the end of each quarter of the calendar year.

Example: If your 2011 annual net profit was \$50,000 and your EIT (Earned Income Tax) rate is 1%, your local earned income tax is \$500. Then, every quarter (April 30, July 31, October 31, January 31), you should submit quarterly estimated earned income tax of \$125 (\$500/4).

Utilize the Local Income Tax Residency Certification Form. To determine your EIT rates and tax collector/officer contact information, use the Address Search from the website www.newPA.com under "Act 32 Information Earned Income Tax" icon. Once the form is completed, you must mail it to your local tax collector.

Note: Non-compliance with all aspects of this Act can result in a number of penalties and fines. Philadelphia is not regulated by ACT 32, so the present system as administered by the Philadelphia Department of Revenue will remain in effect.

As always, for more information or questions, please do not hesitate to contact us at 215-343-2727.

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