

<u>ADDENDUM A</u>	
<u>TYPE OF COMPENSATION</u>	<u>TAXABLE</u>
Administrators Fee (When earned for services rendered or decisions made)	Yes
Alimony Payments	No
Annual Leave Pay	Yes
Automobile Allowance Provided by Employer (Unless allowance exceeds actual expenses incurred)	No
Awards (Unless recipient must render substantial service as a condition of receipt)	No
Back Salary or Wage Payments	Yes
Bequests	No
Bonuses	Yes
Cafeteria Plan Benefits (Insurance)	No
Capital Gains	No
Child Support Payments	No
Clergy Wages	Yes
Commission	Yes
Copyright Fees	Yes
Damages for Personal Injuries	No
Death Benefit Payment	No
Deceased Person's Salary or Wages	Yes
Directors Fees (When earned for services rendered or decisions made)	Yes
Disability Pay (Regular Wages)	Yes
Disability Pay (Third Party Insurer)	No
Distributions From annuities (To the extent that the distributions represent a return of the taxpayer's own contribution upon which he/she originally paid the tax)	No
Distribution from Deferred Compensation Plans (To the extent that the distribution represents a return of the taxpayer's own contributions upon which he/she originally paid the tax)	No
Distributions from Estates	No
Distributions for Profit Sharing Plans	No
Distributions from Qualified Old Age or Retirement Benefit Programs upon Retirement	No
Distributions from Trusts	No
Dividends	No
Drawing Accounts (As reported on current year's Form W-2)	Yes
Employee Contributions to Annuities	Yes
Employee Contributions to Deferred Compensation	Yes
Employee Contribution to Qualified Old Age or Retirement Benefit Plans	Yes
Employee Discounts (Merchandise or Services)	No
Employer Contributions to Annuities	No
Employee Contributions to Cafeteria or Flexible Benefits Plans (Unless employee elects cash option)	No
Employer Contributions to Deferred Compensation	No
Employer Contributions to Qualified Old Age or Retirement Benefits Plans	No
Employer's Reimbursement of Employee's Automobile Expenses (Unless reimbursement exceeds actual expenses incurred)	No
Employer's reimbursement of Employee's Business Expenses (Unless reimbursement exceeds actual expenses incurred)	No

<u>TYPE OF COMPENSATION</u>	<u>TAXABLE</u>
Employer's Reimbursement of Employee's Moving Expenses (Unless reimbursement exceeds actual expenses incurred)	No
Employer's Reimbursement of Employees Travel/Meal/Lodging Expenses (Unless reimbursement exceeds actual expenses incurred)	No
Executors Fees (When earned for services rendered or decisions made)	Yes
Federally Taxable Non-Cash Fringe Benefits	No
Fellowships (When awarded from detached generosity on the basis of financial need or academic achievement and not as compensation for services rendered)	No
Fiduciary's Fees (When earned for services rendered or decisions made)	Yes
Gambling Winnings	No
Gifts	No
Golden Parachute Payments	Yes
Graduate Assistantship Stipends	Yes
Gratuities	Yes
Group Term Life Insurance Premiums Paid by Employers (See also Health Insurance If Applicable)	No
Guaranteed Payments to Partners (Include RK-1)	Yes
Holiday Pay	Yes
Honoraria	Yes
Housing Allowance - Clergy	No
Housing Allowance Provided by Employer (When furnished for the convenience of the employer)	No
Incentive Payments	Yes
Income from Non-competition Agreements/Covenants (Where the agreement/covenant not to compete is severable from goodwill and dealt with as a separate item in the sale of business or separation from service)	Yes
Interest (Unless taxpayer is in the business of lending money)	No
Jury Duty Pay	Yes
Life Insurance Premiums Paid by Employers	No
Life Insurance Proceeds	No
Living Allowance provided by Employer (Unless allowance exceeds actual expenses incurred)	No
Lottery Winnings	No
Meals and Lodging Furnished for the Convenience of Employee	Yes
Meals and Lodging Furnished for the Convenience of Employer	No
Military Reserve or Active Duty in PA	Yes
Military Reserve or Active Duty pay outside PA	No
Mortgage Assistance Provided by Employer (If provided in lieu of compensation)	Yes
Moving Allowance Provided by Employer (Unless allowance exceeds actual expenses incurred)	No
Net Profits from Business Activities Conducted by a Trust or Estate	Yes
Net Profits from the Business of Renting Personal Property	Yes
Net Profits from the Business of Renting Real Property (Where the lessor actively manages the realty by furnishing labor and services to the leased premises)	Yes

<u>TYPE OF COMPENSATION</u>	<u>TAXABLE</u>
Net Profits from the Operation of Hotels, Motels, Boarding Houses, etc.	Yes
Net profits from Passive or Investment Interest in a Business, Profession, or Farm as a limited Partner (When investor does not actively and materially participate in management or operation of the partnership)	No
Net Profits from non-Operating Investment Interest in Petroleum or Mineral Resources in Place (Unless petroleum or mineral resources serve an operational function in investor's business)	No
Net Profits of a Business, Profession or Farm Conducted as a Sole Proprietor	Yes
Net Profits of a Business, Profession or Farm Conducted as a Partner	Yes
Non-Compete Agreements	Yes
Overtime Pay	Yes
Parsonage Allowance	No
Patent Fees	Yes
Pensions	No
Premature Distribution of Employer's Contribution to a Qualified Old Age or Retirement Benefit program (Unless "rolled over" into another qualified plan)	Yes
Prizes (Unless recipient must render substantial service as a condition of receipt)	No
Profit from Casual Exchange or Sale of Property	No
Public Assistance Benefits	No
Rents Derived from Passive or Investment Ownership of Retirement Pay	No
Retroactive Salary or Wage Increases	Yes
Royalties	Yes
S Corporation Income (Attach K-1)	No
Salaries	Yes
Salary and Wage Adjustments	Yes
Scholarships (When awarded from detached generosity on the basis of financial need or academic achievement and not as compensation for services rendered)	No
Separation Benefits	Yes
Severance Pay	Yes
Shift Differential Pay	Yes
Sick Pay (regular Wages)	Yes
Sick Pay (third party Insurer)	No
Social Security Benefits	No
Stand-by Pay	Yes
Stipends Paid to Graduate Assistants	Yes
Stock Bonus Plans	No
Stock Options	Yes
Strike Benefits	No
Supplemental Unemployment Benefits	No
Taxes Assumed By Employer for Employee Tips	Yes
Trustees Fees (When awarded for service rendered or decisions made)	Yes
Unemployment Benefits	No
Vacation Pay	Yes
Veterans Administration Allotments for Subsistence or Disability	No
Wages	Yes
Worker's Compensation Benefits	No

*Instructions for
Mifflin County
Boroughs and Townships
and Mifflin County
School District*
**Earned Income and Net
Profits Tax Return**

IMPORTANT

This brochure contains instructions for completion of the accompanying Earned Income and Net Profits Tax Return. Please read these instructions carefully before completing your return. If you need assistance, please contact the Tax Office listed below.

Miffco Tax Service, Inc.
139 West Market Street
PO Box 746
Lewistown, PA 17044

Telephone: (717) 242-2777
Fax: 717-242-6132

Website:

www.miffco.com

Office Hours:

Monday through Friday
8:00 a.m. till 4:00 p.m.
Wednesdays, June through December
Closed at 12:00 Noon

REMINDER

All returns **must be signed and dated** to be considered complete.

A completed Earned Income and Net Profits Tax Return is required of everyone even though the tax has been withheld by an employer. If no earned income or net profits were received, a signed and dated return stating "retired" or "no income" must be filed with the Tax Office.

I. INSTRUCTION

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

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

II. WHAT INCOME IS SUBJECT TO TAX?

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

1. EARNED INCOME

- All earned income (gross earnings) for personal services rendered by residents of the Municipality, irrespective of the place where such services are performed.
- All earned income (gross earnings) for personal services rendered by non-residents of the Municipality for work done or service performed within the Taxing District.

Some examples of Earned Income Tax are:

Salaries, wages, commission, and tips
Bonuses and incentive payments
Fees and honoraria
Employee contributions to retirement or deferred compensation plans
National Guard Reserve or Military pay and active duty in Pennsylvania
Stipends to Graduate Assistants

2. NET PROFITS

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

Some examples of Net Profits are:

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

Note: Taxpayers are not permitted to offset a gain in one class of income (earned income) against a loss in another class of income (net profits) nor are taxpayers permitted to offset a gain in one business activity against a loss in another business activity within the same class of income (net profits). If a net loss is incurred, ZERO must be entered on the appropriate line of the annual tax return or used in the affected computation. Losses may be applied only in the year in which the loss was actually incurred, and may not be carried over to subsequent years.

III. WHAT INCOME IS EXCLUDED FROM THE TAX?

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

Some Examples of Excluded Classes of Income are:

Income from passive or investment ownership of real estate
Income from pensions and retirement benefit plans
Income from interest and dividends
Income for Pennsylvania S Corporations (Attach K-1)
Profit from casual exchange or sale of property
Proceeds of life insurance
Value of property acquired by inheritance or gift
Veterans Administration allotments of subsistence or disabilities
Wage or compensation paid to persons on active military duty out of Pennsylvania
Social Security and Workers Compensation Benefits
Unemployment Compensation Benefits
Damages for personal injuries
Scholarships and Fellowships
Cafeteria Plans
Parsonage Allowance

IV. WHO MUST FILE?

- All residents of the Municipality must file an annual return of all earned income (gross earnings) for personal services rendered and net profits of businesses, professions or other activities, whether such activities are carried on within or outside the Municipality. All persons who are domiciled in the Municipality are considered to be residents for the purposes of this tax.
- All non-residents of the Municipality, who are not required to pay a local income tax elsewhere, must file an annual return on all earned income (gross earnings) for personal services rendered and net profits of businesses, professions, or other activities earned from sources within the Taxing District. Any person claiming non-residency status must provide proof of payment of local income taxes elsewhere for the concurrent time period.
- Persons residing in the Municipality for less than a calendar year must file an annual return of all earned income (gross earnings) for personal services rendered and net profits of businesses, professions or other activities earned for that portion of the year during which they were residents of the Municipality. Such persons must file an annual tax return with each Taxing District in which they resided during the calendar year including either (1) a copy of the pay-stubs indicating their year-to-date gross earnings and the amount of local income tax withheld at the date of the change of address; or (2) a statement from their employer(s) providing these figures.
- In addition to the annual return, a Declaration of Estimated Income Tax form must be filed by taxpayers who reasonably expect to receive earned income or net profits in excess of \$5000 during the year. If the local income taxes due thereon are NOT withheld by employer(s), one fourth (1/4) of the total estimated taxes owed are due on or before April 15. The remaining payments of one fourth (1/4) each are due on June 15 and September 15 of the current year, and January 15 of the succeeding year. The necessary forms are mailed to all known applicable taxpayers. Any person who reasonably expects to receive taxable income in excess of \$5000 on which the local income tax is NOT withheld by employer(s) and who does not receive a form must obtain one by contacting the Tax Office on the front of this brochure.

V. HOW TO FILE

Annual Earned Income and Net Profits Tax Returns are

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

A husband and wife may file either jointly or individually. If a joint return is used, it must be signed by both taxpayers. Only a husband and wife may file a joint return. The net losses of one spouse **MAY NOT** be deducted from the income of the other spouse when computing their combined taxable income.

VI. WHAT ARE THE INCOME TAX RATES?

Tax on Residents is 1.35% or .0135.

Tax on Non-Residents is 1.0% or .010.

VII. EARNINGS AND TAX STATEMENTS

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

VIII. DOCUMENTATION OF NET PROFITS

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

IX. REQUEST FOR REFUND

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

- RESIDENCY STATUS** – (a) Proof of payment of local income taxes elsewhere or the concurrent time period must include a copy of a tax return, applicable Form W-2(s), and copy of cancelled check, and/or copy of (b) other proof of non-residency such as a passport with valid student or exchange visitor visa, driver's license, etc.
- EXEMPT INCOME** – Scholarships and Fellowships. A letter from the donor of the scholarship or fellowship must be provided verifying your income status and the amount, nature and purpose of the award. Assistantship stipends are NOT included as exempt income and are subject to the local income tax.
- ALLOWABLE EMPLOYEE BUSINESS EXPENSES** – A copy of Pennsylvania Schedule UE along with a copy of the appropriate Federal supporting schedule must be provided. In order to be deducted from earned income, un-reimbursed expenses (union dues, fair share payments, moving expenses, etc.) must meet the "six-part test" (ordinary, actual, reasonable, necessary, directly related and 100 percent allowable) as established by the Pennsylvania Department of Revenue. Indirect or personal expenses may not be deducted. Taxpayers must maintain adequate and sufficient records to substantiate any expense deduction claimed. The taxpayer has the burden of proving that any expense claimed as a deduction from earned income is ordinary, actual, reasonable, necessary, directly related and 100 percent

allowable before a refund will be issued.

NOTE: Requests for refund cannot be processed until the appropriate documentation as specified above is provided. Refund requests will be considered based upon the relevant facts and circumstances pertinent to each case. Amounts \$3.00 or less will not be refunded.

X. WHEN TO FILE

The Earned Income and Net Profits Tax Return for the period January 1 to December 31 must be filed on or before April 15 unless you have an established fiscal year for Federal Income Tax purposes which is different from the calendar year. Final fiscal returns must be filed within 105 days following the close of such fiscal year or period.

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

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

XI. WHERE TO FILE YOUR RETURN AND PAY YOUR TAX

Your completed return should be taken or mailed to the Tax Office listed on the front of this brochure. If your balance of tax due on line 17 is \$3.00 or less, no payment is required. If your return shows a balance due of more than \$3.00, it must be paid in full at the time of filing the return. Checks or money orders should be made payable to: Milcco Tax Service, Inc. as indicated on the return.

XII. PENALTIES

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

All taxes imposed by the Ordinance and Resolution remaining unpaid after they have become due shall bear interest and penalty at the rate of 1.25% of the amount of unpaid tax for each month or fraction thereof during which the tax remains unpaid, along with a \$15.00 non-filing fee.

XIII. INQUISITORIAL POWERS

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