2008

RULES AND REGULATIONS
FOR
TAX ON EARNED INCOME AND NET PROFITS

All residents, non-residents**,** and employers within the State College Area School District, the Borough of State College, and Townships of College, Ferguson, Halfmoon, Harris, Patton and Benner Independent are subject to these Rules and Regulations and to the Earned Income and Net Profits Tax Resolution of the School District and the Ordinance of the coterminous Municipality levying a tax on earned income and net profits.

The Tax Resolution and Ordinances and these Rules and Regulations are continuing ones, applicable until changed by the School District and Municipalities. Copies of the original Tax Resolution and Ordinances may be examined at the School District or Municipal Offices.

INDEX

Article	Section		Page
I		**Definitions**	3
II		**Imposition of Tax**	
	201	Persons Subject to Tax	8
	202	What is Taxed	8
	203	What is Included in "Earned Income"	9
	204	What is Included in "Net Profits"	11
	205	Exclusions from Tax	12
	206	Resident Taxation	15
	207	Nonresident Taxation	15
	208	Credits	19
	209	Deductions and Losses	19
III		**Collection at the Source**	
	301	Employers Required to Withhold	21
	302	Voluntary Withholding	22
	303	Registration of Employers	22
	304	Liability of Employee	23

DRAFT

INDEX

Article	Section		Page
IV		**Payment of Tax and Returns**	
	401	Annual Returns by Taxpayers	23
	402	Quarterly Payment by Taxpayers	25
	403	Returns of Employers and Payment of Withheld Tax	26
	404	Fiscal Years	27
	405	Cash or Accrual Basis	28
	406	Receipt of Income or Net Profits	28
	407	Penalty and Interest	28
	408	Extensions	28
	409	Change in Federal or Pennsylvania Taxable Income	29
	410	Refund Claims by Taxpayer	29
	411	Local Taxing Authority Payment of Interest on Taxpayer's Overpayments	30
V		**Administration and Enforcement**	
	501	Income Tax Officer	30
	502	Taxpayer's Rights and Obligations	31
	503	Examination of Books and Records of Taxpayers and Employers	33
	504	Records to be kept by Taxpayers	33
	505	Disposition of Overpayments	33
	506	Fines and Penalties for Violations	34
	507	Concurrent Remedies	34
	508	Failure to Receive Forms	34
	509	Registration of Taxpayers	35
	510	Assessment and Collection of Underpayment of the Tax	35
	511	Procedure When Taxation not Defined in Rules and Regulations	35
	512	Annual Review of Rules and Regulations	36
		Addendum	37

DRAFT

ARTICLE I

DEFINITIONS

The following words and phrases used in the Tax Resolution and Ordinances and in these Rules and Regulations have the following meaning unless the context clearly indicates a different meaning.

"Association." A partnership, limited partnership, or any other unincorporated group of two or more persons, including a limited liability company.

"Business." An enterprise, activity, profession or any other undertaking of an unincorporated nature conducted for profit or intended to be conducted for profit whether by a person, partnership, association, or any other entity.

“Class of Income.” Classes of Income are grouped together by their uniqueness or common traits, i.e. Earned Income, net profits, net gains or income, etc., as defined in Act 511 of 1965 and as amended by Act 166 of 2002 and Act 24 of 2004.

“Compensation.” Means and shall include salaries, wages, commissions, bonuses and incentive payments whether based on profits or otherwise, fees, tips and similar remuneration received for services rendered, whether directly or through an agent, and whether in cash or in property. The term “compensation” shall not mean or include; (i) periodic payments for sickness and disability other than regular wages received during a period of sickness or disability; or (ii) disability, retirement or other payments arising under workmen’s compensation acts, occupational disease acts and similar legislation by any government; or (iii) payments commonly recognized as old age or retirement benefits paid to persons retired from service after reaching a specific age or after a stated period of employment; or (iv) payments commonly known as public assistance, or unemployment compensation payments by any governmental agency; or (v) payments to reimburse actual expenses; or (vi) payments made by employers or labor unions, including payments made pursuant to a cafeteria plan qualifying under section 125 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 125), for employee benefit programs covering hospitalization, sickness, disability or death, supplemental unemployment benefits or strike benefits: Provided, That the program does not discriminate in favor of highly compensated individuals as to eligibility to participate,

DRAFT

payments or program benefits; or (vii) any compensation received by United States servicemen serving in a combat zone; or (viii) payments received by a foster parent for in-home care of foster children from an agency of the Commonwealth or political subdivision thereof or an organization exempt from Federal tax under section 501(c)(3) of the Internal Revenue Code of 1954 which is licensed by the Commonwealth or a political subdivision thereof as a placement agency; or (ix) payments made by employers or labor unions for employee benefit programs covering social security or retirement; or (x) personal use of an employer's owned or leased property or of employer-provided services.

"Corporation." A corporation or joint stock association organized under the laws of the United States, the Commonwealth of Pennsylvania, or any other state, territory, foreign country or dependency.

"Covenant Not to Compete" A Covenant Not To Compete is defined as one party promises to compensate another to refrain from working in a certain profession or business, within a limited geographical region, for a certain period of time, and is not comparable to income from the sale of good will. Nor can money received under a non-compete contract be considered investment income, for the payments are directly dependant upon the conduct of the person receiving the money.

A Covenant Not To Compete is a sort of non-activity. A "non-activity" is defined as deliberately refraining from doing something. It is a positive absence of activity – as in an affirmative restraint. Each day throughout a certain time period, the payee taxpayer is under a duty to refrain from working in that profession or business. Performance under a covenant not to compete is a deliberate and purposeful non-activity, and while inactivity is generally weak and dissipating, non-activity can be extremely powerful and potent, and can be just as powerful as activity. Example: A covenant not to compete agreement is so important in our society that courts may even enforce them by issuing injunctions – a rare civil remedy – in addition to awarding money damages.

"Current year." The calendar year for which the tax is levied.

"Domicile." The place where one lives and has his/her permanent home and to which he/she has the intention of returning whenever he/she is absent. Actual residence is not necessarily domicile, for domicile is the fixed place of abode which, in the intention of the taxpayer, is permanent rather than transitory. Domicile is the voluntary fixed place of habitation of a person, not for a mere special or limited purpose, but with the present intention of making a permanent home until some event occurs to induce him/her to adopt some other permanent home. In the case of businesses, or associations, the domicile is the place considered as the center of business affairs and the place where its functions are discharged.

"Earned Income." Whenever the phrase “earned income” is used in these regulations, it means the same as “compensation” as defined above.

"Employee." A person employed by an employer for a salary, wage, commission or other compensation. An employee is any person who renders services to another for financial consideration or its equivalent, under an express or implied contract, and who is under the direction and control of the latter and includes temporary, provisional, casual, or part-time employees.

"Employer." A person, partnership, association, corporation, institution, governmental body or unit or agency, or any other entity employing one or more persons for a salary, wage, commission or other compensation.

"Income Tax Officer or Officer." Person, public employee or private agency designated by the governing body to collect and administer the tax on earned income and net profits.

"Independent Contractor." A person who follows an independent trade, business or profession in which services are offered to the general public. An independent contractor is any person who, while performing services, is not under the direction and control of another person, as to the result of the work and the means and methods by which that result is accomplished. Where an independent contractor is in the permanent or part-time employment of an employer, however, that contractor will be considered an employee of the employer for the purpose of withholding the tax due under the Resolution and Ordinances.

DRAFT

“Limited Liability Company**”** or “Company.” An association that is a limited liability company organized and existing under Pa. Act 106 of 1994, known as the Limited Liability Company Act, or organized and existing under an Act of another state or commonwealth.

“Limited Partnership**”** A type of partnership comprised of one or more general partners who manage the business and who are personally liable for partnership debts, and one or more limited partners who take no part in running the business, and who incur no liability for partnership obligations beyond the contribution they invested in the partnership.

“Net Losses” The excess of all expenses and losses for a period over all revenues and gains of the period.

"Net Profit." The net income from the operation of a business, profession, or other activity, except corporations, after provision for all costs and expenses incurred in the conduct thereof, determined either on a cash or accrual basis in accordance with the accepted accounting principles and practices in such business, profession, or other activity, but without deduction of taxes based on income. The term does not include income which is not paid for services provided and which is in the nature of earnings from an investment. For taxpayers engaged in the business, profession or activity of farming, the term shall not include: (1) any interest earnings generated from any monetary accounts or investment instruments of the farming business; (2) any gain on the sale of farm machinery; (3) any gain on the sale of livestock held twelve months or more for draft, breeding or dairy purposes; and, (4) any gain on the sale of other capital assets of the farm.

“Net Profits.” The Net Profits is the netting of all Net Profit and Net Losses which an individual may incur from multiple business activities.

“Nonqualified Compensation Plan” A nonqualified deferred compensation plan is a plant that provides for the long-term deferral of compensation, although does not include qualified employer plans.

DRAFT

"Nonresident." A person, partnership, association or other entity domiciled outside the taxing district.

"Person or Individual." A natural person.

"Preceding year." The calendar year before the current year.

“Qualified deferred compensation plan” A qualified deferred compensation plan includes but is not limited to a qualified retirement plan, tax-deferred annuity, or simplified employee pension.

"Resident." A person, partnership, association or other entity domiciled in the taxing district.

"Resolution or Ordinance." Legislation adopted or enacted by the political subdivisions comprising the taxing district, empowering or levying the tax for a given year, or any part thereof.

"S Corporation." A corporation that is eligible to choose S Corporation status and whose shareholders have elected S Corporation status pursuant to the provisions of the United States Internal Revenue Code and Pennsylvania Department of Revenue regulations.

"Succeeding Year." The calendar year following the current year.

"Tax." The tax on earned income and net profits adopted or enacted by the political subdivisions comprising the taxing district under authority of Commonwealth Act 511 of 1965 , P.L. 1257 as amended, known as "The Local Tax Enabling Act", further amended by Act 166 of 2002 and Act 24 of 2004.

"Taxing District." The State College Area School District and the Borough of State College and the Townships of College, Ferguson, Halfmoon, Harris, Patton and Benner Independent levying a tax on earned income and net profits.

"Taxpayer." A person, partnership, association, or any other entity required there under to file a return of earned income or net profits, or to pay a tax thereon.

DRAFT

“Total Income.” The sum of “Earned Income” plus “Net Profits”.

ARTICLE II
IMPOSITION OF TAX

SECTION 201. PERSONS SUBJECT TO TAX:

All residents of the taxing district, and nonresidents, who are not required to file and/or pay a local tax on income elsewhere, are subject to the tax. A resident is a person who is domiciled in the taxing district as evidenced, among other things, by one or more of the following:

A. By customarily being physically present, sleeping and eating there;
B. By holding him/herself out as residing there, i.e., giving address in registration for licenses, voting, and payment of personal or property taxes, and State or Federal income taxes;
C. By his/her spouse and minor children living there;
D. By maintaining religious, civic and club affiliations there;
E. By the center of his/her affairs appearing to be there.

Domicile is a person's fixed and permanent home to which he/she has the intention of returning whenever absent. A person may have only one domicile at any given time. Domicile does not change until a person moves to another abode with the intention of making a permanent home there and abandoning his/her previous domicile. If a person moves to another abode with the intent to stay there for a fixed or limited time, no matter how long, domicile does not change. The Officer based upon all facts and circumstances relevant to each case shall determine domicile.

SECTION 202. WHAT IS TAXED:

The tax is imposed on earned income and net profits as both are defined in Article I of these Rules and Regulations. These items are subject to the tax whether a taxpayer receives them directly or through an agent and whether a taxpayer receives them in cash or in another medium. Where a taxpayer has received something, a portion of which is attributable to remuneration for services rendered ("the earnings component") and another portion of which is not attributable to remuneration for services rendered then only the "earnings component" shall be subject to the tax.

DRAFT

SECTION 203. WHAT IS INCLUDED IN EARNED INCOME:

Examples of earned income (without intending in any way to limit the provisions of the Resolution and Ordinances to these examples) are:

A. Salaries.

B. Wages.

C. Commissions.

D. Bonuses.

E. Drawing accounts as reported on current year's Form W-2. (If amounts received as a drawing account exceeds the salary or commissions earned the tax is payable on the amount received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly.)

F. Incentive Payments. Payments, other than usual compensation, received from employers or on behalf of employers for the purpose of inducing the employee to make a decision such as buying out an agreement or contract, moving to another location, covenant not to compete or accepting an early retirement or "Golden Parachute Settlement" are incentive payments and constitute earned income. Incentive payments are not considered to be non-taxable retirement pay. If the payment/settlement of such sums is to be made in the future, the payments shall be taxed in the year they are received. Incentive payments also include such things as: Stock Appreciation Rights--where an employee receives compensation consistent with the appreciation in value of an employer's stock over a defined period of time--and phantom stock plans--where the employee does not actually own shares of an employer's stock but is compensated based on the increase in value of the stock and is also given a credit consistent with the value of the stock on a specific date. Where these incentive payments are to be converted to cash at some future date, they will be considered to be received by the employee when the cash payment is made to the employee.

G. Tips and gratuities.

H. Honoraria.

I. Fees, when earned by directors, executors, administrators, trustees or fiduciaries for services rendered or decisions made.

DRAFT

J. Benefits accruing from employment, including, but not limited to, annual leave, vacation, holiday, sickness, and separation benefits, but excluding benefits mentioned in Section 205 A of these Regulations.

K. Taxes assumed by the employer for the employee. The payment of taxes by an employer in consideration of services rendered by the employee is a gain derived by the employee for his/her labor and is therefore considered to be earned income. This income is taxable in the year that it is reported on Form W-2.

L. Regular wages received during a period of sickness or disability.

M. Employee's contributions to annuities, qualified deferred compensation plans, and qualified old age programs.

N. Fair market value of meals and lodging furnished by employers to domestics or other employees for the convenience of the employee.

O. National Guard Pay and Military Reserve Pay (except active duty.)

P. Stipends paid to Graduate Assistants.

Q. Salaries or wages paid by organized religious bodies to ministers, rabbis, clergy, evangelists or religious workers.

R. Premature distributions from a qualified old age or retirement benefit program received by a taxpayer prior to his/her actual date of retirement are taxable on the employer's contributed portion if the distribution is not rolled into another qualified old age or retirement benefit program.

S. Mortgage assistance provided by an employer in lieu of other compensation.

T. Payments received as consideration for refraining from the performance of services under an agreement/covenant not to compete.

U. The "earnings component" of stock option plans, both qualified and non-qualified, when the option is exercised. The "earnings component" is the difference between the stock option price and the fair market price of the stock at the time the stock option is exercised.

V. Stock bonus plans.

W. Taxpayer payments realized in the form of "debt forgiveness" as payment for compenable services provided by a taxpayer.

X. Guaranteed payments to partners.

DRAFT

Neither the kind nor rate of payment, nor the manner of employment exempts an employee from the tax. Compensation received in a medium other than cash shall be taxed at its fair market value at the time of receipt.

A summary listing of taxable and non-taxable items is included as an Addendum to these Rules and Regulations.

SECTION 204. WHAT IS INCLUDED IN NET PROFITS:

Examples of net profits (without intending in any way to limit the provisions of the Resolution and Ordinances to these examples) are:

A. The net profits of a business, profession or farm conducted by a sole proprietor whether such activities are conducted within or outside the taxing district.

B. The net profits of a business, profession or farm conducted as a partner whether such activities are conducted within or outside the taxing district. Each partner must pay the tax on his/her share of the net profits whether or not it is actually distributed to him/her.

C. Royalties from copyrights, patents and oil, gas and mineral properties where the taxpayer is in business as a writer, author, composer, inventor, etc. or holds an operating interest in the oil, gas or mineral property.

D. Net profits from the operation of hotels, motels, tourist homes, boarding houses, bed and breakfast establishments, mobile home parks and other similar businesses.

E. Net profits from the business of renting personal property.

F. Net profits from the business of renting real property where the lessor actively manages and supervises the property by furnishing labor and services to the leased premises.
(See also Section 205 H.)

G. Trusts and Estates. Every trust or estate must pay the tax on net profits resulting from its engagement in any business, trade or other activity on behalf of a taxpayer which would otherwise require the filing of a return by that taxpayer.

H. All other net profits of business activities except any portion thereof resulting from items not taxed under the provisions of the Resolution and Ordinances as set forth in Section 205 hereof.

I. Guaranteed payments.

J. Covenants Not To Compete executed after 12/31/2001 which involve taxpayers who are not

employees. The promise not to compete and the subsequent under taking of that effort pursuant to a business arrangement is sufficient ot bring this within the purview of the Net Profits Tax. The fact that this is a negative covenant or rather, a promise not to do something, does not remove it from the realm of a business activity which is undertaken as part and parcel of a contract for a fee. The act of not competing is the consideration contributed to this contract by the taxpayer. It is consideration that has a business purpose, not a personal purpose.

K. "Bonus Depreciation" Business bonus depreciation amounts are to be calculated for local tax purposes in the same manner as calculated for Pennsylvania personal income tax purposes (not according to federal tax provisions).

In determining net profits subject to tax, you must report all income and losses from business, farm and partnerships. In determining this amount, you may offset your own business income from one schedule with your own business loss from another.

EXAMPLE: A person who receives net profits from the operation of a sole proprietorship may offset against such profits the net losses incurred as a partner in another business activity.

A summary listing of taxable and non-taxable items is included as an Addendum to these Rules and Regulations.

SECTION 205. EXCLUSIONS FROM TAX:

The following items are not considered to be earned income or net profits and are not subject to tax. These items may not be utilized as deductions against earned income or net profits.

A. Sick pay and disability benefits paid by third party insurers.
B. Benefits paid under any public assistance, unemployment or workers compensation legislation.
C. Compensation or bonuses paid by a State or the United States for active military service in the Armed Forces.
D. Death benefits payments to an employee's beneficiary or estate, whether payable in a lump sum or otherwise.
E. Proceeds of life insurance policies.

DRAFT

F. Cash or property received as a gift, by will, or by statutes of descent and distribution.

G. Interest and dividends.

H. Rents derived from passive or investment ownership or subleasing of real estate without the furnishing by the lessor of services to the leased premises or to the lessee other than gas, electricity, water, sewage, and heat. (Such rents are considered to be the return solely from invested capital and not profits from the operation of a business activity taxed by the Resolution and Ordinances). Furnishing of services to the common portion of the premises, and general preservation of rented real estate shall not make rents described in this paragraph taxable. (See also Section 204 F.)

I. Value of meals and lodging furnished by employers to domestics or other employees for the convenience of the employer on the employer's premises. However, when board or lodging is provided by the employer and the employee is not required to reside on the premises by his or her employer, the fair market value of the board or lodging shall be included in the employee's earnings as it shall be taxable.

J. Capital gains.

K. Social security benefits.

L. Veterans Administration allotments for subsistence or disability.

M. Income from pensions or distributions from qualified old age or retirement benefit plans received upon retirement.

N. Lottery and gambling winnings.

O. Distributions from annuities or qualified deferred compensation plans to the extent that such distributions represent a return of the taxpayers own contribution upon which he/she originally paid the tax.

P. Deferrals to a nonqualified deferred compensation plan.

Q.. Damages for personal injuries.

R.. Payments received for child support and alimony.

S.. Scholarships and fellowships awarded from detached generosity on the basis of financial need or academic achievement for the sole purpose of encouraging or allowing the recipient to further his/her educational development and not as compensation for past, present, or future services.

T. Prizes and awards unless the recipient must render substantial service as a condition to receiving the prize or award.

DRAFT

U. S Corporation Income. Provided however, that earned income received by a taxpayer as a shareholder or employee of an S Corporation such as W-2 wages, consulting income, or other income set forth on a 1099 is not excluded.

V. Profit from casual exchange or sale of property.

W. The net profits derived from passive or investment interest as a limited partner in a business, profession or farm where the investor does not actively and materially participate in the management or operation of the partnership.

X. The net profits derived from a non-operating investment interest in petroleum or mineral resources in place unless they serve an operational function in the conduct of the investor's business.

Y. Distributions from profit sharing plans and other deferred compensation plans to the extent that such distributions represent a return of the taxpayer's own contributions upon which he/she originally pay the tax.

Z. Supplemental unemployment benefits.

AA. Strike benefits.

AB. Life Insurance premiums paid by an employer.

AC. Employee discounts.

AD. Employer contributions to annuities, deferred compensation plans, qualified old age or retirement benefit programs.

AE. Employer provided automobile, living or moving allowance where the amount of the allowance does not exceed the actual expenses incurred by the employee.

AF. Employer's reimbursement of an employee's automobile, business, moving and travel expenses where the amount of the reimbursement does not exceed the actual expenses incurred by the employee.

AG. Federally taxable non-cash fringe benefits. A summary listing of taxable and non-taxable items is included as an Addendum to these Rules and Regulations.

AH. Where payment received by an employee consists of a portion that is payment for services rendered ("the earnings component") and a portion that is not attributable to remuneration for services rendered, then only the earnings component shall be subject to tax.

AI. Payments by employers, employees or labor unions made pursuant to a cafeteria plan qualifying under Section 125 of the Internal Revenue Code of 1986.

AJ. Parsonage/housing/rent/utilities payments received by clergy.

AK. Jury Duty Pay

DRAFT

SECTION 206. RESIDENT TAXATION:

The entire earned income and net profits received and/or earned by a resident of the taxing district is subject to this tax. Neither the source of the earned income or net profits nor the place where it is received and/or earned exempts a resident from the tax.

SECTION 207. NONRESIDENT TAXATION:

The entire earned income and net profits received and/or earned within the taxing district by a non-resident who is not required to pay a similar tax elsewhere is subject to taxation by the municipality in which the person temporarily resides. Any person claiming non-resident status, must provide proof of legal residency such as a passport with valid student or exchange visitor visa, driver's license, etc. or proof of filing and payment of local taxes elsewhere for the concurrent time period. Non-residents are not subject to taxation by the School District.

A. Taxpayer Electing to File as Non-Resident

Taxpayers who elect to calculate their local earned income and net profits tax return at the non-resident filing rate are required to provide documentation to substantiate their filing status. Decisions related to residency are based upon the application of the provisions of Act 511 and are not necessarily related to the regulations and determinations of the United States Immigration and Naturalization Service or the residency requirements for Pennsylvanian based universities. Taxpayers filing as non-residents are classified into general categories. For each specific category, supporting evidence requirements vary. This list includes but is not limited to:

NRPA Claiming residency in Pennsylvania but outside municipality
NRUS Claiming residency outside Pennsylvania, within United States
NRFN Foreign national

B. Documentation to support each category is as follows:

1. Pennsylvania Resident (NRPA)

   a. If the taxpayer is required to file locally at their legal domicile, a copy of the return filed in

that municipality must be provided. The copy must include the local tax return, W-2, 1099, or other federal form or schedule used to substantiate earnings reported. This copy should be attached to the tax return provided by our office and filed on or before the return due date. If a payment of the tax due was remitted, a copy of the canceled check is also required.

b. If no local tax return is required to be filed at the taxpayer's legal domicile or if the tax due has been forgiven, an annual return must be filed on all earned income and net profits received and/or earned within the taxing district at the stated non-resident rate along with a photocopy of a Pennsylvania drivers license or state issued photo identification card with a current date to demonstrate the establishment of a legal domicile in another municipality.

2. United States Resident outside Pennsylvania (NRUS)

a. If the taxpayer is required to file locally at their legal domicile, a copy of the return filed in that municipality must be provided. The copy must include the local tax return, W-2, 1099, or other federal form or schedule used to substantiate earnings reported. If a payment of the tax due was remitted, a copy of the canceled check is also required. Certain states allow the filing of local taxes on the state return while others have taxpayers file with a designated local tax collector. Please contact your state Department of Revenue if you need further assistance with your specific state filing.

b. If no local tax return is required to be filed at the taxpayer's legal domicile or if the tax due has been forgiven, an annual return must be filed on all earned income and net profits received and/or earned within the taxing district at the stated non-resident rate along with proof of non-residency. Examples of non-residency include but are not limited to: photocopy of a current driver's license or state issued photo identification card with a current date; copy of a receipt from The Pennsylvania State University showing proof of paying Non-PA tuition; copy of current State tax return from your legal domicile.

3. Foreign National (NRFN)

a. Work authorization card (if applicable). It should be noted that if a designation of practical training appears on the card and the visa type as shown below is taxable at the non-resident

DRAFT

rate, the tax return should be filed as a non-resident. However, if both of these tests are not met, the return must be filed at the resident rate for local tax purposes.

b. Current Visa

c. Certificate of Eligibility for Nonimmigrant Student (F-1status)/or Exchange Visitor (J-1 status) form provided from The Pennsylvania State University such as Form I-20 or IAP-66.

d. Residents of Mexico and Canada working in the United States are required to file federal tax form 1040NR or 1040NREZ. A copy of this form must accompany the local tax return along with any supporting documentation that is available to confirm legal domicile such as a driver's license issued by Canada or Mexico.

4. Expired Documents or Licenses

Please note that all documents submitted must bear a current status or date for the tax year in question. Expired documents cannot be submitted as valid proof that a legal domicile is maintained elsewhere outside the taxing district.

C. VISA Status Codes and Taxability

Specific visa codes that apply to visitors in our municipality include but are not limited to the following:

F1	Academic Student	Taxable at non-resident tax rate
F2	Spouse or child of F1	Not authorized for employment, taxed at resident rate
J1	Exchange visitor	Taxable at non-resident rate
J2	Spouse or child of J-1	Not authorized for employment, taxed at resident rate Authorized to work, taxed at resident rate
H1B	Worker specialty occupation	Legal alien, allowed to work, taxable at resident rate
H2A	Agricultural worker	Legal alien, allowed to work, taxable at resident rate
H2B	Non-agrarian seasonal worker	Legal alien, allowed to work, taxable at resident rate
H3	Trainee	Legal alien, allowed to work, taxable at resident rate
H1A	Registered nurse	Allowed to work, taxable at resident rate
H4	Spouse or child of H1B	Not authorized for employment, taxed at resident rate

D. Failure or Refusal of Taxpayer to Provide Documentation to Support Non-Resident Filing

Taxpayers who wish to file at the non-resident rate must provide the documentation required to allow the tax office to determine if the non-residency requirements have been met for each

specific tax year. Failure to do so results in the taxpayer being subject to the resident tax rate. The tax office has no requirement to obtain this documentation on behalf of taxpayers. Each year's tax return is deemed to be a separate filing that requires documentation at the time of filing. The tax office cannot transfer documentation from one tax year to another since it may be expired or no longer applicable.

E. Change in Status - before January 1 of the current tax filing year

Taxpayers who have been granted a change in their visa status prior to the start of the current tax year must file the current tax year at the presently held visa status. Prior year tax returns that are outstanding must also be filed at the current status since the intent of the original visa application was not fulfilled and steps have been taken to change the nature of their visit to the municipality.

F. Change in status - during current tax filing year

Taxpayers who have been granted a visa status change between January 1 and December 31 of the current tax return year must file the entire calendar year at the current visa status. Prior year tax returns that are outstanding at the date of the visa change must be filed at the current status since the intent of the original visa application was not fulfilled and steps have been taken to change the nature of their visit to the municipality.

G. Change in status - after December 31 of the current tax filing year

Taxpayers who have been granted a visa status change after the last day of the tax return filing year and before the filing of their final earned income and net profits tax return must file the return at the current visa status. Prior year tax returns that are outstanding at the date of the visa change must be filed at the current status since the intent of the original visa application was not fulfilled and steps have been taken to change the nature of their visit to the municipality.

H. Pro-ration for tax years with status changes

It should be noted that the current status held by the taxpayer is the determining factor for filing. No pro-ration, deduction, or reductions for part-year status changes are allowed. Prior year tax returns that remain outstanding are subject to filing at the current status.

I. Documentation with conflicting expiration dates or intended purposes for Non-Resident Foreign

National (NRFN)

The tax office will review tax returns filed with supporting non-residency proof. In the event that a return is filed with documentation that bears conflicting expiration dates or intended purposes for the visit to the municipality, the tax office will apply the current visa status as the effective measure of domicile. Other documentation will remain as part of the tax return as supporting information. If the taxpayer elects to accept employment that is not related to practical training, the taxpayer forfeits his right to file at the non-residency rate.

SECTION 208. CREDITS:

Credit for earned income or net profit tax paid for the concurrent time period to another state or political subdivision will be allowed as a deduction from the liability of taxpayers for tax imposed under the provisions of the Resolution and Ordinances. Such credit will be allowed up to the maximum effective rate of the tax levied by the State College Area School District and respective Municipality, provided this credit has not been applied toward the taxpayer's liability for Pennsylvania Personal Income Tax for the same period. Evidence of the amount of gross earnings and payment of the applicable tax on earned income or net profits to another state or political subdivision for the concurrent time period is required before such credit is allowed.

Notwithstanding the foregoing, to the extent that the State College Area School District opts into the Homeowner Tax Relief Act, payment of any tax on income to any state other than Pennsylvania or to any political subdivision located outside the boundaries of this Commonwealth, by a resident of the State College Area School District, shall not be credited to and allowed as a deduction from the liability of such person for any income tax imposed by the State College Area School District.

SECTION 209. DEDUCTIONS AND LOSSES:

A. Deductions:

Employee's Unreimbursed Business Expenses. Business expenses for which an employee has not been reimbursed are allowed as a deduction from earned income provided such expenses meet the "six part test" as established by the Pennsylvania Department of Revenue. That is, the expenses must be ordinary, actual, reasonable, necessary, directly related and 100 percent allowable to employment

in order to be deducted from earned income. This means that any expense claimed as a deduction from gross earnings must be:

1. Customary and accepted in the industry or occupation in which the taxpayer is employed.
2. Directly related to the taxpayer's present occupation, as opposed to an occupation, which he/she plans to enter in the future.
3. Reasonable in amount and not excessive.
4. Necessary to enable the taxpayer to properly perform the duties of his/her employment.
5. Directly related to the performance of the duties of the taxpayer's occupation or employment.
6. 100 Percent allowable – Pa does not have federal tax accounting limitations and thresholds.

Those expenses not meeting the "six part test" are not allowed as a deduction from earned income. The taxpayer has the burden of proving that any expense claimed is ordinary, actual, reasonable, necessary, directly related to employment and 100 percent allowable and must maintain adequate and sufficient records to substantiate any such deduction taken.

Examples of expenses which may not be deducted from earned income include: travel (commuting) to and from work and parking fees incidental thereto; meals and lodging unless the “away from home” overnight test is met; capital expenditures; moving, educational, and office-in-home expenses except as allowed by the Pennsylvania Department of Revenue; and personal expenses such as medical, insurance premiums, charitable and political contributions, interest, other taxes, gifts and entertainment, dues to professional or fraternal societies, club memberships, subscriptions to publications, alimony, babysitting and child care expenses, casualty or theft losses, work clothing suitable for everyday wear, employee contributions to deferred compensation plans, and employee contributions to old age or retirement benefit programs.

Moving expenses. Expenses you pay or incur in moving yourself, your immediate family, your household goods, and your personal effects are allowable if the move is made for the benefit of your employer. Your new workplace must be at least 35 miles farther from your old residence than the location of your previous workplace.

Allowable moving expenses include the cost of transportation to your new home. You may use actual out-of-pocket costs or the federal mileage allowance. The expenses for the storage of household

goods, for meals and lodging on the way, including such costs on the day you arrive, and parking fees and tolls are also allowable.

Nondeductible expenses include your costs to sell or purchase a home, and your costs for breaking a lease. You may not deduct pre-move house hunting expenses, temporary lodging prior to moving, and any costs or expenses not directly related to moving.

B. Losses:

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.

ARTICLE III
COLLECTION AT THE SOURCE

SECTION 301. EMPLOYERS REQUIRED TO WITHHOLD:

A. Every employer having an office, factory, workshop, branch, warehouse or other place of business located within the taxing district, and who employs one or more persons (other than domestic servants in a private home) for a salary, wage, commission, or other compensation shall deduct the tax from resident and non-resident employee's wages at the time of payment thereof. All municipal and school district tax collected pursuant to these rules and regulations must be remitted to the tax collector for the municipality in which the employer is located. The rate at which the employer shall withhold is determined by the employee’s place of residency and as follows:

Employees that reside within the boundaries of the State College Area School District:

The employer shall withhold the rate imposed by the State College Area School District plus the resident rate imposed by the Borough of State College and the Townships of College, Ferguson, Halfmoon, Harris, Patton and Benner Independent.

Employees that reside outside the boundaries of the State College Area School District:
The employer shall withhold, at a minimum, the non-resident rate imposed by the Borough of State College and the Townships of College, Ferguson, Halfmoon, Harris, Patton and Benner Independent. The State College Area School District does not tax non-residents.

B. An employer who withholds the tax from employees' wages shall be a fiduciary charged with the responsibilities of a fiduciary with respect to the taxes withheld, and shall be subject to all duties imposed by law on fiduciaries.

SECTION 302. VOLUNTARY WITHHOLDING:

Any employer located outside the taxing district may voluntarily withhold the tax from employees who are residents of the taxing district but who are employed outside the district. The rate at which the employer shall withhold is the non-resident rate imposed by the Borough of State College and the Townships of College, Ferguson, Halfmoon, Harris, Patton and Benner Independent. The State College Area School District does not tax non-residents. An employer electing to voluntarily withhold must register with the tax office. When voluntary withholding ceases, the employer must notify the tax office in writing that they have ceased to complete voluntary withholdings by filing a final tax return with an effective ending date. It should be noted that employers are encouraged to withhold from each employee, residing outside the taxing district, at their applicable tax rate listed in the tax registry maintained by the Department of Community and Economic Development.

SECTION 303. REGISTRATION OF EMPLOYERS:

A. Each employer withholding or required to withhold tax pursuant to Sections 301 or 302 shall register with the appropriate Officer such employer's name, address, Federal employer identification number and such other information as the Officer may require within fifteen (15) days after becoming a

withholding employer. Following the initial registration, each employer must file an annual registration form to update their employer history file.

B. All employers who have a place of business located within the taxing district shall maintain complete records of all employees for a period of four (4) years in such form as to enable the Officer to determine the employers' liability to withhold for each employee, the actual amount of taxable income for each employee, the actual amount of tax withheld, the actual amount transmitted to the Officer and other information available to such employers as will enable the Officer to carry out his/her responsibilities.

C. Employers electing to utilize the services of a third party for purposes of payroll preparation remain fully responsible for all filing requirements.

SECTION 304. LIABILITY OF EMPLOYEE:

Failure of any employer to withhold tax shall not relieve the employee from payment of such tax, or from complying with the requirements of the Resolution or Ordinances or these Rules and Regulations relating to the filing of declarations and returns. Employers must provide the tax office with taxpayer information when the tax due has not been withheld. Information that is required includes but is not limited to: legal name of taxpayer, current mailing address, social security number, total wages, and date last employed.

ARTICLE IV
PAYMENT OF TAX AND RETURNS

SECTION 401. ANNUAL RETURNS OF TAXPAYERS:

A. On or before April 15 of each year, every person, resident or non-resident, who resided in the State College Area School District and the Borough of State College or the Townships of College, Ferguson, Halfmoon, Harris, Patton and Benner Independent for all or any part of the preceding calendar year shall file with the appropriate Officer an Annual Tax Return showing all earned income and net profits received and/or earned for the previous year. 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

DRAFT

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. When a return is made for a fiscal year, the return shall be filed within one hundred and five (105) days from the end of the taxpayer's fiscal year.

B. The Annual Tax Return shall show the taxpayer's name, social security number, residence address, place or places of employment or business, the amounts of earned income and net profits received, the amounts of tax due, the amount of any credit claimed for tax withheld by an employer or paid on estimate and such other information as may be indicated on the Return form or as may be required by the Officer. Every person subject to the tax shall file a return regardless of the fact that his/her wages have been subject to withholding of the tax by an employer and regardless of whether or not tax is due. Copies of Forms W-2 and/or 1099 shall be attached to the Annual Tax Return to substantiate earned income reported and verify the amount and disposition of tax withheld by employers. The Annual Tax Return shall be prepared and filed on the tax return form prescribed by the officer. Generic tax returns will only be accepted to replace the prescribed tax return, as long as the tax return contains all the information as the prescribed tax return and is approved by the residing tax officer.

C. If a person receives an Annual Tax Return and has no earned income to report, the word "NONE" shall be entered on the Annual Tax Return, and the return shall be signed, dated, and returned to the Officer with an annotation such as RETIRED, PERMANENTLY DISABLED, UNEMPLOYED, etc.

D. If net profits are received, the type of business, profession, or activity shall be indicated on the Annual Tax Return and the amount of the profits shall be shown on the appropriate line(s) of the Return. If a net loss is incurred in the operation of a business activity, it may be offset against the net profit of another business activity owned by the same taxpayer. If the net effect of profits results in a loss, as reported on Schedule C and/or Schedule F, a zero shall be entered on the Annual Tax Return. Taxpayers are not permitted to offset a gain in one class of income against a loss in another class of income. For example, W-2 income cannot be offset by a loss reported on Schedules C, F or Form 1065 Partnership (K-1). Copies of the appropriate supporting schedules shall be attached to the Annual Tax Return to substantiate profits and/or losses reported. Tax returns that are filed without the supporting schedules will be deemed to be incomplete tax returns and the taxpayer will not have met their filing requirement.

E. Persons residing in more than one municipality in the taxing district during the preceding calendar year must file an Annual Tax Return with the Officer for each municipality in which they resided during the previous year. A year-to-date paycheck stub or employer's confirmation of the gross

earnings and tax withheld during the taxpayer's period of residence in each municipality must accompany the tax return. Net profits may be equally divided by 12 and multiplied by the number of months of the taxpayer's residence in each municipality.

F. Amounts entered on the Annual Return may be rounded to the nearest whole dollar.

G. At the time of filing the Annual Return, the taxpayer shall pay any tax due. Remittance shall be made payable to the tax office or collector as indicated on the return. Total balances less than $2.00 need not be paid.

H. Tax Returns must be signed and dated by the taxpayer(s) in the space(s) provided. Tax returns filed without the required signature(s) are incomplete and the taxpayer(s) has not met his/her filing requirements.

SECTION 402. QUARTERLY PAYMENT BY TAXPAYERS:

A. In addition to the Annual Tax Return, a Declaration of Estimated Income Tax form must be filed by all taxpayers who reasonably expect to receive earned income or net profits in excess of $5,000 in a given calendar or fiscal year, if the tax due thereon is not withheld by employer(s). Quarterly payments of one-fourth (1/4) of the total estimated tax due for the year shall be made to the appropriate Officer at the following times:

For Quarter Comprising the Following Months in which Earned Income or Net Profits are Received.	Quarterly Payment (1/4 of total estimated tax owed) Due on or Before:
Jan., Feb., March:	April 30
April, May, June:	July 31
July, Aug., Sept.:	October 31
Oct., Nov., Dec.:	January 31

DRAFT

Taxpayers liable for estimated tax from net profits may elect to submit the tax on dates that conincide with the due dates established for the payment of estimated tax by the Pennsylvania Department of Revenue or the Internal Revenue Service.

B. Penalty and interest apply to quarterly payments of estimated tax not remitted by the due dates specified above. If a taxpayer fails to remit quarterly payments, the Tax Officer may calculate an estimated quarterly tax liability to correctly apply penalty and interest by taking the total unpaid tax balance due for the tax year and dividing the liability by four to obtain a quarterly tax due. Additional documentation can be provided by any taxpayer who believes that the quarterly factor used to calculate the penalty and interest due is incorrect.

SECTION 403. RETURNS OF EMPLOYERS AND PAYMENT OF WITHHELD TAX:

A. Every employer required to withhold the tax shall file a quarterly return on the proper form setting forth the name, social security number, residence address, municipality of residence, withholding rate, gross earnings and amount of tax withheld for each employee, and shall remit the total sum thereof to the appropriate Officer at the following times:

For Quarter Comprising the Following Months in which Wages are Paid:	Employer's Quarterly Return and Payment Due on or Before:
Jan., Feb., March:	April 30
April, May, June:	July 31
July, Aug., Sept.:	October 31
Oct., Nov., Dec.:	January 31

Taxpayers liable for estimated tax from self-employment may elect to submit the tax on dates that coincide with the due dates established for the payment of estimated tax by the Pennsylvania Department of Revenue or the Internal Revenue Service.

B. On or before February 28, of the succeeding year, every employer shall file with the officer:

1. An annual return showing the total amount of earned income paid, the total amount of tax deducted, and the total amount of tax paid to the officer for the period beginning January 1, of the current year, and ending December 31, of the current year.

2. A return withholding statement for each employee employed during all or any part of the period beginning January 1, of the current year, and ending December 31, of the current year, setting forth the employee's name, address and social security number, the amount of earned income paid to the employee during said period, the amount of tax deducted, the political subdivisions imposing the tax upon such employee, the amount of tax paid to the officer. Every employer shall furnish two copies of the individual return to the employee for whom it is filed.

C. Employers may utilize computer printouts or similar listings to transmit quarterly employee withholding data provided the required information is furnished in a format similar to the Employer's Quarterly Return form. By prior approval of the Officer, employers may furnish quarterly employee withholding data via magnetic media. In such cases, an Employer's Quarterly Return shall be completed and attached as a cover sheet to transmit the data and withheld tax to the Officer. The Tax Office reserves the right to request employers reporting for 50 or more employees on a quarterly basis to remit electronically. The format for submittal should be obtained by contacting the Tax Office.

D. Every employer who discontinues business prior to the completion of the tax year, shall, within thirty (30) days after discontinuance of business, file the returns required by this section covering periods between the last such returns and date of discontinuing business and transmit to the Officer all tax remaining due.

E. Penalty and interest apply to quarterly payments of withheld tax not remitted by the due dates specified above.

SECTION 404. FISCAL YEARS:

A. Normally taxpayers shall use the calendar year method for reporting and paying the tax.

B. A taxpayer, by filing with the Officer his written election to do so, may make returns and pay tax on the same fiscal year basis used for Federal Income Tax purposes. (Refer to Section 401 A.)

SECTION 405. CASH OR ACCRUAL BASIS:

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A taxpayer may report income on either the cash or accrual basis as those terms are used for Federal Income Tax purposes. The basis used by the taxpayer shall be the same as used by the taxpayer for Federal Income Tax purposes.

SECTION 406. RECEIPT OF INCOME OR NET PROFITS:

Income or net profits shall be taxable in the year when they are actually or constructively received by the taxpayer. Income or net profits, although not actually reduced to a taxpayer's possession, will be deemed to be constructively received by him/her in the taxable year during which it is credited to his/her account, set apart from him/her, or otherwise made available so that he/she may draw upon it at any time. The "earnings component" of stock option plans will be deemed to have been "received" by a taxpayer when the stock option has been exercised. However, income will not be deemed to be constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions, such as those relating to age, death, disability, retirement or other similar factors.

SECTION 407. PENALTY AND INTEREST:

If for any reason the tax is not paid when due, interest at the rate of six percent (.06) per annum of the amount of the unpaid tax, and an additional penalty of one-half of one percent (.005) of the amount of the unpaid tax for each month or fraction thereof during which the tax remains unpaid, shall be added and paid to the Officer. Where suit is brought for recovery of any unpaid tax, the person liable therefore shall, in addition, be liable for the cost of collection and interest and penalties herein imposed.

SECTION 408. EXTENSIONS:

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. The requirements of this section shall also be

DRAFT

deemed to have been met if the taxpayer receives an extension of time to file his/her annual income tax return from the Internal Revenue Service and/or the Pennsylvania Department of Revenue, and if written evidence that an extension has been so granted is provided to the Tax Office at the time that the Annual Tax Return is filed.

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 Tax Office in full with the application for extension.

SECTION 409. CHANGE IN FEDERAL OR PENNSYLVANIA TAXABLE INCOME:

If the amount of a taxpayer's earned income or net profits reported on his annual Federal or Pennsylvania Income Tax Return is changed or corrected either by action of the United States Internal Revenue Service or the Pennsylvania Department of Revenue or by the individual's filing of an amended annual Federal or Pennsylvania Return, which change, correction or amendment causes a change in the amount of tax owed herein, the taxpayer shall report to the appropriate Officer such change or correction within thirty (30) days after the date when the final such change or correction was determined, by filing an amended Annual Tax Return and paying any additional tax, penalty and interest due.

SECTION 410: REFUND CLAIMS BY TAXPAYER

The Local Taxpayer Bills of Rights allows a taxpayer to file a request with the local taxing authority for refund or credit of the eligible tax, as long as such a request is made within three (3) years of the due date for filing the report or tax return (with allowable extensions) or one (1) year after actual payment of the tax, whichever is later. If no report or tax return is required for the tax, a taxpayer must make a refund claim within three (3) years after the due date for payment of the eligible tax or within one (1) year after actual payment of the tax, whichever is later. For amounts paid after receipt of an Assessment Notice, the taxpayer must make a request for refund to the local taxing authority within one year of the date of the payment. A tax return filed by the taxpayer showing an overpayment will also be deemed to be a request for a cash refund unless otherwise indicated. Taxpayers may make a written request for refund on a pre-printed form adopted by the local taxing authority.

If a refund claim is denied by the local taxing authority, the taxpayer can file a petition for refund

with the Tax Appeals Board. A petition for refund must be filed within the same time limits that apply for a claim for refund and under the same administrative appeals procedures that apply to appeals of assessments. An appeal of a refund denial is subject to the same time limits that apply to a claim for refund.

SECTION 411: LOCAL TAXING AUTHORITY PAYMENT OF INTEREST ON TAXPAYER OVERPAYMENTS

The Local Taxpayer Bill of Rights requires a local taxing authority to pay simple interest on overpayments of tax at a rate equal to what the Commonwealth of Pennsylvania pays under the Fiscal Code, unless the overpayment is refunded or applied against other taxes, interest or penalties of the taxpayer within seventy-five (75) days of the later of (i) the due date for filing the report of the tax liability or (ii) the date the return or report is filed. If interest is required to be paid it shall start on the Date of Overpayment and end on the Date of Resolution. For a cash refund, the Date of Resolution is a date preceding the actual date of the refund check by not more than thirty (30) days. If there is a credit of an overpayment, the Date of Resolution is the date of the local tax authority's notice to the taxpayer of the determination of the credit, or the due date for payment of the tax against which the credit is applied, which first occurs. The current applicable interest rate is published on the Pennsylvania Department of Revenue's website at www.revenue.state.pa.us. A taxpayer's acceptance of the local taxing authority's check does not prejudice his or her right to claim additional overpayment and interest.

ARTICLE V
ADMINISTRATION AND ENFORCEMENT

SECTION 501. INCOME TAX OFFICER:

The Officer is charged with the administration and enforcement of the Resolution and Ordinances and these Rules and Regulations, and is authorized to act on behalf of the State College Area School District and respective Municipality in such administrative and enforcement matters.

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SECTION 502. TAXPAYER'S RIGHTS AND OBLIGATIONS:

In cases where questions arise regarding the application or enforcement of local tax requirements, taxpayers are encouraged to contact the designated Tax Officer to review and discuss their concerns. Most issues can be resolved at this level. At any time, taxpayers may request an interpretation or specific ruling concerning the provisions of the ordinance/resolution and rules and regulations by submitting all relevant facts in writing to the designated Tax Officer who will issue a written ruling to the taxpayer.

A. Taxpayer's Rights During an Audit or Administrative Review

1. The taxpayer has the right to be represented. Notice of representation must be in writing to the Tax Officer, signed by the taxpayer, and must contain a statement allowing the named representative to view and discuss the taxpayer's confidential information and return(s).
2. The taxpayer has the right to expect that all information requested by and submitted to the Tax Officer will remain confidential and will only be used for official purposes or as provide by law.
3. The taxpayer has the right to expect a "reasonable time" (30 days from date of notice) to respond to requests for information or payment of tax due from the Tax Officer.
4. The taxpayer has the right to expect to request extensions of time to provide information or pay any tax due, if there is "good cause" for such extensions.
5. The taxpayer has the right to appeal any adverse decision of the Tax Officer.

B. Tax Officer's Obligations during an Audit or Administrative Review:

1. The Tax Officer shall provide the taxpayer with a copy of this disclosure statement.
2. The Tax Officer shall respect the confidential nature of information gained through the audit or administrative review process.
3. The Tax Officer shall prepare a written explanation of the assessment of any tax liability determined through an audit or administrative review (including the tax period; itemization of tax due; legal basis for the determination; and itemized revisions of the tax return). Tax due includes the face value of the tax liability as well as applicable interest and penalty and any costs or service charges; fees associated with the liability.
4. The Tax Officer shall conduct the audit or administrative review in a timely manner contingent upon the receipt of all applicable and required information from the taxpayer.

DRAFT

5. In the case of an audit, the Tax Officer shall, at the request of the taxpayer, conduct a post audit conference where the audit findings and recommendations for correcting areas of noncompliance shall be explained to the taxpayer.
6. The Tax Officer shall explain the taxpayer's right to appeal the assessment of any tax liability determined during an audit or administrative review.
7. The Tax Officer shall take no lawful action against a taxpayer for the tax year in question until the expiration of the applicable response period and extensions granted, if any.

The Tax Officer may require the taxpayer to provide exact copies or certified copies of the individual's federal tax returns if the Officer can demonstrate that the federal tax return is reasonably necessary to perform an audit or administrative review of the taxpayer's local tax return. The taxpayer is solely responsible for providing this information and for any costs associated with obtaining and reproducing the required information.

C. A Statement of Taxpayer's Appeal Rights

To appeal any assessment or adverse decision of the Tax Officer, a taxpayer must complete and file an appeal form with the Municipal Tax Appeals Board within 90 days of the date of the audit, administrative review or assessment notice. The Municipal Tax Appeals Board will review the information provided by the taxpayer along with the information the Tax Officer relied upon to make the initial decision. Decisions on appeals shall be issued within 60 days of the date a complete appeal form is received by the Municipal Tax Appeals Board. Failure of the Municipal Tax Appeals Board to act within 60 days shall result in the appeal being deemed approved.

Appeals of decisions of the Tax Officer or the Municipal Tax Appeals Board by any person who has a direct interest in the decision may be filed with the court vested with jurisdiction of local tax appeals pursuant to 42 PA. C.S. (relating to judiciary and judicial procedure).

SECTION 503. EXAMINATION OF BOOKS AND RECORDS OF TAXPAYERS AND EMPLOYERS:

A. The Officer and agents designated in writing by him are authorized to examine the books, papers and records of any taxpayer or supposed taxpayer or of any employer or supposed employer in order to

verify the accuracy of any return; or, if no return was filed, to ascertain the tax due, if any. Every taxpayer or supposed taxpayer and every employer or supposed employer is required to give the Officer or any agent so designated by him, the means, facilities and opportunity for such examinations and investigations as are authorized at a location within the State College Area School District.

B. Information obtained by the Officer or any other official or agent of the Officer as a result of any return, examination, investigation, hearing, or verification required or authorized, is confidential and may not be disclosed to any person, except for official use in connection with administration or enforcement of the Resolution and Ordinances, or as otherwise provided by law.

SECTION 504. RECORDS TO BE KEPT BY TAXPAYERS:

Taxpayers and employers subject to the Resolution and Ordinances are required to keep such records as will enable the filing of true and accurate returns, whether of taxes payable upon earned income or net profits, or both; and such records shall be preserved for a period of not less than four (4) years in order to enable the Officer to verify the correctness and accuracy of the returns filed.

SECTION 505. DISPOSITION OF OVERPAYMENTS:

An overpayment may be refunded, applied to next year's estimated tax, or a combination of the two methods. A completed Annual Tax Return must be filed by the taxpayer before a request for disposition of overpayment can be considered. Depending upon the nature of the overpayment additional documentation to substantiate the request may be required by the Officer. Disposition of overpayment requests cannot be processed until the necessary documentation is provided by the taxpayer. Requests will be considered based upon relevant facts and circumstances pertinent to each case. Amounts less than $2.00 will not be refunded. All tax returns filed without the necessary signatures and documentation will be deemed to be incomplete tax returns. Any taxpayer that has failed to provide his/her signature and/or the necessary documentation has failed to file a complete tax return and any disposition of overpayment request will not be processed until these deficiencies are corrected.

SECTION 506. FINES AND PENALTIES FOR VIOLATIONS:

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Any person who violates any provision of the Resolution and Ordinances shall, upon conviction, be sentenced to pay a fine of not more than $500 for each offense plus costs, and in default of payment thereof, to be imprisoned in the County Prison for a period not exceeding thirty (30) days. Some of the violations, which may result in such conviction, are:

A. Revelation for unauthorized purposes by any Officer or agent of the Officer or taxing district of any confidential information acquired as a result of the operation of the Resolution and Ordinances or these Rules and Regulations.
B. Failure, neglect, or refusal on the part of any person, any partner of a partnership or any officer of a corporation or association to file any report or return, or to pay, deduct from wages, or transmit any tax, penalty or interest required of such person, partnership, corporation or association.
C. Failure, neglect or refusal to maintain or to reveal to the Officer or his/her authorized agent, books, records, or papers relevant to the tax imposed here under.
D. Knowingly making any incomplete, false or fraudulent report or return or attempting to do any other thing to avoid payment of the tax in whole or in part.

SECTION 507. CONCURRENT REMEDIES:

Imposition of any fine or imprisonment shall not bar either civil liability for tax, penalty or interest, or criminal prosecution for any other applicable offense under the Pennsylvania Crimes Code.

SECTION 508. FAILURE TO RECEIVE FORMS:

Failure of a taxpayer or employer to receive forms or returns required by the Resolution and Ordinances does not excuse any failure to file the reports or returns required or to pay any tax, penalty and interest due.

SECTION 509. REGISTRATION OF TAXPAYERS:

DRAFT

Every person residing in the taxing district that receives or reasonably expects that he/she will receive earned income or net profits during the calendar year must register with the appropriate Officer his/her name, residence address, mailing address if different than residence address, and social security number. All persons will thereafter be responsible for reporting changes in their name and place of residence to the appropriate Officer(s).

SECTION 510. ASSESSMENT AND COLLECTION OF UNDERPAYMENT OF THE TAX

A. If, as the result of any examination, investigation, hearing or other information which comes to the attention of the Officer, a declaration or return is determined or is reasonably believed to be incorrect, the Officer is authorized to assess and collect underpayment of tax owed by any taxpayer with respect to earned income or net profits or both. The Officer shall make all such assessments in writing to the taxpayer, stating the facts pertinent to the case and the amount of tax due and payable.

B. Any person aggrieved by an assessment made by the Officer may, within thirty days after receipt of the notice of assessment, appeal the assessment in writing to the Officer giving the reasons why the taxpayer believes the assessment to be incorrect and including all relevant documentation to support the appellant's position. The Officer shall arrange for an administrative hearing to be held within thirty days of the receipt of the taxpayer's appeal at which time the Officer will hear all of the relevant facts pertaining to the matter. The Officer shall render a decision on the taxpayer’s appeal within thirty days of the close of the hearing.

SECTION 511. PROCEDURE WHEN TAXATION NOT DEFINED IN RULES AND REGULATIONS:

In cases where a question arises as to the taxation of earned income or net profits not specified in these Rules and Regulations, then the regulations promulgated by the Pennsylvania Department of Revenue for the Personal Income Tax shall apply, or if there is no Pennsylvania regulation, the provisions of the United States Internal Revenue Code for the Federal Income Tax shall apply, so long as they are not contrary to the provisions of The Local Tax Enabling Act of 1965, as amended.

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SECTION 512. ANNUAL REVIEW OF RULES AND REGULATIONS:

A. These Rules and Regulations shall be reviewed on an annual basis by the Income Tax Officers representing the political subdivisions, which comprise the taxing district. The Officers, after consulting with municipal and school administrators, local tax practitioners and legal counsel, shall recommend amendments to these Rules and Regulations as necessary, and forward them to the governing bodies of the political subdivisions for consideration and possible adoption.

B. This section shall not preclude interim review and amendment of these Rules and Regulations as may be deemed necessary.

DRAFT

ADDENDUM A

ITEM	TAXABLE	COMMENTS	SECTION
Active Duty Military or National Guard Pa	No		205 C
Administrator's Fees	Yes	when earned for services rendered or decisions made	203 I
Alimony Payments	No		205 Q
Annual Leave Pay	Yes		203 J
Automobile Allowance Provided by Employer	No	unless allowance exceeds actual expenses incurred	205 AE
Awards	No	unless recipient must render substantial service as a condition of receipt	205 S
Back Salary or Wage Payments	Yes		203 A,B
Bequests	No		205 F
Bonuses	Yes		203 D
Cafeteria Plan Benefits	No		205 AH
Capital Gains	No		205 J
Child Support Payments	No		205 Q
Clergy Wages	Yes		203 Q
Commissions	Yes		203 C
Copyright Fees	Yes		204 C
Damages for Personal Injuries	No		205 P
Death Benefit Payments	No		205 D
Deceased Person's Salary or Wages	Yes		203 A,B
Director's Fees	Yes	when earned for services rendered or decisions made	203 I
Disability Pay (Regular Wages)	Yes		203 J,L
Disability Pay (Third Party Insurer)	No		205 A
Distributions from Annuities	No	to the extent that the distributions represent a return of the taxpayer's own contribution upon which he/she originally	205 O

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ITEM	TAXABLE	COMMENTS	SECTION
		paid the tax	
Distributions from 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	205 O
Distributions from Estates	No		205 F
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	205 X
Distributions from Qualified Old Age or Retirement Benefit Programs upon Retirement	No		205 M
Distributions from Trusts	No		205 F
Dividends	No		205 G
Drawing Accounts	Yes	as reported on current year's Form W-2	203 E
Employee Contributions to Annuities	Yes	Unless contributions are made under a Cafeteria Plan.	203 M
Employee Contributions to Cafeteria or Flexible Benefit Plans	No		203 M
Employee Contributions to Deferred Compensation Plans	Yes	Unless contributions are made under a Cafeteria Plan.	203 M
Employee Contributions to Qualified Old Age or Retirement Benefit Plans	Yes	Unless contributions are made under a Cafeteria Plan.	203 M
Employee Discounts (Merchandise or Services)	No		205 AB
Employer Contributions to Annuities	No		205 AC
Employer Contributions to Cafeteria or Flexible Benefit Plans	No	unless employee elects cash option or otherwise taxable benefits	205 AC
Employer Contributions to Deferred Compensation Plans	No		205 AC
Employer Contributions to Qualified Old Age or Retirement Benefit Plans	No		205 AC
Employer's Reimbursement of Employee's Automobile Expenses	No	unless reimbursement exceeds actual expenses incurred	205 AE
Employer's Reimbursement of Employee's Business Expenses	No	unless reimbursement exceeds actual expenses incurred	205 AE

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Employer's Reimbursement of Employee's Moving Expenses	No	unless reimbursement exceeds actual expenses incurred	205 AE

ITEM	TAXABLE	COMMENTS	SECTION
Employer's Reimbursement of Employee's Travel/Meal/Lodging Expenses	No	unless reimbursement exceeds actual expenses incurred	205 AE
Executor's Fees	Yes	when earned for services rendered or decisions made	203 I
Federally Taxable Non-Cash Fringe Benefits	No		205 AH
Fellowships	No	when awarded from detached generosity on the basis of financial need or academic achievement and not as compensation for services rendered	205 R
Fiduciary's Fees	Yes	when earned for services rendered or decisions made	203 I
Gambling Winnings	No		205 N
Gifts	No		205 F
Golden Parachute Payments	Yes		203 F
Graduate Assistantship Stipends	Yes		203 P
Gratuities	Yes		203 G
Group Term Life Insurance Premiums Paid by Employers	No	see Cafeteria Plan Benefits if applicable	205 AA
Guaranteed Annual Wage Payments	Yes		203 B
Holiday Pay	Yes		203 J
Honoraria	Yes		205 H
Housing Allowances Provided by Employer	No	when furnished for the convenience of the employer or for member of clergy	205 AD
Incentive Payments	Yes		203 F
Interest	No	unless taxpayer is in the business of lending money	205 G
Jury Duty Pay	Yes		203 W
Life Insurance Premiums Paid by Employers	No		205 AA
Life Insurance Proceeds	No		205 E

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Living Allowance Provided by Employer	No	unless allowance exceeds actual expenses incurred	205 AD
Lottery Winnings	No		205 N

ITEM	TAXABLE	COMMENTS	SECTION
Meals and Lodging Furnished for the Convenience of the Employee	Yes		203 N
Meals and Lodging Furnished for the Convenience of the Employer	No		205 I
Military Reserve Pay	Yes	except active duty	203 O
Mortgage Assistance Provided by Employer	Yes	if provided in lieu of compensation	203 S
Moving Allowance Provided by Employer	No	unless allowance exceeds actual expenses incurred	205 AD
National Guard Pay	Yes	except active duty	203 O
Net Profits from Business Activities Conducted by a Trust or Estate	Yes		204 G
Net Profits from the Business of Renting Personal Property	Yes		204 E
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	204 F
Profits from the Operation of Hotels, Motels, Boarding Houses, etc.	Yes		204 D
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	205 V
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	205 W
Net Profits of a Business, Profession or Farm Conducted by a Sole Proprietor	Yes		204 A
Net Profits of a Business, Profession or Farm Conducted as a Partner	Yes		204 B
Overtime Pay	Yes		203 A,B
Patent Fees	Yes		204 C
Payments received as Considerations for Refraining	Yes		203 T

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from the Performance of Services Under a Covenant Not to Compete			
Pensions	No		205 M
ITEM	**TAXABLE**	**COMMENTS**	**SECTION**
Premature Distribution of Employer's Contribution to a Qualified Old Age or Retirement Benefit Program	Yes	unless "rolled over" into another qualified plan	203 R
Prizes	No	unless recipient must render substantial service as a condition of receipt	205 S
Profit from Casual Exchange or Sale of Property	No		205 U
Public Assistance Benefits	No		205 B
Rents Derived from Passive or Investment Ownership or Real Property	No		205 H
Retirement Pay	No		205 M
Retroactive Salary or Wage Increases	Yes		203 A,B
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.	204 C
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-2 Wages, consulting income, or other income Set forth on a 1099 is not excluded.	205 T
Salaries	Yes		203 A
Salary and Wage Adjustments	Yes		203 A,B
Scholarships	No	when awarded from detached generosity on the basis of financial need or academic achievement and not as compensation for services rendered	205 R
Separation Benefits	Yes		203 J
Severance Pay	Yes		203 J
Shift Differential Pay	Yes		203 U
Sick Pay (Regular wages)	Yes		203 J,L

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Sick Pay (Third Party Insurer)	No		205 A
Social Security Benefits	No		205 K
Stand-by Pay	Yes		203 U
ITEM	**TAXABLE**	**COMMENTS**	**SECTION**
Stipends Paid to Graduate Assistants	Yes		203 P
Stock Bonus Plans	Yes	Only the earnings component, when exercised	203 V
Stock Option Plans - Non-qualified	Yes	Only the earnings component, when exercised	203 U
Stock Option Plans - Qualified	Yes	Only the earnings component, when exercised	203 U
Strike Benefits	No		205 Z
Supplemental Unemployment Benefits	No		205 Y
Taxes Assumed by Employer for Employee	Yes		203 L
Tips	Yes		203 G
Trustee's Fees	Yes	when earned for services rendered or decisions made	203 I
Unemployment Benefits	No		205 B
Vacation Pay	Yes		203 J
Veterans Administration Allotments for Subsistence or Disability	No		205 L
Wages	Yes		203 B
Worker's Compensation Benefits	No		205 B

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