



Diocese of Altoona-Johnstown

Temporalities Secretariat

Office of Finance

927 S. Logan Boulevard

Hollidaysburg, PA 16648

Telephone: (814) 695-5579

Fax: (814) 695-8894

Website: www.ajdiocese.org

TO: Diocesan Parishes
School Principals
Parish and School Bookkeepers

RE: Calendar Year 2011 - Payroll Changes and Other Pertinent Information

FROM: Matt Reilly, Comptroller *Matt Reilly*

DATE: January 4, 2011

A. Social Security Tax/Medicare

****New Change in 2011****

The Social Security withholding for the *employee* will decrease from 6.20% to 4.20%.
The Social Security *employer* match will remain the same at 6.20%.

****New Change in 2011****

Federal Payroll Tax Deposit changes:

You should have received a notice from the IRS regarding the Federal Payroll Tax Deposit change which states that effective January 1, 2011, **you are no longer able** to make the deposits at your local financial institution.

Deposits *must* now be made by via the IRS EFTPS website or on their voice response system. You must enroll in either option and will take at least 7 business days to complete. Please enroll as soon as possible (if you have not already done so) to avoid any problems which may arise before your first payment is due.

To make your payment via the website please visit www.eftps.com and follow the instructions.

In order to make payments via the voice response system, please call 1-800-555-4477 and follow the instructions.

Medicare withholding remains the same, for both the employer and the employee, at 1.45% each.

B. Pennsylvania Income Tax Withholding:

The PA withholding rate will remain the same for the year 2011 at 3.07%.

Calendar Year 2011-Payroll Changes

C. PA Unemployment Compensation:

By now, all parishes and schools should have been enrolled in the PCC Central Unemployment Compensation Fund. The withholding rate for each employee remains at .08% (.0008) or 80 cents for each \$1,000 earned.

D. Local Income Tax Withholding:

Employers must withhold the appropriate tax from those employees residing in the same school district as the employer's business is located.

E. Local Services Tax (Formerly Occupational Privilege Tax / Emergency and Municipal Services Tax)

Effective January 1, 2008, the Local Services Tax replaces the Emergency & Municipal Services Tax or Occupational Privilege Tax. The new tax, up to \$52, is assessed on each employed individual by the political subdivision of the individual's place of employment. The Local Service Tax shall be assessed at a pro rata share of the tax for each payroll period and should be remitted to the taxing authorities each quarter. Employees who will earn less than \$12,000.00 may be exempt from the tax as long as the Local Service Tax is greater than \$10.00. To qualify for this exemption, the employee must fill out the enclosed exemption certificate. One copy goes to the parish or school and a second copy goes to the local tax agency that collects the tax.

F. Minimum Wage Rate:

The minimum wage was increased to \$7.25 per hour on July 24, 2009. No scheduled increase in the minimum wage exists at this time.

F. Filing Form 1099 MISC - Contract Wages: - Year 2010 Payments

As in the past, Federal Form 1099 should be filed for each priest and any other lay workers who have earned \$600.00 or more on a contract wage basis and were not included on your payroll tax returns. You should have on file a signed copy of Federal Form W-9 for each person you complete a Form 1099 for. You can download Form W-9 from the IRS website at www.irs.gov. A link to the form is on the left side under **Top Forms and Publications**.

A Form 1099 is prepared in triplicate for each person with one copy going to the IRS, one to the individual and the Parish retaining the third copy. Each person should be given their copy by January 31, 2011 with the IRS copies being due by February 28, 2011. The amount of non-employee compensation is entered in Box #7 on the Form 1099-MISC.

All copies of the original Form 1099-MISC are attached to a Form 1096, which is reconciliation form reflecting how many total forms and the amount being filed.

The employer is required to furnish their phone number on each recipient's copy of Form 1099. This is so they can contact you if there are any questions on the information reflected on the form. This goes in the Payer's Name and Address Box on the Form 1099.

F. Filing Form 1099 MISC - Contract Wages: - Year 2010 Payments (Continued)

A penalty may be imposed for failure to file the return or filing the return with incorrect information. These penalties range from \$15 to \$100. Higher penalties of at least \$250 per form may be imposed for intentional disregard of the filing and correct information return requirements.

G. Parishes with Employees Receiving Short-Term Disability Income:

Parishes with employees receiving disability income have been alerted quarterly that such wages are taxable and should be reported on their quarterly wage tax forms, UC-2 Quarterly Report for Unemployment Compensation and the 941 – Employer’s Quarterly Federal Tax Return) under “Third Party Sick Pay Rules”. Separate W-2 Forms should be given to these employees. (This would be employees receiving Short-Term Disability payments only.)

For instructions on the completing the 941s and the W-2s for short term disability recipients, please go to www.ajdiocese.org. Click on Diocesan Offices, then Temporalities, and then scroll down to Other Documents. There, you will find **Short Term Disability (Sick Pay) Reporting Instructions**.

Employees receiving Long Term Disability payments will receive their W-2 Forms directly from the American United Life Insurance Company.

LOCAL SERVICES TAX – EXEMPTION CERTIFICATE

Tax Year _____

APPLICATION FOR EXEMPTION FROM LOCAL SERVICES TAX

- A copy of this application for exemption from the Local Services Tax (LST), and all necessary supporting documents, must be completed and presented to your employer AND to the political subdivision levying the Local Services Tax where you are principally employed.
- This application for exemption from the Local Services Tax must be signed and dated.
- **No exemption will be approved until proper documentation has been received.**

Name: _____ Soc Sec #: _____
Address: _____ Phone #: _____
City/State: _____ Zip: _____

REASON FOR EXEMPTION

1. _____ MULTIPLE EMPLOYERS: Attach a copy of a current pay statement from your principal employer that shows the name of the employer, the length of the payroll period and the amount of Local Services Tax withheld. List all employers on the reverse side of this form. **You must notify your other employers of a change in principal place of employment within two weeks of the change.**
2. _____ EXPECTED TOTAL EARNED INCOME AND NET PROFITS FROM ALL SOURCES WITHIN _____ (municipality or school district) WILL BE LESS THAN \$ _____: Attach copies of your last pay statements or your W-2 for the year prior.

If you are self-employed, please attach a copy of your PA Schedule C, F, or RK-1 for the prior year.
3. _____ ACTIVE DUTY MILITARY EXEMPTION: Please attach a copy of your orders directing you to active duty status. Annual training is not eligible for exemption. You are required to advise the tax office when you are discharged from active duty status.
4. _____ MILITARY DISABILITY EXEMPTION: Please attach copy of your discharge orders and a statement from the United States Veterans Administrator documenting your disability. Only 100% permanent disabilities are recognized for this exemption.

EMPLOYER: Once you receive this Exemption Certificate, you shall not withhold the Local Services Tax for the portion of the calendar year for which this certificate applies, unless you are otherwise notified or instructed by the tax collector to withhold the tax.

Tax Office: _____ Phone #: _____
Address: _____ Zip: _____
City/State: _____

IMPORTANT NOTE TO EMPLOYERS

1. The municipality is required by law to exempt from the LST employees whose earned income from all sources (employers and self-employment) in their municipality is less than \$12,000 when the levied rate exceeds \$10.00.
2. The school district for the municipality in which your worksite(s) is located may or may not levy an LST. If it does, the income exemption provided may differ from the municipality and can be anywhere from \$0 to \$11,999.
3. Contact the tax office where your business worksites are located to obtain this information.

Employment Information: List all places of employment for the applicable tax year. Please list your PRIMARY EMPLOYER under #1 below and your secondary employers under the other columns. If self employed, write SELF under Employer Name column.

	1. PRIMARY EMPLOYER	2.	3.
Employer Name			
Address			
Address 2			
City, State Zip			
Municipality			
Phone			
Start Date			
End Date			
Status (FT or PT)			
Gross Earnings			

	4.	5.	6.
Employer Name			
Address			
Address 2			
City, State Zip			
Municipality			
Phone			
Start Date			
End Date			
Status (FT or PT)			
Gross Earnings			

PLEASE NOTE:

All information received by the Tax Collector is considered to be CONFIDENTIAL and is only used for official purposes relating to the collection, administration and enforcement of the LOCAL SERVICES TAX.

I DECLARE UNDER PENALTY OF LAW THAT THE INFORMATION STATED ON AND ATTACHED TO THIS FORM IS TRUE AND CORRECT:

SIGNATURE: _____ **DATE:** _____