

WEST SHORE TAX BUREAU
717-761-4900
WEB SITE: www.westab.org
FORM 531 INSTRUCTION SHEET

WEST SHORE TAX BUREAU 2007 ANNUAL EARNED INCOME TAX RETURN (FORM 531):

- **Moving Information.** The local income tax is based on your residence or DOMICILE. If you and/or your spouse have moved during the tax year please complete the MOVING INFORMATION section of the tax return. If you and/or your spouse have moved from one WSTB Member Municipality to another WSTB Member Municipality during the tax year you do not need to file a second local tax return as long as the MOVING INFORMATION worksheet is completed. PLEASE NOTE: If you have moved from a non-member municipality/school district or moved to a non-member municipality/school district during the year, YOU ARE REQUIRED TO FILE LOCAL TAX RETURNS WITH THE WEST SHORE TAX BUREAU AND THE NON-MEMBER MUNICIPALITY/SCHOOL DISTRICT.
- **Other Income (Line 2)** Please record income reported on forms 1099-MISC, 1099-R (exclude 1099 R Codes 3, 4 & 7) or 1099-C or other miscellaneous income that has NOT been included as gross income of your sole proprietorship (PA Schedule C), partnership, LLC (PA RK-1) or other business entity. **DO NOT** list income reported to you on Form 1099 DIV / INT. Unemployment Compensation should NOT be reported on your WSTB Earned Income Tax Return.
- **Transfer of one spouse's overpayment to the other spouse's balance due (Line 15)** WSTB will allow the offsetting of one spouse's balance due by the transfer of his or her spouse's current year overpayment provided both spouses are filed on the same form. Please note, if the first spouse's requested overpayment amount is reduced or denied, the second spouse's tax liability will be affected by the reduced or denied credit and a balance of tax due may result. Interest and penalties will be assessed on tax not received on or before the April 15th due date of the WSTB Annual Earned Income Tax Return. NOTE: If the 'transfer to spouse box' is not checked no transfer will be made.

MAILING ADDRESSES

PAYMENT DUE

West Shore Tax Bureau
PO Box 899
Camp Hill PA 17001

NO PAYMENT/NO REFUND DUE

West Shore Tax Bureau
PO Box 960
Camp Hill PA 17001

REFUND DUE

West Shore Tax Bureau
PO Box 1256
Camp Hill PA 17001

WHAT IS INCLUDED IN EARNED INCOME

Act 166 of 2002 and Act 24 of 2004 changed the definitions of "earned income" and "net profits" for purposes of the earned income tax imposed under the Local Tax Enabling Act, Act 511 of 1965, 53 P.S. §6901 et seq., to adopt, with certain exceptions, the definitions of "compensation" and "net profits" as set forth by the state for personal income tax purposes. The changes to the definitions of earned income and net profits are not optional. They apply for tax years beginning on and after January 1, 2003.

The definitions of "earned income" and "net profits" in the Local Tax Enabling Act, now reference the definitions of "compensation" and "net profits" that are used for the personal income tax in state law and regulations. Local taxpayers are permitted to deduct from compensation the same employee business expenses that are deductible from compensation for state income tax purposes. Interest and dividends, which are taxable under the state personal income tax, are still not taxable at the local level.

Taxable compensation at the local level is almost identical to taxable compensation at the state level, except that housing allowances provided to a member of clergy and active-duty military pay are not taxable at the local level.

Examples of earned income/compensation (without intending in any way to limit the provisions of the Resolutions/Ordinances to these examples) are salaries, wages; commissions, bonuses; drawing accounts (if amounts received as a drawing account exceed the salary or commissions earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly); incentive payments; tips; fees; benefits accruing from employment, including, but not limited to annual leave, vacation, holiday, sickness and separation payments; National Guard pay (except active duty), 1-W classification pay; stipends paid to graduate assistants; or all other forms of compensation for an employee's services. Neither the kind nor rate of payment, nor the manner of employment exempts an employee from the tax. Compensation received in the form of property shall be taxed at its fair market value at the time of receipt. Premature distributions from IRA's, Roth IRA's, 401K's, and other Qualified and Non-Qualified Retirement Plans are taxable. Please use the "PA Cost Recovery Method" to determine the taxable amount of compensation that must be reported from premature distributions from IRA's, Roth IRA's, 401K's, and other Qualified and Non-Qualified Retirement Plans. Report "Other Income" on Line 2 and file a copy of 1099R, MISC, or an explanation with tax return.

WHAT IS INCLUDED IN NET PROFITS

Act 166 of 2002 and Act 24 of 2004 changed the definitions of "earned income" and "net profits" for purposes of the earned income tax imposed under the Local Tax Enabling Act, Act 511 of 1965, 53 P.S. §6901 et seq., to adopt, with certain exceptions, the definitions of "compensation" and "net profits" as set forth by the state for personal income tax purposes. The changes to the definitions of earned income and net profits are not optional. They apply for tax years beginning on and after January 1, 2003. While the definition of "net profits" in the Local Tax Enabling Act includes net income from the operation of a business, profession or other activity, it does not include income from corporations. In addition, net profits do not include income that is "not paid for services provided" or that is in the nature of earnings from an investment. Most distributions passed through to a taxpayer by an S Corporation are considered investment income and not subject to the earned income tax, unless the distributions are based on services provided by the taxpayer.

Examples of "net profits" (without intending in any way to limit the provisions of the Resolutions/Ordinances to these examples) are: The net profits of a business or profession or of farm operations conducted by an individual or by a husband and wife, as computed according to the laws, regulations and procedure for computing PA Personal Income Tax "net profits" or "net farm profits" as required to be reported on PA Personal Income Tax portion thereof resulting from things not taxed by the Resolutions/Ordinances, (such as capital gains or interest); income from the operation of hotels, motels, trailer camps, tourist homes, boarding houses and other similar businesses; income

from the business of renting of personal property; all other net profits of an enterprise, venture, or other activity, whether such activities are conducted within or outside the Taxing District. PLEASE NOTE - The net profit and loss of each business must be SEPARATELY stated and the net profit or net loss is to be determined SEPARATELY for each business enterprise. Persons engaged in more than one business activity during the tax year may not offset a loss in one activity against the gain in another.

HOW TO HANDLE A NET LOSS

A taxpayer may offset a business loss against wages (W-2 earnings). This offset is allowed based on the PA Supreme Court decision in the O'Reilly vs. Fox Chapel School District Case decided March 16, 1989. A taxpayer may NOT offset a loss from one business entity against a net profit from another business entity, Aronson vs. City of Pittsburgh, 485 A. 2d 890 (1985). All allowable business losses must be reported on line 5. Supporting documentation required: PA Schedules C, F, E (non passive) or RK1 and/or NRK1.

WHAT IS NOT SUBJECT TO THE TAX

The following are not considered to be earned income and are not subject to the tax: 3rd party sick pay, disability or retirement benefits paid (except regular wages); payments made under any public assistance or unemployment compensation legislation; compensation bonuses paid by a State or the United States for active military service in the Armed Forces, except National Guard and 1-W pay; death benefit payments to an employee's beneficiary or estate, whether payable in a lump sum or otherwise; proceeds of Life Insurance policies; cash or property received as a gift, by Will or statutes of descent or distribution; interest and dividends; value of meals and lodging furnished to domestics or other employees by the employer for the latter's convenience; capital gains; social security benefits damages for personal injuries; scholarships; profits from limited partnerships engaged in real estate, oil, gas, mining leases or other similar investments.

UNREIMBURSED BUSINESS EXPENSES

The fact that an expense is deductible for Federal tax purposes does NOT mean that it is an allowable business expense for Earned Income Tax purposes. The Pennsylvania Personal Income Tax law allows a deduction of "allowable employee business expenses" for which the taxpayer was not reimbursed. In order to be claimed as an expense, the item must be ordinary, necessary, reasonable, actually incurred in performing the duties of the job, and directly related to present employment. NOTE: Employee business expenses can NOT be deducted from Non-Employee compensation reported on 1099MISC.

The PA Schedule UE does not cover these expenses: Deductions not allowable as business expenses; Personal, living, or family expenses; Capital expenditures normally are not an allowable business expense except through depreciation. Certain depreciation expense exclusions may be taken. Federal depreciation or cost-recovery deductions are acceptable for Pennsylvania purposes as an administrative convenience to compute allowable business expense deductions; Dues to professional or fraternal societies, Chambers of Commerce, or recreational club memberships; Subscriptions to publications; Campaign or political contributions; Charitable contributions; Commuting expenses; Cost of meals while working late except while traveling away from home overnight; Occupational privilege taxes; Child care and elderly care expenses; Life, disability income, and health service insurance premiums; Malpractice insurance premiums except where required by law or employer; Pension contributions; Fines, penalties, legal fees (except to recover back wages), and bad debts; Bribes, kickbacks, or other illegal payments; Eligible job hunting expenses and pre-employment expenses; Residential phone service (however, specific charges for telephone calls required to be made for business purposes may be deducted).

IMPORTANT - The accompanying tax return must be filed with this office by the indicated due date even if no tax is due or if all has been withheld by your employer. Failure to file your return may subject you to a fine of up to \$500.00. A HUSBAND AND WIFE MAY BOTH FILE ON THIS FORM. HOWEVER, TAX CALCULATIONS MUST BE REPORTED SEPARATELY. JOINT FILING (I.E. COMBINING INCOME, ETC.) IS NOT PERMITTED. Failure to receive a Local Earned Income Tax Return is no excuse for a taxpayer not filing a return.

WHO MUST FILE A FINAL RETURN: All residents of the municipalities and school districts listed below who are employed or self-employed and all non-residents who work or are self-employed within the municipalities and school districts listed on the table below. If you received a tax form but did NOT work, you must still return the form and indicate the reason that no income is shown (full time student, homemaker, disabled, retired, unemployed, etc.)

West Shore Tax Bureau collects the earned income/ compensation tax and the net profits tax for the following school districts and municipalities. If you were a resident of any of the listed municipalities and school districts for all or any portion of the tax year, you are required to file a return with this bureau.

TAX TABLE: TOTAL TAX RATE IS INDICATED BELOW FOR EACH OF THE MEMBER SCHOOL DISTRICTS

CUMBERLAND COUNTY TAXING AUTHORITIES:	CUMBERLAND COUNTY AND YORK COUNTY:
Camp Hill School District 2% Camp Hill Borough Cumberland Valley School District 1.6% Hampden Township; Middlesex Township; Monroe Township; Silver Spring Township East Pennsboro School District 1.6% East Pennsboro Township Mechanicsburg School District 1.7% Mechanicsburg Borough; Shiremanstown Borough; Shiremanstown Annex; Upper Allen Township;	West Shore School District 1.45% Fairview Township; Goldsboro Borough; Lemoyne Borough; Lower Allen Township; Newberry Township I; New Cumberland Borough; Wormleysburg Borough YORK COUNTY: Northeastern School District 1% Newberry Township II Northern York County School District 1.25% Carroll Township; Dillsburg Borough; Franklin Township; Franklintown Borough; Monaghan Township; Warrington Township; Wellsville Borough
*Maryland Residents will receive credit upon application by the taxpayer.	

IF YOU MOVED DURING THE TAX YEAR PLEASE BE SURE TO COMPLETE THE MOVING INFORMATION ON THE FRONT SIDE OF THE EARNED INCOME TAX RETURN. IF YOU NEED ADDITIONAL SPACE PLEASE USE A COPY OR ATTACH A SEPARATE PAGE. PRORATE INCOME AND TAX WITHHELD BY THE NUMBER OF MONTHS IN EACH MUNICIPALITY USING THE EMPLOYMENT/OTHER INCOME WORKSHEET ON THE BACK SIDE OF THE WEST SHORE TAX BUREAU ANNUAL EARNED INCOME TAX RETURN.

THESE INSTRUCTIONS ARE ONLY A SUMMARY OF THE TAX BUREAU'S RULES AND REGULATIONS. COPIES OF THE RULES AND REGULATIONS ARE AVAILABLE, FREE OF CHARGE, ALONG WITH SPECIFIC INSTRUCTIONS AND WORKSHEETS FOR OUT OF STATE TAX CREDIT/PHILADELPHIA TAX CREDITS AND FOR TAXPAYERS WHO MOVED DURING THE YEAR CAN BE FOUND AT OUR WEBSITE (www.westtab.org) OR AT THE TAX BUREAU.

INSTRUCTIONS FOR COMPLETING THE LOCAL EARNED INCOME TAX RETURN FORM 531

- Line 1. List GROSS earnings (wages, salaries, commissions, etc.) regardless where received. Attach a copy of the withholding statements (W-2) from each employer. If you had no earnings, indicate the reason why (homemaker, disabled, unemployed etc.)
- Line 2. Enter income received that was not reported to you on a form W-2. If you received a form 1099MISC for income that you did **NOT** report as part of the gross income of a sole proprietorship, partnership, LLC or other business entity, please report the income on Line 2. Please be sure to attach a copy of your form 1099MISC, 1099R (exclude 1099R Codes 3, 4 & 7), 1099C or other proof of income to your WSTB Annual Earned Income Tax Return. If you did not receive a form 1099MISC, 1099R, 1099C or other proof of income please provide a brief description of the income on the WSTB Annual Earned Income Tax Return. **DO NOT REPORT INTEREST, DIVIDENDS, or UNEMPLOYMENT COMPENSATION** on the WSTB Annual Earned Income Tax Return.
- Line 3. Business expenses for which an employee has NOT been reimbursed are allowed as a deduction from W-2 earnings, provided such expenses are required by the employer in order for the taxpayer to keep his present job. (Refer to section on Unreimbursed Business Expenses) Business deductions must be taken with regard to each employer SEPARATELY as a deduction from the business income thereof and CANNOT be consolidated in any form. Attach appropriate PA schedules (and Federal schedules if required as support to PA schedules). PLEASE NOTE: Business Expenses claimed without proper supporting documentation will be denied without notification to the taxpayer. Submit separate expense forms for each employer. NOTE: Employee Business Expenses can NOT be deducted from Non-Employee compensation reported on 1099MISC.
- Line 4. Line 1 plus Line 2 minus Line 3.
- Line 5. Enter amount of business loss. Attach the appropriate PA Schedule(s) C, F, RK-1 and/or NRK-1. PLEASE NOTE: A PA Schedule C-F is not acceptable unless it is accompanied by a Federal Schedule C or F. If appropriate documentation is not attached, Loss from business will not be allowed.
- Line 6. Subtotal (Line 4 minus Line 5) IF LESS THAN ZERO, ENTER ZERO.
- Line 7. This line is to be used by all who are SELF-EMPLOYED. Refer to section on Net Profits. If a loss is incurred, the amount of the loss must be entered on Line 5. Losses may be applied only in the year in which the loss was actually incurred and may not be carried over to subsequent years. The Net Profit and Loss of each business must be SEPARATELY stated and Net Profit or Net Loss is to be determined SEPARATELY for each business enterprise. Attach the appropriate PA Schedule(s) C, F, RK-1 and/or NRK-1. PLEASE NOTE: PA Schedule C-F is not acceptable unless it is accompanied by a Federal C or F.
- Line 8. Total TAXABLE INCOME. (Line 6 plus Line 7)
- Line 9. TAX LIABILITY (Line 8 multiplied by resident tax rate) Find your school district and municipality on the list given in these instructions and use the corresponding tax rate to calculate your total tax liability.
- Line 10. Complete Line 10 if you have made Quarterly payments, or if refund from previous tax year was credited to this tax year.
- Line 11. Complete Line 11 if you had the PA local income tax withheld by your employer. (Generally, Box 19 of W-2)
- Line 12. Complete Line 12 if you had any prior year credit, Out-Of-State or Philadelphia Tax credits as calculated on the NON RECIPROCAL STATE/PHILADELPHIA CREDIT WORKSHEET. Please note that this credit cannot exceed your local income tax liability on the income taxed by the other state or Philadelphia. Copies of the other state's non-resident tax return along with a PA 40 and PA Schedule G must be attached or the Out of State credit will be denied.
- Line 13. TOTAL TAX CREDIT (Add Lines 10 + 11 + 12)
- Line 14. REFUND/CREDIT (If Line 13 is greater than Line 9, subtract Line 9 from Line 13). Refunds or credits of \$10.00 or more must be reported by us to the Internal Revenue Service. No refunds or credits under \$1.00.
- Line 15. Complete LINE 15 if you are due a refund and you want that refund credited to your spouse.
- Line 16. TAX DUE (If Line 9 is greater than Line 13, subtract Line 13 from Line 9). Payment must be RECEIVED in this office ON or BEFORE APRIL 15th. There will be a \$20.00 fee for returned checks.
- Line 17. INTEREST & PENALTY. If received after April 15th, add penalty and interest at the rate of 1% per month. PLEASE NOTE that an extension for filing the tax return DOES NOT EXTEND THE PAYMENT DUE DATE. All tax must be received on or before the April 15th due date. NOTE: If an error results in a tax balance due penalty and interest will be assessed.
- Line 18. TOTAL AMOUNT DUE (Add Line 16 and Line 17). Make check payable to WEST SHORE TAX BUREAU.

NON RECIPROCAL STATE/PHILADELPHIA CREDIT WORKSHEET

ADJUSTED GROSS INCOME taxed by other state as shown on other state's return or for Philadelphia credit as shown on W-2 or as reported to the City of Philadelphia. (Required: attach copy of out-of-state filing & PA Sch G)	(1)
Local Tax Rate as specified in the table below	X _____ %
Local Tax Liability	(2)
Tax Liability paid to other state or Philadelphia (PHILADELPHIA CREDIT: Lesser Amount should be entered on Line 12)	(3)
Continue for OUT-OF-STATE CREDIT: PA Income Tax (Line 1 x PA Income Tax Rate)	(4)
LOCAL TAX CREDIT (Line 3 minus Line 4) If Line 4 is more than Line 3 enter ZERO, Enter lesser amount from Line 2 or 5 on Line 12	(5)

KEEP THIS PAGE
FOR YOUR RECORDS

IF YOU MOVED DURING THE TAX YEAR COMPLETE THE FOLLOWING MOVING INFORMATION:

Moved in 1/1	Address	Moved in 1/1	Address
Moved Out		Moved Out	
Moved in		Moved in	
Moved Out		Moved Out	
Moved in		Moved in	
Moved Out 12/31		Moved Out 12/31	

YOU MUST COMPLETE	Taxpayer A SS #		T/P A - NAME ↓	T/P B - NAME ↓
	Taxpayer B SS #			

1. Gross Earnings from Employment: Enclose W-2s	1		
2. Other Earned Income Do not include income from 1099-DIV/ INT or Unemployment Compensation	2		
3. Allowable Non-Reimbursed Employee Business Expenses Attach PA Sch UE	3	-	-
4. Taxable Earnings Add Lines 1 & 2 Subtract Line 3	4		
5. Net Loss Attach PA Sch C, F, RK-1 and/or NRK-1 NOTE: PA Sch C-F is not acceptable.	5	-	-
6. Subtotal Subtract Line 5 from Line 4	6		
7. Net Profits Attach PA Sch C, F, RK-1 and/or NRK-1 NOTE: PA Sch C-F is not acceptable.	7		
8. Total Earned Income Line 6 + Line 7 DO NOT ROUND past this point	8		
9. Tax Liability Line 8 multiplied by tax rate _____ (See back of Return for tax rates)	9		
10. Quarterly Estimated Payments / Credit from previous tax year	10		
11. Earned Income Tax Withheld Enter amount of PA Local Income Tax shown in Box 19 of attached W-2s	11		
12. Misc Credit See worksheet for calculating Philadelphia/Out of State Credit	12		
13. Total of 10, 11, & 12	13		
14. REFUND/CREDIT Subtract Line 9 from Line 13	14		
15. CREDIT TO NEXT YEAR/CREDIT TO SPOUSE Refund <input type="checkbox"/> Credit to Next Year <input type="checkbox"/> Spouse <input type="checkbox"/>	15		
16. TAX DUE If Line 9 is greater than Line 13-Subtract Line 13 from Line 9	16		
17. Interest + Penalty (1% per month after April 15th)	17		
18. TOTAL AMOUNT DUE Line 16 + Line 17	18		

MAKE CHECKS PAYABLE TO WEST SHORE TAX BUREAU. A FEE OF \$20.00 WILL BE CHARGED FOR RETURNED CHECKS.