

The Pennsylvania Earned Income Tax (EIT) and the Local Services Tax (LST) should be treated as two different types of taxes. We recommend that the EIT be treated as a Local Tax and the LST be treated as a one-time Deduction.

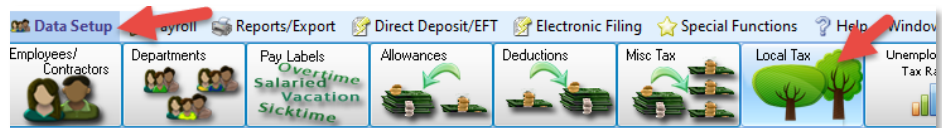
Go to <https://munstats.pa.gov/Public/FindLocalTax.aspx> to find the codes and percentages for the EIT, which is done on each employee according to their address and the church's address. The PSD (political subdivision codes) are the six-digit numbers identifying each municipality.

**Our example is for the Harrisburg, PA, area and depends on the employee's and church's addresses. The EIT usually uses the greater percentage.**

**SETUP EIT** in Church Windows Payroll. Go to Payroll>Data Setup> Local Tax

Click **Add** to add each EIT.

Fill the following information for each EIT:



**Setup New Local Tax**

Description:

Abbreviation:

State:  Tax:

Active from:  to

Local Tax Account #:

School District Tax?  Yes  No

Is Minister's housing allowance subject to this tax?  Yes  No

Is this a PA EIT tax?  Yes  No

To continue, click Next

< Back Next > Cancel

**Local Tax**

Show Inactive

Showing Taxes for Date Range:  to

Type to Search:

- *Description:* EIT - Cumberland
- *Abbreviation:* EITC
- *State:* PA
- *Tax:* Cumberland TCD (21)
- *Active from:* fill in start date
- *Misc Tax Account #:* Fill in the PSD
- *School District Tax:* No
- *Housing Allowance subject to tax:* No
- *Is this a PA EIT Tax?* Yes
- *Click:* Next

- *To which tax authority is this paid?* County
- *Is this a flat rate tax?:* Yes
- *Rate:* 1.70%
- *Click Next and Finish*

**PLEASE NOTE:** This document is an example. The set-up is for Pennsylvania EIT for Cumberland with PSD 210603. Please check the PA website for the rates for your area.

**Local Tax**

Enter information about this tax

To which tax authority is this paid?

City  County  Other

Is this a flat rate tax? (The same rate on all local wages)

Yes  No

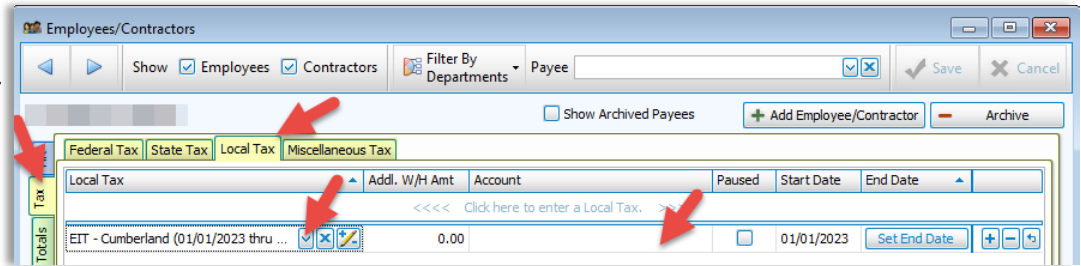
Rate:

< Back Next > Cancel

A different EIT Local Tax may be added for each employee dependent upon their address. Then, the EIT Local Tax must be added to the appropriate employee's record.

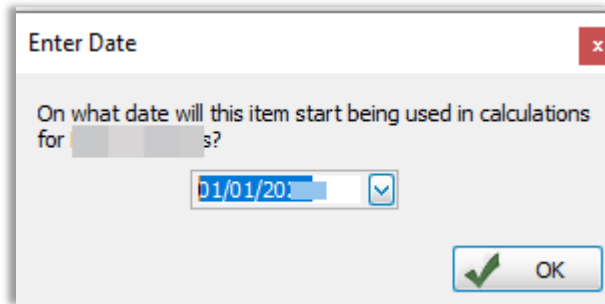
To add EIT tax to employees, go to Data Setup>Employees/Contractors and find the employee>click on Tax>Local Tax.

- Click in the white space under Local Tax and choose the applicable EIT tax.



When you add the EIT tax, to the employee, you will be asked to enter the start date for the tax.

Click OK.



If you transfer Payroll to Accounting, you will create a *Liability* account for the PA EITs in Accounting. Then, in Payroll, click under *Account* and choose the EIT liability.

Click *Save* and Finish running your Payroll. Your next Payrolls will have the EIT taken as a Local Tax.

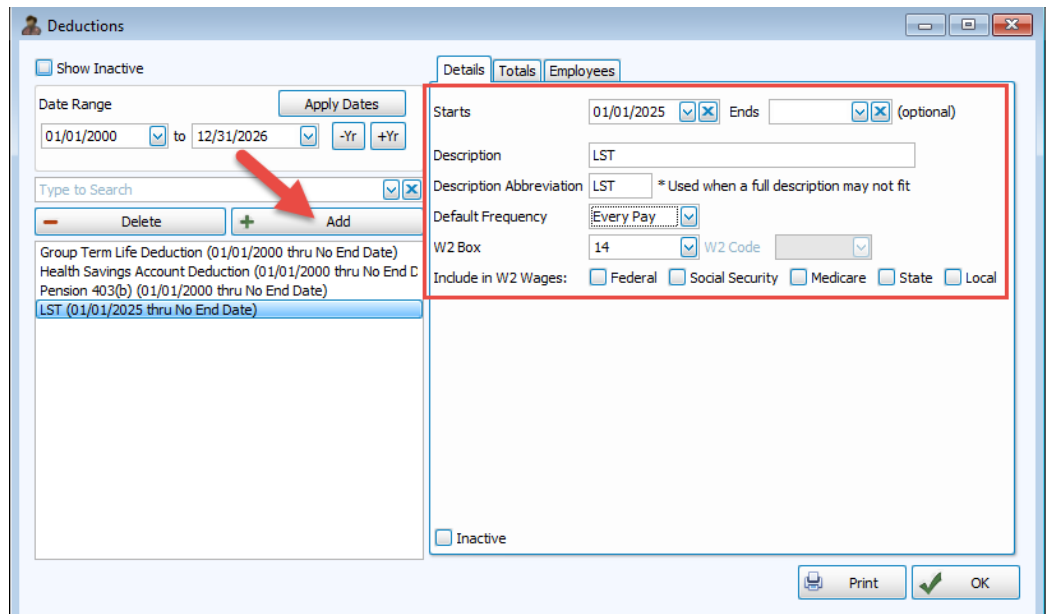
**SETUP LST** in Church Windows Payroll. We recommend setting up the Local Services Tax (LST) as a ONE-TIME deduction of \$52, \$26 or \$10 appearing in Box 14 of the W2.

Go to Payroll>Data Setup>Deductions tab.

Click on Add and fill in...

- Starts:** Start date of the LST. It's a one-time deduction so the payroll date is fine.
- Description:** LST
- Description Abbreviation:** LST
- Default Frequency:** Does not matter because it is a one-time deduction.
- W2 Box:** 14
- Include in W2 Wages:** should all be blank, nothing checked.

Click OK.



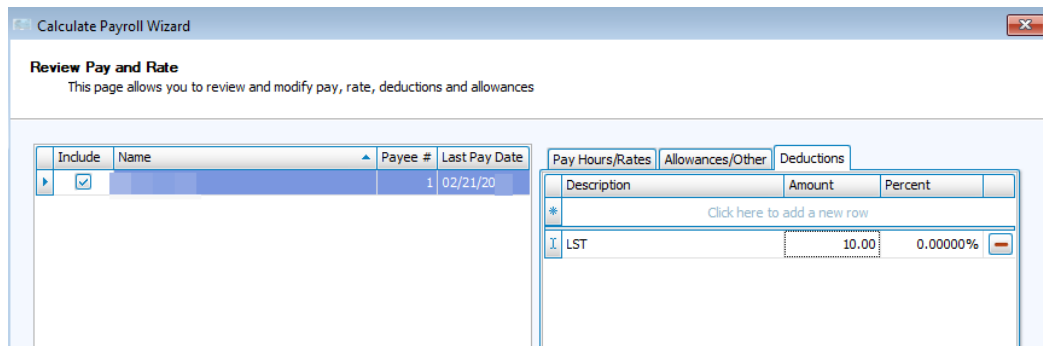
Add LST tax to employees, go to Data Setup>Employees/Contractors and find the applicable employee(s)> click on the Deduction tab and choose the LST. When you add the LST tax, to the employee, you will be asked to enter the start date for the tax. You may choose the start date or leave it default to 01/01/XXXX.

If you transfer Payroll to Accounting, you will create a *Liability* in Accounting (if you keep the LST separate from Local Tax). Then, in Payroll, click under *Account* and choose Liability to transfer the LST.

Click OK and Save.

**NOTE:** DO NOT fill in the amount of the LST on the set-up screen.

When running the Payroll, you will add the ONE-TIME LST by clicking the Deductions tab and filling in the Amount of the LST on the Review Pay and Rate screen.



Finish processing the Payroll. On the Transfer screen you will see the amount of the LST.