

Oracle Fusion Cloud Human Resources

**How do I configure Pennsylvania
local taxes?**

FA Latest



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G36645-01

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Thanks for helping us improve our user assistance!

1 How do I configure Pennsylvania local taxes?

Employees living and working in Pennsylvania require special configuration and maintenance on their Tax Withholding cards.

You can configure Pennsylvania local taxes in these ways.

In this case	This is what happens
Set up Pennsylvania subdivision (PSD) codes for work locations	Use the Locations task to review and if needed, override the PSD code for each Pennsylvania location.
Allow employees to set their PSD codes through self-service	You can allow employees to enter and update their own resident and work PSD codes on the Pennsylvania PSD component of their Tax Withholding card by enabling self-service. If enabled, this is the form they use to enter the PSD info.
Withhold local courtesy taxes	You can configure your payroll statutory unit (PSU) or tax reporting unit (TRU) to withhold local taxes for Pennsylvania residents who work outside of Pennsylvania as a courtesy.
Configure Pennsylvania and Maryland reciprocity	<p>A reciprocity agreement exists between Pennsylvania and Maryland.</p> <p>You must perform configuration at the organization level to support employees subject to this agreement.</p>
Verify and correct the PSD code for new employees	Use the Calculation Entries task to confirm that new employees are assigned to the correct PSD.
Configure exemptions to local taxes	Use the Calculation Entries task to set exemptions for local income taxes and occupational or head taxes.
Perform balance adjustments	For further info, see Oracle Cloud Human Capital Management for United States: Balance Adjustments (1600728.1) on My Oracle Support.
Verify local withholding accuracy	<p>After processing payroll, use the run results table of the Statement of Earnings (SOE) to verify:</p> <ul style="list-style-type: none">• Tax Collection District• Resident PSD code• Work PSD code <p>You can also use the audit report and audit detail from the Third-Party Periodic Tax Extract Audit processes to verify local withholding.</p>
Perform additional maintenance	<p>This involves:</p> <ul style="list-style-type: none">• Reviewing employee run results and payslips• Performing manual updates to PSD codes

2 Set Up Political Subdivision Codes for Work Locations

When you define a location with an address in Pennsylvania, the applicable Pennsylvania subdivision (PSD) code is automatically derived and captured in **Work Tax Jurisdictions** under **Legislative Info**.

To override this value:

1. Start the Location Details task.
2. Search for and open the location for editing.
3. In **Work Tax Jurisdictions**, update **PA PSD Code** and click **Submit**.
4. Run the Sync Calculation Cards for US flow.

This updates the tax card of all employees assigned to that location with the new code.

3 Enable Employee Identification of Political Subvision Codes Through Self-Service

You can allow employees to enter and update their own resident and work Pennsylvania subdivision (PSD) codes on the Pennsylvania Residency Certification form by enabling self-service. If enabled, this is the form they use to enter the PSD info.

This is how your employees can set their own PSD codes.

1. On the **Home** page, click **Me** and then **Pay**.
2. Click **Tax Withholding**.
3. In the **PA** row that includes the fields for updating the PSD info, click **Edit**.
4. Update the fields as needed.
 - **Resident PSD Code**
 - **Work Location PSD Code**

4 Withhold Pennsylvania Local Courtesy Taxes

To withhold local taxes for Pennsylvania residents who work outside of Pennsylvania as a courtesy, configure your payroll statutory unit (PSU) or tax reporting unit (TRU) appropriately.

To withhold local taxes for residents working outside of Pennsylvania:

1. From your implementation project, start the appropriate task.
 - To configure your PSU, use Legal Entity Calculation Cards.
 - To configure your TRU, use Legal Reporting Unit Calculation Cards.

Settings on the TRU override those on the PSU.

2. Set an effective as-of date, and click **Calculation Rules for Tax Reporting and Payroll Statutory Unit**.
3. In **Component Groups**, click **PA**.

Add it if it doesn't exist.

4. In **Calculation Component**, select **State Income Tax**.
5. Click **Enterable Calculation Values on Calculation Cards**.
6. Click **Create**.
7. Search for and add **Calculate PA Resident Tax for Non-PA Work Location**.
8. Enter **Y** as the value.
9. Click **OK**, and save your work.

5 Verify and Correct Political Subdivision Codes for New Employees

You must confirm that new employees have the correct Pennsylvania subdivision (PSD) code and school district on their tax cards.

The card derives these values based on their resident and work fields on their **Pennsylvania PSD** component. The New Hire process automatically populates these values based on the city of residence. You must validate and correct this info accordingly.

Refer to the Pennsylvania legislative authority for the latest PSD codes by address.

The payroll process also automatically populates the PSD code and school district for the work fields. These values are based on the info you entered when setting up your work location.

Once the resident PSD code and school district are correct, the payroll process withholds the higher of the two rates. Those rates are:

- Resident rate (city and school)
- Nonresident rate (city only)

In cases where the rate is the same, the payroll process automatically withholds the resident tax.

6 Configure Exemptions to Local Pennsylvania Taxes

Use **Withholding Exemption** in the **Pennsylvania PSD** component of the Tax Withholding card to set exemptions for these local taxes.

- Local Services Tax
- City tax
- School district tax

7 Verify Accurate Withholding of Your Pennsylvania Local Taxes

Use the run results table of the Statement of Earnings (SOE) to check the following.

- Tax Collection Districts (TCDs)
- Resident Pennsylvania subdivision (PSD) codes
- Work PSD codes

Check the local wages and taxes element to see a summary of these items in the run results.

You can also use the audit report and audit detail from the Third-Party Periodic Tax Extract Audit processes to verify local withholding. These reports show you all taxes withheld for Pennsylvania locals in the jurisdiction they're reported to. In most cases, this is the work jurisdiction.

Like the Periodic audit report, the Quarterly audit report:

1. Combines city and school wage and tax data.
2. Shows the Pennsylvania local taxes and PSD code for the jurisdiction that the taxes are reported to.

The payroll process remits the Pennsylvania local taxes to the resident location when the employee works outside Pennsylvania.

For further info, see Oracle Cloud Human Capital Management for United States: Payroll Reconciliation (2086251.1) on My Oracle Support.

8 Perform Ongoing Maintenance on Your Pennsylvania Local Taxes

After you've set up the records, you must verify that the payroll process withholds the appropriate Pennsylvania taxes. Do this by reviewing the employee's run results and payslip.

An important aspect of Pennsylvania taxation is its ongoing employee maintenance. The HR Sync process tries to keep records synced. However, these transactions require manual maintenance of the Pennsylvania subdivision (PSD) codes.

The HR Sync process doesn't automatically update this info when:

- Employee lives in a taxation district that's different than what their home address indicates.
- There is a HOME or WORK address change for an employee.

Although the HR Sync process updates the PSD code, the info might not be correct. The process bases the PSD code on the postal address city. Check to ensure the home and work PSD codes are accurate whenever there is a change to a home or work location.

- There is more than one PSD code for the city or township or more than one school district for the city or township in which the employee lives.

If there is more than one, the process uses the first PSD code in the list, which isn't always the correct one.

