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I. INSTRUCTION

These instructions have been provided to help you understand and complete the accompanying Earned Income and Net Profits Tax Return for the period January 1, 2008 to December 31, 2008. The information most commonly needed by taxpayers is presented. You may obtain additional information or assistance with specific problems from the Tax Office listed on the front of this brochure.

The local earned income and net profit tax is enacted and levied in accordance with Commonwealth Act 511 of 1965, as amended, and the Rules and Regulations adopted by the Municipality and the School District. Copies of the Tax Ordinance and Resolution and Rules and Regulations are available for inspection in the Tax Office.

II. WHAT INCOME IS SUBJECT TO THE TAX?

The Municipal Ordinance and School District Resolution provide for the imposition of the tax on the following classes of income, as each is defined in Commonwealth Act 511:

1. EARNED INCOME

a. All earned income (gross earnings) for personal services rendered by residents of the Municipality, irrespective of the place where such services are performed.

b. All earned income (gross earnings) for personal services rendered by non-residents of the Municipality for work done or service performed within the Taxing District.

Some examples of Earned Income are:

Salaries, wages, commission, and tips
Bonuses and incentive payments
Drawing Accounts
Fees and honoraria
Employee contributions to qualified retirement or deferred compensation plans
National Guard or Military Reserve pay (except active duty)
Stipends to Graduate Assistants

2. NET PROFITS

a. The net profits of businesses, professions, or other activities earned by residents of the Municipality, whether such activities are conducted within or outside the Municipality.

b. The net profits of businesses, professions, or other activities earned by non-residents of the Municipality, to the extent that such income is derived from activities conducted within the Taxing District.

Some examples of Net Profits are:

Profit from business, profession or farm as sole proprietor
Profit from business, profession or farm as a partner
Profit from royalties, copyrights, patents, etc.

Note: Earned income, as one class of income, may not be reduced by a loss from the operations of a business, as the other class of income, net profits. Taxpayers are permitted to reduce a net profit in one business activity against a loss in another business activity owned by the same taxpayer. The net loss in one business activity may reduce the net profits in all business activities, however the net profits may not be reduced below zero.

Losses may be applied only in the year in which the loss was actually incurred, and may not be carried over to subsequent years. One taxpayers losses may not be deducted from his or her spouses' earnings. Losses from business activities, which are not subject to the tax, may not be used to offset earned income or net profits.

III. WHAT INCOME IS EXCLUDED FROM THE TAX?

Since the income tax imposed by the Municipality and School District applies only to earned income and net profits, it follows that other types of income are excluded from the computation of income subject to this tax.

Some examples of Excluded Classes of Income are:

Income from passive or investment ownership of real estate
Income from pensions and retirement benefit plans
Income from interest and dividends
Income for Pennsylvania S Corporations, except for W-2 wages or 1099 Income
Profit from casual exchange or sale of property
Proceeds of life insurance
Value of property acquired by inheritance or gift
Veterans Administration allotments of subsistence or disabilities
Wage or compensation paid to persons on active military duty
Social Security and Workers Compensation Benefits
Unemployment Compensation Benefits
Damages for personal injuries
Scholarships and Fellowships

IV. WHO MUST FILE?

1. All residents of the Municipality must file an annual return of all earned income (gross earnings) for personal services rendered and net profits of businesses, professions or other activities, whether such activities are carried on within or outside the Municipality. All persons who are domiciled in the Municipality are considered to be residents for the purposes of this tax.

2. All non-residents of the Municipality, who are not required to pay a local income tax elsewhere, must file an annual return of all earned income (gross earnings) for personal services rendered and net profits of businesses, professions, or other activities earned from sources within the Taxing District. Any person claiming non-residency status must provide proof of payment of local income taxes elsewhere for the concurrent time period.

3. Persons residing in the Municipality for less than a calendar year must file an annual return of all earned income (gross earnings) for personal services rendered and net profits of businesses, professions or other activities earned for that portion of the year during which they were residents of the Municipality. Such persons must file an annual tax return with each Taxing District in which they resided during the calendar year including either (1) a copy of the pay-stubs or an earnings statement indicating their year-to-date gross earnings and the amount of local income tax withheld at the date of the change of address; or (2) a letter from their employer(s) providing these figures.

4. In addition to the annual return, a Declaration of Estimated Income Tax form must be filed by taxpayers who reasonably expect to receive earned income or net profits in excess of $5,000 during the current tax year. If the local income taxes due thereon are NOT withheld by employer(s), one fourth (1/4) of the total estimated taxes owed are due on or before April 30 of the current tax year. The remaining payments of one fourth (1/4) each are due on July 31 and October 31 of the current year, and January 31 of the succeeding year. The necessary forms are mailed to all known applicable taxpayers. Any person who reasonable expects to receive taxable income in excess of $5,000 on which the local income tax is NOT withheld by employer(s) and who does not receive a form must obtain one by contacting the Tax Office on the front of this brochure.

V. HOW TO FILE

Annual Earned Income and Net Profits Tax Returns are mailed in January. Those individuals who do not receive a return must obtain one from the Tax Office. Two copies of the form are provided. One copy must be completed and returned to the Tax Office. The other copy is for the taxpayer's records. All items on the return MUST be completed in detail.

Although a taxpayer and spouse may file a combined return, it should be noted that a combined return is not a joint return. Earned income and/or net profits can not be commingled. As a convenience to taxpayers, an overpayment due to one taxpayer filing a combined return may be used to reduce or settle a balance due from the return of a taxpayer's spouse.

VI. WHAT ARE THE INCOME TAX RATES?

Tax on Residents	**1.45% or .0145**
Tax on Non-Residents	**0.5% or .005**

VII. EARNINGS AND TAX STATEMENTS

Persons reporting earned income must attach a copy of the Earnings and Tax Statement (form W-2 and/or 1099) from each employer to the annual return, even though the local tax has already been withheld by the employer(s). The Earnings and Tax Statement is necessary to verify the amount and disposition of local income taxes withheld.

VIII. DOCUMENTATION OF NET PROFITS

Persons reporting net profits as a sole proprietor or partnership must attach a copy of the appropriate substantiating Federal or Pennsylvania Income Tax Schedule (C, F or K-1) along with all attachments to the annual return. A separate Schedule must be furnished for each business activity. The Schedules are necessary in order to document the net profits claimed.

IX. REQUEST FOR REFUND

A completed Earned Income and Net Profits Tax Return must be filed before a refund request can be processed. Depending on the nature of the request, the following additional information is required:

1. RESIDENCY STATUS- (a) Proof of payment of local income taxes elsewhere for the concurrent time period must include a copy of a tax return, applicable Form W-2(s), and copy of cancelled check, and/or copy of (b) other proof of non-residency such as a passport with valid student or exchange visitor visa, driver's license, etc.

2. EXEMPT INCOME- Scholarships and Fellowships. A letter from the donor of the scholarship or fellowship must be provided verifying your income status and the amount, nature and purpose of the award. Taxpayer should consult their academic payroll department to determine the status of their awards. Assistantship stipends are NOT included as exempt income and are subject to the local income tax.

3. ALLOWABLE EMPLOYEE BUSINESS EXPENSES- A copy of Pennsylvania Schedule UE along with a copy of the appropriate Federal supporting schedule must be provided. In order to be deducted from earned income, unreimbursed expenses (union dues, fair share payments, moving expenses, etc.) must meet the "six-part test" (ordinary, actual, reasonable, necessary, directly related and 100 percent allowable) as established by the Pennsylvania Department of Revenue. Indirect or personal expenses may not be deducted. Taxpayers must maintain Adequate and sufficient records to substantiate any expense deduction claimed.

The taxpayer has the burden of proving that any expense claimed as a deduction from earned income is ordinary, actual, reasonable, necessary, directly related and 100 percent allowable before a refund will be issued.

NOTE: Requests for refund cannot be processed until the appropriate documentation as specified above is provided. Refund requests will be considered based upon the relevant facts and circumstances pertinent to each case. Amounts less than $2.00 will not be refunded.

X. WHEN TO FILE

The Earned Income and Net Profits Tax Return for the period January 1, 2008 to December 31, 2008 must be filed on or before April 15, 2009 unless you have an established fiscal year for Federal Income Tax purposes, which is different from the calendar year. When a tax due date falls on a day when the municipal building is closed for public access, taxpayers are provided the next working day to file. This includes holidays, weekends, and closings related to inclement weather conditions. Final fiscal returns must be filed within 105 days following the close of such fiscal year or period.

A taxpayer who requires an extension of time in which to file his/her Annual Tax Return shall make written application to the appropriate Officer no later than one hundred and five (105) days from the end of the calendar or fiscal year for which the Return will be filed. A copy of the taxpayer's application to the United States Internal Revenue Service or Pennsylvania Department of Revenue for an extension of time to file his/her annual return shall constitute an acceptable written application under this section when submitted to the appropriate Officer as specified herein.

An extension of time to file the Annual Tax Return does not extend the time to pay the tax. The amount of tax reasonably estimated to be due must be paid to the Officer in full with the application for extension.

If the tax due is not paid in full, interest at the rate of six percent (6%) per annum must be paid on any balance due even though the Tax Office grants an extension of time for filing. In addition, please note that penalty at the rate of six percent (6%) per annum must also be paid on any balance due.

XI.WHERE TO FILE YOUR RETURN AND PAY YOUR TAX

Your completed return should be taken or mailed to the Tax Office listed on the front of this brochure. If your balance of tax due on line 18 is less than $2.00, no payment is required. If your return shows a balance due of $2.00 or more, it must be paid in full at the time of filling the return. Checks or money orders should be made payable to the Collector or Municipality Treasurer as indicated on the return.

XII. PENALTY & INTEREST

Any person failing, neglecting or refusing to file a return in conformity with the provisions of the Tax Ordinance and Resolution and Rules and Regulation shall, upon conviction, be liable to a fine of not more than Five Hundred Dollars ($500) for each offense, plus costs, and in default of payment of said fine and costs, be imprisoned for a period not exceeding thirty (30) days.

All taxes imposed by the Ordinance and Resolution remaining unpaid after they have become due shall bear interest and penalty at the rate of 1% (1/2 % penalty and ½ % interest per month)of the amount of unpaid tax for each month or fraction thereof during which the tax remains unpaid.

XIII. INQUISITORIAL POWERS

The Collector or his agent is authorized and empowered to examine the books, papers, and records of any taxpayer or supposed taxpayer to verify the accuracy of any return made, or if no return was filed, to ascertain the tax due, if any. Every taxpayer or supposed taxpayer is required to give the Collector or his agent the means; facilities and opportunity for examination and investigations as are authorized.

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ADDENDUM A

TYPE OF COMPENSATION	TAXABLE
Active Duty Military or National Guard Pay	No
Administrator's Fees	Yes
(When earned for services rendered or decisions made)	
Alimony Payments	No
Annual Leave Pay	Yes
Automobile Allowance Provided by Employer	No
(Unless allowance exceeds actual expenses incurred)	
Awards	No
(Unless recipient must render substantial service as a condition of receipt)	
Back Salary or Wage Payments	Yes
Bequests	No
Bonus Depreciation	Yes
Bonuses	Yes
Cafeteria Plan Benefits	No
Capital Gains	No
Child Support Payments	No
Clergy Wages	Yes
Commissions	Yes
Copyright Fees	Yes
Damages for Personal Injuries	No
Death Benefit Payments	No
Deceased Person's Salary or Wages	Yes
Debt Forgiveness	Yes
Director's Fees	Yes
(When earned for services rendered or decisions made)	
Disability Pay (Regular Wages)	Yes
Disability Pay (Third Party Insurer)	No
Distributions from Annuities	No
(To the extent that the distributions represent a return of the taxpayer's own contribution upon which he/she originally paid the tax)	
Distributions from Non-Qualified Deferred Compensation Plan	Yes
(To the extent that the contributions to the non-qualified plan were not taxed at the time of contribution)	
Distributions from Qualified Deferred Compensation Plans	No
(To the extent that the distributions represent a return of the taxpayer's own contribution upon which he/she originally paid the tax)	
Distributions from Estates	No
Distributions from Profit Sharing Plans	No
(To the extent that the distributions represent a return of the taxpayer's own contribution upon which he/she originally paid the tax)	
Distributions from Qualified Old Age or Retirement Benefit Programs upon Retirement	No
Distributions from Trusts	No
Dividends	No
Drawing Accounts	Yes
(As reported on current year's Form W-2)	
Employee Contributions to Annuities	Yes
(Unless contributions are made under a Cafeteria Plan)	
Employee Contributions to Cafeteria or Flexible Benefit Plans	No
Employee Contributions to Non-Qualified Deferred Compensation Plans	No
Employee Contributions to Qualified Deferred Compensation Plans	Yes
(Unless contributions are made under a Cafeteria Plan.)	
Employee Contributions to Qualified Old Age or Retirement Benefit Plans	Yes
(Unless contributions are made under a Cafeteria Plan)	
Employee Discounts (Merchandise or Services)	No
Employer Contributions to Annuities	No
Employer Contributions to Cafeteria or Flexible Benefit Plans	No
(Unless employee elects cash option or otherwise taxable benefits)	
Employer Contributions to Non-Qualified Compensation Plans	No
Employer Contributions to Qualified Deferred Compensation Plans	No
Employer Contributions to Qualified Old Age or Retirement Benefit Plans	No
Employer's Reimbursement of Employee's Automobile Expenses	No
(Unless reimbursement exceeds actual expenses incurred)	
Employer's Reimbursement of Employee's Business Expenses	No
(Unless reimbursement exceeds actual expenses incurred)	
Employer's Reimbursement of Employee's Moving Expenses	No
(Unless reimbursement exceeds actual expenses incurred)	
Employer's Reimbursement of Employee's Travel/Meal/Lodging Expenses	No
(Unless reimbursement exceeds actual expenses incurred)	
Executor's Fees	Yes
(When earned for services rendered or decisions made)	
Federally Taxable Non-Cash Fringe Benefits	No
Fellowships	No
(When awarded from detached generosity on the basis of financial need or academic achievement and not as compensation for services rendered)	
Fiduciary's Fees	Yes
(When earned for services rendered or decisions made)	
Gambling Winnings	No
Gifts	No
Golden Parachute Payments	Yes
Graduate Assistantship Stipends	Yes
Gratuities	Yes
Group Term Life Insurance Premiums Paid by Employers	No
(See Cafeteria Plan Benefits if applicable)	
Guaranteed Annual Wage Payments	Yes
Guaranteed Payments to Partners	Yes
Holiday Pay	Yes
Honoraria	Yes
Housing Allowances Provided by Employer	No
(When furnished for the convenience of the employer or for member of clergy)	
Incentive Payments	Yes
Interest	No
(Unless taxpayer is in the business of lending money)	
Jury Duty Pay	No
Life Insurance Premiums Paid by Employers	No
Life Insurance Proceeds	No
Living Allowance Provided by Employer	No
(Unless allowance exceeds actual expenses incurred)	
Lottery Winnings	No
Meals and Lodging Furnished for the Convenience of the Employee	Yes
Meals and Lodging Furnished for the Convenience of the Employer	No
Military Reserve Pay	Yes
(Except active duty)	
Mortgage Assistance Provided by Employer	Yes
(if provided in lieu of compensation)	
Moving Allowance Provided by Employer	No
(Unless allowance exceeds actual expenses incurred)	
National Guard Pay *(except active duty)*	Yes
Net Profits from Business Activities Conducted by a Trust or Estate	Yes
Net Profits from the Business of Renting Personal Property	Yes
Net Profits from the Business of Renting Real Property	Yes
(Where the lessor actively manages the realty by furnishing labor and services to the leased premises)	
Net Profits from the Operation of Hotels, Motels, Boarding Houses, etc.	Yes
Net Profits from Passive or Investment Interest in a Business, Profession, or Farm as a Limited Partner	No
(When investor does not actively and materially participate in management or operation of the partnership)	
Net Profits from Non-Operating Investment Interest in Petroleum or Mineral Resources In Place	No
(Unless petroleum or mineral resources serve an operational function in investor's business)	
Net Profits of a Business, Profession or Farm Conducted by a Sole Proprietor	Yes
Net Profits of a Business, Profession or Farm Conducted as a Partner	Yes
Overtime Pay	Yes
Patent Fees	Yes
Payments received as Considerations for Refraining from the Performance of Services Under a Covenant Not to Compete	Yes
Pensions	No
Premature Distribution of Employer's Contribution to a Qualified Old Age or Retirement Benefit Program	Yes
(Unless "rolled over" into another qualified plan)	
Prizes	No
(Unless recipient must render substantial service as a condition of receipt)	
Profits from Casual Exchange or Sale of Property	No
Public Assistance Benefits	No
Rents Derived from Passive or Investment Ownership or Real Property	No
Retirement Pay	No
Retroactive Salary or Wage Increases	Yes
Royalties	Yes
(Where the taxpayer is in business as a writer, author, composer, inventor, etc. or holds an operating interest in oil, gas, or mineral properties.)	
S Corporation Income	No
(Provided however, that earned income received by a taxpayer as a shareholder or employee of an S Corporation such as W-2wages, consulting income, or other income set forth on a 1099 is not excluded.)	
Salaries	Yes
Salary and Wage Adjustments	Yes
Scholarships	No
(When awarded from detached generosity on the basis of financial need or academic achievement and not as compensation for services rendered)	
Separation Benefits	Yes
Severance Pay	Yes
Shift Differential Pay	Yes
Sick Pay (Regular wages)	Yes
Sick Pay (Third Party Insurer)	No
Social Security Benefits	No
Stand-by Pay	Yes
Stipends Paid to Graduate Assistants	Yes
Stock Bonus Plans	Yes
(Only the earnings component, when exercised)	
Stock Option Plans - Non-qualified	Yes
(Only the earnings component, when exercised)	
Stock Option Plans - Qualified	Yes
(Only the earnings component, when exercised)	
Strike Benefits	No
Supplemental Unemployment Benefits	No
Taxes Assumed by Employer for Employee	Yes
Tips	Yes
Trustee's Fees	Yes
(When earned for services rendered or decisions made)	
Unemployment Benefits	No
Vacation Pay	Yes
Veterans Administration Allotments for Subsistence or Disability Wages	No
Worker's Compensation Benefits	No