Dear Employer:

In 2008 Pennsylvania passed a law that changes the way earned income tax (EIT) is collected and distributed by both municipalities/school districts and employers in all of Pennsylvania. It required that all municipalities and school districts in each county have only one tax collector for EIT beginning in January 2012.

The Westmoreland County Tax Collection Committee (TCC) was created and has chosen Berkheimer Tax Administrator to administer the collection of EIT in 2012.

The new law can be very confusing, particularly for employers. However, the law also requires that employers make certain changes with how much money they withhold from employees' paychecks, and where and when they remit the tax. The outline found on the back of this form, details the changes that will be implemented as of 01/01/12. In order to help employers understand the law, the Westmoreland TCC and Berkheimer have scheduled the following free programs to explain the law to employers:

Tuesday, August 23rd	10 am, 2 pm & 6 pm	Westmoreland County Court House Commissioners Room #1-2-3 2 N. Main Street Greensburg, PA
Wednesday, September 7th	10 am & 2 pm	Ligonier Town Hall 120 E Main St. Ligonier, PA 15658
Thursday, September 29th	10 am, 2 pm & 6 pm	Westmoreland County Court House Commissioners Room #1-2-3 2 N. Main Street Greensburg, PA
Thursday, October 6th	10 am & 2 pm	Allegheny Township Building 136 Community Bldg Rd Leechburg, PA 16565

These sessions will be approximately 1 1/2 –2 hours in length, and will be tailored to simplify the law, and help employers understand what they have to do to comply. Every employer must comply with this new law starting next year, and these sessions will be the easiest way for employers to understand the new requirements.

If you have any questions or concerns on the changes to be implemented on 01/01/12, you may also visit our website: www.hab-inc.com and review additional information under the ACT 32 on our site.

Sincerely,
Berkheimer Tax Administrators

ATTENTION PENNSYLVANIA BASED EMPLOYER

In 2008, the Commonwealth of Pennsylvania amended the Local Tax Enabling Act ("LTEA"), better known as Act 511 of 1965 to streamline and reform the local earned income tax collection system. We are writing at this time to notify you that this has resulted in major changes to the manner in which you will be required to withhold and remit earned income taxes on behalf of your employees. The following changes are a required part of Act 32 of 2008 and will become effective on January 1, 2012 for the 2012 Tax Year :

1. **ALL** employers with locations within Pennsylvania are required to withhold earned income taxes from their employees based on the higher of the two (2) tax rates the employee can be subjected to. i.e., the employee's resident tax rate or the employer jurisdiction's non-resident tax rate. The employer will be required to identify the rate for each employee and withhold and remit at the higher of the two (2) rates. The employer is also required to identify the Political Subdivision Code in which the business is located, as well as the Political Subdivision Code for each employee's residence in which it is remitting tax for each quarter. The changes to the law required that all taxing bodies within each county choose one tax collector to administer the earned income tax for that county. As of the 1st quarter of 2012, all employers/self reporting individuals will be required to file the taxes due with the county's chosen administrator.

   Berkheimer is pleased to offer a service to assist the employer in identifying the appropriate resident jurisdiction and tax rate for its employees. Through "Berk-e," our e-file portal, www.berk-e.com ,you have the opportunity to upload a file of employee's addresses, which our system will standardize, match to our internal coding system and return to you the appropriate resident rate and jurisdiction.

   If you have questions regarding the appropriate tax rate for an employee, information can be obtained on the State's Municipal Statistics website at: http://munstatspa.dced.state.pa.us/Registers.aspx. You would then choose the municipality and/or tax type you are looking for information on.

   Example: Employer is located in Worcester Township where the non-resident rate is 1%. Employee A resides in Collegeville Borough where resident rate is 1.4%. Employee B resides in Upper Merion Township where resident rate is 0%. The Employer would withhold at 1.4% for Employee A and 1% for employee B. Employer would remit the tax quarterly as required to the tax collector for the county it is located in.

2. Employers will be required to obtain from every employee a certification of their place of residence and the correct rate due. The form is available on the DCED's website at: www.newpa.com/webfm_send/1605) or on ours at: www.hab-inc.com/content/upload/AssetMgmt/images/PDFDocuments/CertificateOfResidency.pdf

   The form will need to be completed by all existing and new employees. The form will also need to be updated any time an employee moves. The completed form is to be retained by the employer and is subject to audit by the tax administrator.

   Berkheimer will be requiring Employers who employ-25 or more employees to file their quarterly returns electronically. For information on how to do so, please visit our website at: http://www.hab-inc.com/content/berkeonline.htm

   NOTE: Act 32 places the responsibility on the employer to assure that the proper rate is being withheld from each of its employees. Failure to do so could result in the employer being liable for any taxes due. Failure to comply with the changes, as mandated by Act 32, can result in fines and delinquent fees being assessed to both the individual and employer.

If you wish to begin withholding according to the new rules prior to the start of 2012, you may certainly do so. We will accept payments using the new rules from this point forward. If you elect to use the new rules prior to 2012 we will be happy to provide feedback on any issues so they may be addressed prior to the mandated start date.

Additional information will be forthcoming on the changes as tax year 2012 draws near. In the interim, if you have additional questions or need additional information on the changes, please visit our web site at www.hab-inc.com or that of the DCED at www.newpa.com.