

2007

RULES AND REGULATIONS FOR TAX ON EARNED INCOME AND NET PROFITS

All residents, non-residents, and employers within the Bellefonte Area School District, the Borough of Bellefonte, and Townships of Benner, Marion, Spring and Walker 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.

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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.

"Business." An enterprise, activity, profession or any other undertaking of an unincorporated nature 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.

"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, 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.

"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.

"Net Profits." 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.

"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.

"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.

"Taxing District." The Bellefonte Area School District and the Borough of Bellefonte and the Townships of Benner, Marion, Spring and Walker 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.

"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."



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.

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 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.
- 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, 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.

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.

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.
- 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.
- 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 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. Damages for personal injuries.
- Q. Payments received for child support and alimony.
- R. 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.
- S. Prizes and awards unless the recipient must render substantial service as a condition to receiving the prize or award.
- T. 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.

- U. Profit from casual exchange or sale of property.
- V. 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.
- W. 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.
- X. 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.
- Y. Supplemental unemployment benefits.
- Z. Strike benefits.
- AA. Life Insurance premiums paid by an employer.
- AB. Employee discounts.
- AC. Employer contributions to annuities, deferred compensation plans, qualified old age or retirement benefit programs.
- AD. Employer provided automobile, living or moving allowance where the amount of the allowance does not exceed the actual expenses incurred by the employee.
- AE. 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.
- AF. 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.
- AG. 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.
- AH. Payments by employers, employees or labor unions made pursuant to a cafeteria plan qualifying under Section 125 of the Internal Revenue Code of 1986.

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 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
H1B	Worker specialty occupation	Authorized to work, taxed 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 Bellefonte 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 Bellefonte 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 Bellefonte 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 Bellefonte 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 50 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:

Taxpayers are not permitted to offset a loss in one class of income (net loss) against a gain in another class of income (compensation). Taxpayers are permitted to offset a gain in one business activity against a loss in another business activity owned by the same taxpayer. 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 person's 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 compensation 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 Bellefonte Area School District:

The employer shall withhold the rate imposed by the Bellefonte Area School District plus the resident rate imposed by the Borough of Bellefonte and the Townships of Benner, Marion, Spring and Walker.

Employees that reside outside the boundaries of the Bellefonte Area School District:

The employer shall withhold, at a minimum, the non-resident rate imposed by the Borough of Bellefonte and the Townships of Benner, Marion, Spring and Walker. The Bellefonte 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 Bellefonte and the Townships of Benner, Marion, Spring and Walker. The Bellefonte Area School District does not tax non-residents.

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.

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 Bellefonte Area School District and the Borough of Bellefonte or the Townships of Benner, Marion, Spring and Walker 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. A husband and wife may file a joint return. 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

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

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

