

**FREQUENTLY ASKED QUESTIONS**  
**LOCAL SERVICES TAX (LST)**  
*(Formerly the Emergency and Municipal Services Tax)*

Pennsylvania Act 7 of 2007 amends the Local Tax Enabling Act, Act 511 of 1965, to make the following major changes to the Emergency and Municipal Services Tax (EMST), effective for tax year 2008.

**The employer shall not deduct the \$52 LST at the beginning of the year from the employee.** The LST (\$52 for Pittsburgh) will be deducted evenly from employee paychecks throughout the year. An employee who is paid weekly would see the tax deducted at the rate of \$1 a week; while an employee who is paid bi-weekly would pay \$2 every pay.

The situs of the LST shall be the place of employment, but in the event a person is engaged in more than one occupation or municipality at the same time, the priority of claim to collect such tax shall be the municipality in which a person is principally employed. Proof of deduction is required to be submitted to the secondary employer by the employee so that they can be exempt from having the LST deducted by two employers.

Act 7 also provides for an upfront exemption when:

- Total earned income from all sources within Pittsburgh is less than \$12,000.
- On active duty.
- Employee is an honorably discharged veteran with 100% service-connected disability.

An annual upfront exemption certificate must be completed by the employee and submitted to their employer to qualify for these exemptions. The employer is required to have the Exemption Certificate available for employees to complete. An exemption certificate can be obtained at the city web site [www.city.pittsburgh.pa.us/finance](http://www.city.pittsburgh.pa.us/finance). A copy should be forwarded to Pittsburgh and the employee should keep a copy.

Employer must submit at year end a summary of employee name, wages, social security number, address and the total amount paid for the year with the 4<sup>th</sup> quarter payment.

**EXAMPLES**

1. Is the new \$12,000 low income exemption for the tax mandatory?

**Answer:** Pittsburgh is required to exempt persons whose total earned income and net profits from all sources within Pittsburgh is less than \$12,000 for the calendar year in which the LST is levied. "Income from all sources" is defined as the same "earned income" and "net profits" that are used to determine the local earned income tax.

2. How is the LST deducted from the employees and remitted to the City of Pittsburgh? Example, employees work full time in the City of Pittsburgh and all employees earn \$12,000 or more. What is the employer's responsibility?

**Answer:** The employer is required to withhold the pro-rata share of the tax by dividing \$52 by the number of payroll periods established by the employer for the calendar year. The \$52 tax would be collected at \$1 per week for taxpayers paid weekly or at \$4.33 per month for taxpayers paid monthly. When calculating the pro-rata share, employers are required to round down to the nearest one-hundredth of a dollar.

The employer should remit the LST quarterly. The LST form is provided by the City of Pittsburgh. The tax should be paid the month following the end of each quarter. You can download the LST form at [www.city.pittsburgh.pa.us/finance](http://www.city.pittsburgh.pa.us/finance)

3. At the beginning of the year, an employee expects to earn a total of \$10,000 in the City of Pittsburgh for the tax year. Should the employer withhold the LST?

**Answer:** No. If an employee files an Exemption Certificate with his employer stating that he will make less than \$12,000 for the tax year, the employer is **required not** to withhold the LST. The employer is required to have the Exemption Certificate available for employees to complete. You can download the Exemption Certificate at [www.city.pittsburgh.pa.us/finance](http://www.city.pittsburgh.pa.us/finance)

4. A new hire files an Exemption Certificate with his employer. The employer or his employee realize with 13 weeks left in the year he will make \$12,000 at this job, because he is working more hours than anticipated. He is paid weekly. Is his employer responsible for withholding the LST now?

**Answer:** Yes. After the employer realizes the employee will make \$12,000 or more, the employer should withhold \$40 from the next pay to catch-up then \$1 a pay for the remaining 12 pays for a grand total of \$52.

5. An employee has 2 jobs. Both started at the beginning of January. Job #1 is in the City of Pittsburgh and pays the employee \$3,000 a month. Job #2 is in Municipality "A" and paid the taxpayer \$2,000. Where should the tax be paid?

**Answer:** The job that pays the employee the most should be considered his principal job and in this case it would be the City of Pittsburgh. The LST should be paid to the City of Pittsburgh. The employee should file an Exemption Certificate with Municipality "A" as proof that their principal employer is located in the City of Pittsburgh.

6. Employee has two part-time jobs; one located in the City of Pittsburgh which pays him \$8,000 a year and another in Municipality "A" that pays him \$7,000 a year. Does this person need to pay the LST?

**Answer:** No. The taxpayer should file an Exemption Certificate with both employers and have no LST deducted. The Taxpayer is not subject to the LST since he did not earn \$12,000 in any single municipality. If the tax was withheld the employee could file a refund claim with each municipality after January 31 of the following year. The refund request form can be downloaded at [www.city.pittsburgh.pa.us/finance](http://www.city.pittsburgh.pa.us/finance) - the form is called **LST REFUND FORM**.

7. An individual works January thru June in the City of Pittsburgh and July thru December in Municipality "A". He earns \$10,000 a month at both jobs and is paid once a week. What is his liability to Pittsburgh?

**Answer:** His employer in the City of Pittsburgh should withhold \$1 a week for 26 pay periods and remit \$26 along with his other employees' deductions to the City of Pittsburgh. Municipality "A" would be entitled to the LST for the 2<sup>nd</sup> half of the year. The employee should file an exemption certificate and provide proof that the LST was paid to Pittsburgh for the first half of the year to Municipality "A".

8. Is a self-employed person who has an office in the City of Pittsburgh or who works out of his home located in the City of Pittsburgh subject to the LST?

**Answer:** Yes. A self-employed person is subject to the \$52 LST if they work in the City of Pittsburgh. The tax may be prorated and paid quarterly.

9. Two separate employers who are located in Pittsburgh withheld the Local Services Tax from the same employee. What should the employee do?

**Answer:** First fill out an Exemption Certificate with the employer that you earn the least with (Secondary Employer). Then you may complete a Local Services Tax Refund Application with acceptable proof of payments. Exemption Certificates and Refund forms can be downloaded **here**.

10. On January 1 employee worked for an employer in Municipality "A" who levies a flat \$10 Local Services Tax and paid \$10. In June the employee started a new job in Pittsburgh earning \$5,000 a month. Does the employee have to pay the Local Services Tax to the City of Pittsburgh?

**Answer:** (Employee must show proof that \$10 was withheld) the rate of the Local Services Tax is \$52 for Pittsburgh. If the employee works the rest of the year in Pittsburgh, the employer should withhold \$42 since the employee has already had \$10 deducted.

11. What happens if an employee discontinues working and has exceeded \$12,000? Must the employer try to collect the tax from the former employee for the remainder of the year?

**Answer: No.** The employee is now liable for the tax. If an employee quits, his previous employer only needs to withhold the tax for the payroll periods in which he was employed.

12. How is the Local Services Tax allocated for Professional Sports Teams, entertainers and other transient individuals working in the City of Pittsburgh on a temporary basis?

**Answer:** If the individual earns \$12,000 or more for the time spent in the City of Pittsburgh then the individual would owe the \$52, deducted over the length of time spent in Pittsburgh. If the individual earns under \$12,000 then the liability would be zero.

13. Non-resident contractor performs work in the City of Pittsburgh. The contractor hires some personnel from out of state to work in the City. The contractor also hires employees who live in the State of Pennsylvania to perform work. What are the obligations for LST?

**Answer:** The employer is required to have upfront exemption certificates available for employees. The employer is required to withhold the LST for employees who don't file an exemption certificate. It does not matter if an employee is from in or out of Pennsylvania. It only matters if they qualify for an exemption and they file the exemption certificate with the employer.

14. Am I required to pay the LST if I am on active military duty?

**Answer:** No. Fill out a local exemption certificate and attach a copy of your orders directing you to active duty status. Annual training is not eligible for exemption.