Oracle Fusion Cloud Human Resources

How do I configure Pennsylvania local Earned Income Tax?

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Get Help

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Get Help

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How do I configure Pennsylvania local Earned Income Tax?

Chapter 1
How do I configure Pennsylvania local Earned Income Tax?

1 How do I configure Pennsylvania local Earned Income Tax?

Before you can process payroll that includes Pennsylvania local Earned Income Tax (EIT), it requires some special configuration.

▶ **Watch video**

Pennsylvania local EIT may require configuration in these areas.

For this	This is what you need to do
Enable Pennsylvania local earned income tax	1. Configure your locations with the political subdivision (PSD) codes. 2. Configure your organizations for Pennsylvania local tax withholding. 3. Configure your Pennsylvania employee tax cards. 4. If you're registered as a combined filer for Pennsylvania Act 32 taxes, provide your Tax Collection District (TCD) combined-filing proxy.
Enable Pennsylvania and Maryland reciprocity	Configure your organizations and employee tax cards appropriately.
Configure Philadelphia city tax withholding	The payroll process automatically withholds city taxes for people living or working in Philadelphia. However, you must perform some configuration for employees who receive tips.

Adjust balances for Pennsylvania local taxes	If balance adjustments are required for taxes that are subject to Pennsylvania Act 32 reporting, you must perform each adjustment individually for each type of balance (city, school, and local). There are multiple balances that support Pennsylvania Act 32, such as city withheld and local withheld.
	
	For further info, see the following on My Oracle Support.
	
	  • Oracle Cloud Human Capital Management for United States: Balance Adjustments (1600728.1)
	  • Oracle Cloud Human Capital Management for United States: Balance Initialization (1912298.1)

Pennsylvania resident tax for out-of-state work locations	You need to make sure you configure your organizations to calculate Pennsylvania resident taxes for out-of-state workers.
Temporary work assignments in Pennsylvania	For employees who experience a change in work assignment of 3 or more months: 1. At the beginning of the temporary assignment, set the work PSD code to the temporary assignment for the time period needed. 2. When the assignment is complete, change it back. Work assignments that last fewer than 3 months don't require any configuration.

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Chapter 2
How does the payroll process calculate Pennsylvania local
Earned Income Tax?

2 How does the payroll process calculate Pennsylvania local Earned Income Tax?

When you run the payroll process for local Earned Income Tax (EIT):

1. It compares the person's Resident Income Tax Rate (city + school) and Nonresident Income Tax Rate (city).
2. It uses the higher rate for calculating local taxes.
3. In cases where the total rate is the same, the payroll process withholds the resident tax.

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Chapter 3
Enable Pennsylvania Local Earned Income Taxes on Your
Organization

3 Enable Pennsylvania Local Earned Income Taxes on Your Organization

To enable Pennsylvania local Earned Income Tax (EIT) calculation:

1. Use the Locations task to set the Pennsylvania subdivision (PSD) code for each Pennsylvania location.
2. Configure the withholding of Pennsylvania local taxes for any employees working out-of-state.
3. Set the PSD codes on each Pennsylvania employees' Residency Certificate.

   For new Pennsylvania employees, the employee tax card inherits both the work and resident PSD codes from their work location and home address. The default resident PSD code might not be accurate. This is because Pennsylvania addresses often have varying taxation districts.

   To ensure proper taxation:

   a. Obtain the correct PSD code and school district for the employee's resident address from the PA Municipal Statistics website.
   b. Correct these entries on the employee's tax card.

   Here are some other situations where you must manually update the PSD codes on the employee's Residency Certificate.

   - The employee's work location has changed from a state other than Pennsylvania to Pennsylvania, and the employee resides in Pennsylvania. In this case, you must set the work PSD code.
   - The employee changes from one work Pennsylvania location to a different work Pennsylvania location. In this case, you must update the work PSD code.
   - When you change a person's Pennsylvania residential address.

   Note: Confirm that the PA Residency Certificate has the proper resident and work PSD codes and school districts anytime you make a location change to a Pennsylvania employee. Such as changes to the home address or work location.

4. If you're registered as a combined filer for Pennsylvania Act 32 taxes, provide your Tax Collection District (TCD) combined-filing proxy.

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Chapter 3
Enable Pennsylvania Local Earned Income Taxes on Your
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Chapter 4
Enable Pennsylvania and Maryland Reciprocity

4 Enable Pennsylvania and Maryland Reciprocity

There's a reciprocity agreement for the local taxation of Maryland residents working in Pennsylvania.

You can enable an exemption from the Pennsylvania local nonresident tax for Maryland residentsfrom these tax collection districts (TCDs).

County	TCD code
Adams	01
Berks	06
Cumberland	21
Franklin	28
Lancaster	36
York	67

These states' reciprocity agreements address these scenarios.

For this scenario	This is what happens
Employees working in Maryland and living in Pennsylvania	Pennsylvania residents are liable for withholding at the rate in effect for the Maryland county in which they're employed, unless they live in Adams, Franklin, Lancaster, or York counties. Pennsylvania residents aren't subject to Maryland state taxes. For proper withholding, ensure you: 1. Set up the employee's Tax Withholding card in the Residency Certificate section of the tax card. 2. Mark the person as **Nonresident** for Maryland on the **Regional** component of their tax card.
Employees living in Maryland and working in Pennsylvania	Maryland residents aren't required to pay Pennsylvania local taxes if they work in Adams or York counties. The payroll process doesn't withhold Pennsylvania local taxes where appropriate, as long as: 1. You have the home political subdivision (PSD) code entered as **880000** on the employee's Pennsylvania Residency Certificate on their tax card. 2. You have the work PSD code that pertains to one of those counties entered on the employee's Pennsylvania Residency Certificate on their tax card. 3. You've marked the person as **Nonresident** for Pennsylvania on the **Regional** component of their tax card.

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Chapter 4
Enable Pennsylvania and Maryland Reciprocity

For this scenario	This is what happens
	If the employees don't work in either of those counties, they're subject to Pennsylvania nonresident local taxation rates.

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Chapter 5
Configure Philadelphia City Tax Withholding

5 Configure Philadelphia City Tax Withholding

The payroll process automatically withholds Philadelphia local tax for employees living or working in Philadelphia.

- For employees living in Philadelphia, it withholds the resident rate.

- For employees working in Philadelphia but not living there, it withholds the nonresident rate if it's higher than their resident tax rate.

- For Philadelphia employees who receive tips, there are two additional balances.

    o City Uncollected Tax Tip Wages Nonresident

    o City Uncollected Tax Tip Wages Resident

    These balances report wages from which no city tax was withheld. You must perform balance adjustments on these balances to populate the data for the tax extracts.

No school district info is required.

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Chapter 5
Configure Philadelphia City Tax Withholding

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How do I configure Pennsylvania local Earned Income Tax?

Chapter 6
Withhold Pennsylvania Resident Tax for Out-of-State Work
Locations

6 Withhold Pennsylvania Resident Tax for Out-of-State Work Locations

To withhold local taxes for Pennsylvania residents who work outside of Pennsylvania, you must configure your organization.

1. Use the Legal Entity Calculation Cards task from your implementation project to perform this at the payroll statutory unit (PSU) level.

   Use the Legal Reporting Unit Calculation Cards task to perform this at the tax reporting unit (TRU) level.

   Settings you make at the TRU level override those at the PSU level.
2. Enter the effective as-of date.
3. In **Calculation Card Overview**, select the Pennsylvania regional component.

   Create it if it doesn't exist.
4. In **Calculation Components**, select **State Income Tax**.
5. Select **Enterable Calculation Values on Calculation Cards**.
6. Click **Create**.
7. Search for and select **Calculate PA Resident Tax for Non-PA Work Location**.
8. Enter **Yes** as the value.
9. Click **OK**.
10. Save your work.

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Chapter 6
Withhold Pennsylvania Resident Tax for Out-of-State Work
Locations

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