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EARNED INCOME AND NET PROFITS TAX

RULES AND REGULATIONS

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ARTICLE I

SECTION 101. DEFINITIONS

The following words and phrases used in the Tax Resolutions and Ordinances and in these Rules and Regulations have the following meaning unless the context clearly indicates a different meaning:

“Association.” A partnership, limited partnership, or any other unincorporated group of two or more persons.

“Business.” An enterprise, activity, profession or any other undertaking of an unincorporated nature conducted for profit or ordinarily conducted for profit whether by a person, partnership, association, or any other entity.

“Corporation.” A corporation or joint stock association organized under the laws of the United States, the Commonwealth of Pennsylvania, or any other state, territory, foreign country or dependency.

“Current Year.” The calendar year for which the tax is levied.

“Domicile.” The place where one lives and has his permanent home and to which he or she has the intention of returning whenever he or she is absent. Actual residence is not necessarily domicile, for domicile is the fixed place of abode which, in the intention of the taxpayer, is permanent rather than transitory. Domicile is the voluntary fixed place of habitation of a person, not for a mere special or limited purpose, but with the present intention of making a permanent home. In the case of businesses, or associations, the domicile is that place considered as the center of business affairs and the place where its functions are discharged.

“Earned Income.” Salaries, wages, commissions, bonuses, incentive payments, fees, tips and other compensation received by a person or his personal representative for services rendered, whether directly or through an agent, and whether in cash or in property; not including, however, wages or compensation paid to persons on active military service, periodic payments for payments for sickness and disability other than regular wages received during a period of sickness, disability or retirement or payments arising under workmen’s compensation acts, occupational disease acts and similar legislation, or payments commonly recognized from service after reaching a specific age or after a stated period of employment, or a stated period of employment, or payments commonly known as public assistance, or unemployment compensation payments made by any governmental agency, or payments to reimburse expenses or payments made by employers or labor unions for wage and salary supplemental programs, including, but not limited to, programs covering hospitalization, sickness, disability or death, supplemental unemployment benefits, strike benefits, social security and retirement.

“Employee.” A person employed by an employer for a salary, wage, commission or other compensation. Any person who renders services to another for a financial consideration or its equivalent, under an express or implied contract, and who is under the control and direction of the latter and shall include temporary, provisional, casual, or part-time employment.

“Employer.” A person, partnership, association, corporation, institution, governmental body or unit or agency, or any other entity employing one or more persons for a salary, wage, commission or other compensation.

“Income Tax Officer or Officer.” Person, administrator, public employee or private agency designated by governing body to collect and administer the tax on earned income and net profits. (Richland Township Earned Income Tax Office)

“Independent Contractor.” A person who, while performing services, is not under the direction and control of another person, as to the result to be accomplished by the work and as to the details and means by which that result is accomplished, such as authors, professional men, seamstresses, laundresses, tailors and registered and practical nurses. Where the independent contractor is in the permanent or part-time employment of an employer, however, that contractor will be considered an employee of said employer for the purpose of withholding the tax due under the Resolution, or Ordinance.

“Net Profits.” The net income from the operation of a business, profession, or other activity, except corporations, after provision for all costs and expenses incurred in the conduct thereof, determined either on a cash or accrual basis in accordance with the accounting system used in such business, profession, or other activity, but without deduction of taxes based on income.

“Nonresident.” A person, partnership, association or other entity domiciled outside the taxing district.

“Person or Individual.” A natural person.

“Preceding Year.” The calendar year before the current year.

“Resident.” A person, partnership, association or other entity domiciled in the taxing district.

“Resolution or Ordinance.” As adopted by the respective Districts empowering or levying tax for a given year, or any part thereof.

“Succeeding Year.” The calendar year following the current year.

“Taxing District.” The Township of Richland and all residents residing within its boundaries.

“Taxpayer.” A person, partnership, association, or any other entity, required hereunder to file a return of earned income or net profits, or to pay a tax thereon.

ARTICLE II

IMPOSITION OF TAX

SECTION 201. PERSONS SUBJECT TO TAX AND THE TAX RATE:

All residents of the Township of Richland; and nonresidents thereof who are employed in the Township of Richland and who are not required to file and pay a similar tax elsewhere are subject to this tax. School Districts may not tax nonresidents.

A. “Resident” is a person who is domiciled in the Township of Richland as evidenced, among other things, by one or more of the following:

a. By his customarily being physically present, sleeping and eating there.

b. By his holding himself out as residing there, i.e., giving address in registration for licenses, voting, and payment of personal or property taxes.

c. By his spouse and minor children living there.

d. By his maintaining religious, civic and club affiliations there.

e. By the center of his affairs appearing to be there.

Normally it is not difficult to determine the domicile of a person because most of the determining factors point to one conclusion. Obviously, if a person has all of the foregoing factors occurring in one district, he is a resident of that district. Of more difficulty is the situation concerning persons for whom some of the factors occur in one district and others take place elsewhere. In such cases, domicile shall be determined by the Officer based upon all facts and circumstances relevant to the case.

B. By virtue of the Ordinance and/or Resolution adopted by the Township of Richland, the tax rate is one percent or any fraction thereof, unless or until the tax rate is amended in the Ordinance and/or Resolution or by any Act passed or amended by the Pennsylvania General Assembly.

SECTION 202. WHAT IS TAXED:

A. The tax is imposed on earned income and net profits as both are defined in Article I of these Rules and Regulations. These items are subject to the tax whether a taxpayer received them directly or through an agent.

B. The tax levied under the Act and Sections 203 and 204 shall be applicable to earned income received and to net profits earned in the period beginning January 1, or the current year, and ending December 31, of the current year or for taxpayer fiscal years beginning in the current year, except that taxes imposed for the first time shall become effective from the date specified in the Ordinance and/or Resolution, and the tax shall continue in force on a calendar year or

taxpayer fiscal year basis, without annual reenactment, unless the rate is subsequently changed. Changes in rate shall become effective on the date specified in the Ordinance and/or Resolution.

C. Trusts or Estates. Every estate or trust must pay the tax (1) on net profits resulting from its engagement in any business, trade or other activity which would require the filing of a return by an individual or partnership, and (2) on income which would be subject to the tax if received by an individual or partnership.

SECTION 203. WHAT IS INCLUDED IN EARNED INCOME:

Examples of earned income (without intending in any way to limit the provisions of the Resolution and/or ordinance by these examples) are:

A. Gross Salaries

B. Gross Wages

C. Commissions

D. Bonuses

E. Drawing accounts. (If amounts received as drawing account exceed the salary or commissions earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly)

F. Incentive Payments, including early retirement incentives or buyouts

G. Tips and gratuities

H. Fees, including executor's fees

I. Honoraria

J. Benefits accruing from employment, including, but not limited to annual leave, vacation, holiday, severance, separation pay or benefits, but excluding benefits mentioned in Section 205(A) of these Rules and/or Regulations.

K. Fair market value of non-cash fringe benefits accruing from employment, such as personal use of a vehicle provided by your employer.

L. Taxes assumed by the employer for the employee.

M. Regular wages received during a period of sickness or disability.

N. Employee contributions to deferred compensation plans and old age or retirement benefit programs, or cafeteria plans.

O. Value of meals and lodging furnished by employers to domestics or other employees unless provided for the convenience of the employer on the employer's premises.

P. National Guard Pay and Military Reserve Pay (except active duty).

Q. Stipends paid to graduate Assistants. (Also see Section 250 X).

R. Parsonage/Housing allowance payments received by the taxpayer.

S. Profit Distributions.

T. All other forms of compensation or remuneration for an employee's services rendered, whether in cash, property or services. This shall include prizes and awards when the recipient has rendered substantial service as a condition to receive the prize or award.

Neither the kind nor rate of payment, nor the manner of employment exempts an employee from the tax. Compensation received in the form of property shall be taxed at its fair market value at the time of receipt.

U. Moving Allowance.

V. Unused Cafeteria Plan money (Credits).

W. Distributions received prior to the taxpayer's actual date of retirement, including but not limited to E.S.O.P., P.A.Y.S.O.P., 401K, 403B, cafeteria plans, etc. shall be taxable on the employer's contributed portion, if the distribution is not rolled into an individual retirement account, annuity plan, or another qualified retirement plan.

SECTION 204. WHAT IS INCLUDED IN NET PROFITS:

Examples of net profits without intending in any way to limit the provisions of the Resolution and/or Ordinance of Richland Township and the School District are:

A. The net profits of a business, profession or farm conducted by a sole proprietor as computed according to the laws, regulations and procedures for computing Federal Income Tax "net profits" or "net farm profits" and required to be reported on Federal Income Tax Form 1040 (Schedules C, E, or F of the current year edition.)

B. The net profits of a business, profession or farm conducted as a partner as computed according to the laws, regulations and procedures for computing Federal Income Tax "net earnings from self employment" and as required to be reported on Federal Income Tax Form 1065 (Schedule K-1 of current year edition.)

C. Royalties and patent or copyright fees received by authors, composers, inventors, etc.

D. Net profits from the operation of hotels, motels, tourist homes, boarding houses, bed and breakfast establishments, mobile home parks, child care, adult care, and other similar businesses.

E. Net profits from the business of renting personal property.

F. Real estate rentals received in the course of a trade or business are taxable. Rental income received from the operation of real estate is subject to this tax when the owner actively manages and supervises the property himself/herself or through agents or servants, by providing labor and service in connection with it. By furnishing labor and service – this signifies activity and participation on the part of the owner and classifies him or her as conducting or carrying on a business.

G. All other net profits of business activities except any portion thereof resulting from items not taxes under the provisions of the Resolution and/or Ordinance as set forth in Section 205 hereof.

H. In determining net profits subject to tax under the provisions of the Resolution and/ or Ordinance, the net profit of each business activity is to be determined separately with reference only to the gross income and expenses of the business and without mixing the income of one activity with the expenses of another. Persons engaged in more than one business activity during the tax year may not offset a loss in one activity against the gain in another. Persons engaged in more than one business activity during the tax year may not offset a loss in one activity against the gain in another. The tax is imposed on the net profit of each business activity separately. A loss incurred from a profession, business activity or venture, regardless of the nature, may not be deducted from the net profit of any other business activity. (Aronson vs. the City of Pittsburgh; 485A 2nd 890; Pa. Commonwealth Court, 1985).

EXAMPLE: A person who receives net profits from the operation of a sole proprietorship may not offset against such profits the net losses incurred as a partner in another business activity.

I. Each resident partner or member of a non-resident partnership, association or other entity must pay the tax on his or her share of the net profits whether or not it is actually distributed to him or her.

SECTION 205. EXCLUSIONS FROM TAX: (These are not Deductions from Tax)

The following are not considered to be earned income or net profits and are not subject to tax:

A. Sickness, disability, or retirement benefits paid, except regular wages as provided in Section 203 (M).

B. Benefits paid under any public assistance, unemployment or worker's compensation legislation, including supplemental unemployment benefits (SUB pay), or strike pay.

C. Compensation or bonuses paid by a State or the United States for active military service in the Armed forces.

D. Death benefit payments to any employee's beneficiary or estate, whether payable in a lump sum or otherwise.

E. Proceeds of life insurance policies, or annuities.

F. Cash or property received as a gift, by will, or by statutes of descent and distribution.

G. Interest and dividends.

H. Rents derived from mere “passive” or “investment” ownership or subleasing of real estate without the furnishings by the lessor of services to the leased premises or to the lessee other than gas, electricity, water, sewage, and heat. (Such rents are considered to be the return solely from invested capital and not profits from the operation of a business activity taxed by the Resolution and/or Ordinance.)

I. Value of meals and lodging furnished by employers to domestics or other employees for the convenience of the employer on the employer’s premises.

J. Capital gains.

K. Social Security benefits.

L. Veterans’ administration allotments for subsistence or disability.

M. Income from pensions or old age and retirement benefit plans upon retirement.

N. Active duty military service pay.

O. Lottery winnings.

P. Cost of group term life insurance.

Q. I.R.A. pension payments received upon retirement.

R. S Corporation income.

S. Profits from limited partnerships engaged in real estate, oil, gas, mining leases or other similar passive investments.

T. A net loss on a self-employment business schedule may be deducted from that individual’s earned income, but not against net profits.

U. Distributions from deferred compensation plans to the extent that such distributions represent a return of the taxpayer’s own contribution upon which he originally paid the tax.

V. Damages for personal injuries.

W. Payments received for child support and alimony.

X. Scholarships and fellowships awarded from detached generosity on the basis of financial need or academic achievement for the sole purpose of encouraging or allowing the recipient to further his or her educational development and not as compensation for past, present or future services. A scholarship or fellowship shall constitute earned income if the recipient must apply his or her skills and training to advance research, creative work or some other project or activity.

Y. Prizes and awards unless the recipient must render substantial service as a condition to receiving the prize or award.

Z. The items listed and described within Section 205 are not to be utilized as deductions against income (except paragraph T), as they are a list of non-taxable income sources.

SECTION 206. RESIDENT TAXATION:

The entire earned income and net profits received and/or earned by a resident of the Township of Richland is subject to this tax. Neither the source of the earned income or net profits nor the place where it is received and/or earned exempts a resident from the tax.

SECTION 207. NONRESIDENT TAXATION:

The entire earned income and net profits received and/or earned within the Township of Richlandtown by a nonresident of the Township of Richland who is not required to pay a similar tax elsewhere is subject to taxation by the Township of Richland. Nonresidents are not subject to taxation by the School District.

SECTION 208. CREDITS:

Credit for earned income or net profits tax paid for the concurrent time period to another state or political subdivision will be allowed as a deduction from the liability of taxpayers for tax imposed under the provisions of the Resolution and/or Ordinance. Such credit will be allowed up to the maximum effective rate of the tax levied by the Township of Richland and/or School District, provided this same credit has not already been applied toward the taxpayer's liability for the Pennsylvania Personal Income Tax for the same period. Evidence of the amount of gross earnings and payments of the applicable tax on earned income on net profits to another state or political subdivision for the concurrent time period is required before such credit is allowed.

SECTION 209. DEDUCTIONS AND LOSSES:

A. Deductions:

Employee's Unreimbursed Business Expenses – Business Expenses for which an employee has not been reimbursed are allowed as a deduction from earned income provided such expenses meet the “four part test” as established by the Pennsylvania Department of Revenue. That is, the expenses must be “ordinary, actual, reasonable and necessary” in order to be deducted from earned income. This means that any expense claimed as a deduction from gross earnings must be:

1. Customary and accepted in the industry or occupation in which the taxpayer works.
2. Directly related to the taxpayer's present occupation, as opposed to an occupation which he plans to enter in the future.
3. Reasonable in amount and not excessive and
4. Necessary to enable the taxpayer to properly perform the duties of his employment.

Those expenses not meeting the “four part test” are not allowed as a deduction from earned income. The taxpayer has the burden of proving that any expense claimed is ordinary, actual, reasonable and necessary and must maintain adequate and sufficient records to substantiate any such deduction taken.

Examples of expenses which may not be deducted from earned income include: Travel (commuting) to and from work; meals and lodging unless the “away from home overnight test” is met; capital expenditures; moving, educational and office-in-home expenses except as allowed by the Pennsylvania Department of Revenue; and personal expenses such as medical, dental, life insurance premiums, contributions, interest, other taxes, gifts and entertainment, dues to professional or fraternal societies, club memberships, subscriptions to publications, alimony, baby-sitting, books, casualty or theft losses, license fees, clothing suitable for everyday use, employee deferred compensation plan contributions, Federal Form 1040 tax credits and other taxes, individual retirement account (IRA) contributions, self-employed retirement plan contributions, employee contributions to Simplified Employee Pension Plan (S.E.P.) contributions, Federal, State or Local Income Taxes, gifts, estate or inheritance taxes and personal taxes, tools for use at home Federal Form 1040 itemized deductions or the Occupational Privilege Tax.

B. LOSSES:

Taxpayers are not allowed to offset a gain in one class of income against a loss in another class of income. If a net loss is incurred from the operation on one or more business activities, zero must be entered on the appropriate line(s) of the Annual Tax Return. Losses may be applied only in the year in which the loss was actually incurred, and may not be carried over to subsequent years. One person’s losses may not be deducted from his or her spouse’s earnings. S corporation losses may not offset earned income or net profit for any taxpayer.

Should the taxpayer omit the required expense deduction forms or if the expense deduction forms are not fully completed, the expense deduction shall be systematically disallowed and denied without notification to the taxpayer

ARTICLE III

COLLECTION AT THE SOURCE

SECTION 301. EMPLOYERS REQUIRED TO WITHHOLD:

A. Every employer having an office, factory, workshop, branch, warehouse or other place of business located within the Township of Richland, and who employs one or more persons (other than domestic servants in a private home) for a salary, wage, commission, or other compensation, shall deduct the tax from resident and nonresident employee’s wages at the time of payment thereof.

B. Fiduciary Status – Employers who withhold earned income tax from employees, and the person responsible for the transmission of earned income tax withheld by a corporate employer, shall be a fiduciary charged with all the responsibilities of a fiduciary with respect to

taxes withheld, and shall be subject to all duties imposed by law on fiduciaries, including criminal penalties for breach of duties.

C. Withholding by employers from musicians, entertainer, sports participants, clergy and domestics.

(1) Musicians.

In the field of professional music there has arisen the practice of engaging musicians exclusively through a so-called “contractor”. The practice, which arose by prescription of the American Federation of Musicians and of local union regulations, enables the purchaser of music to deal with only one of the number of musicians required for a particular occasion.

Contractor – The term contractor means that individual musician through whom the purchaser and the musician negotiate the contract of service and the performance thereof.

The contractor may or may not perform actual musical service under a contract which he has negotiated.

Purchaser of Music – The person, partnership, organization or association for whom or which the musical services are to be performed or furnished, and who exercises an employer’s control over the conduct of the musicians.

Where a contract for the purchase responsible for withholding the tax from the wages paid to musicians.

Name Bands and Orchestras – A name band or orchestra is one which is identified or known by a name and which holds itself out to the public as a permanent organization, and in addition has either (a) a fixed personnel or (b) the individual member musician has contracted for his services with the leader or owner of the band at a fixed salary, by term or by individual engagement, and over whom the purchaser has no direct control. The leader or owner of the band shall be responsible for withholding the tax from the wages paid to members of such name bands.

(2) Entertainers Other Than Musicians.

An entertainer other than a musician is usually engaged by a purchaser through a booking agent. The booking agent, once the contract of employment has been executed, does not exercise an employer’s control over the entertainer.

The owner of a club, café, taproom, theater or of any place which furnishes entertainment to the public or to its patrons, shall be deemed the person liable as an employer of entertainers. Such employer must deduct the tax from the compensation paid to the entertainer.

(3) Promoters of boxing exhibitions and other sporting events are required to withhold the tax from the compensation paid to the contestants engaged in the particular sporting event.

(4) Ministers, Rabbis and Clergymen.

Salaries paid by organized religious bodies to ministers, rabbis, clergymen, evangelists or religious workers are taxable. The organized religious body shall withhold the tax upon salaries

and make remittance to the Richland Township Earned Income Tax Office. In addition to the salary actually received, earned income at the time of final settlement should include allowance paid to the taxpayer for housing, utilities, and other reimbursed expenses.

The above paragraph (3) will apply to non-resident individuals in the Township of Richland.

(5) Domestics.

The compensation received by domestics is taxable. The employer may, with the consent of the domestic, withhold the tax.

Where the duties of domestics require them to live at their place of employment, board and lodging shall not be considered as wages or salary earned.

SECTION 302. VOLUNTARY WITHHOLDING:

Any employer located outside of the Township of Richland may voluntarily withhold the tax from employees who are residents of the Township of Richland but who are employed outside the Municipality.

SECTION 303. REGISTRATION OF EMPLOYERS:

A. Each employer withholding or required to withhold tax pursuant to Sections 301 and 302 shall register with the Richland Township Earned Income Tax Office such employer's name and address and such other information as the Office may require within fifteen (15) days after becoming a withholding employer.

B. All employers who have a place of business located within the Township of Richland shall maintain complete records of all employees for a period of six (6) years in such form as to enable the Richland Township Earned Income Tax Office to determine the employers' liability to withhold for each employee, the amount of taxable income for each employee, the actual amount withheld, the actual amount transmitted to the Richland Township Earned Income Tax Office and such other information available to such employers as will enable the Tax Collector/Officer to carry out his or her responsibilities.

SECTION 304. LIABILITY OF EMPLOYEE:

Failure of any employer to withhold tax shall not relieve the employee from payment of such tax...

ARTICLE IV

PAYMENT OF TAX AND RETURNS

SECTION 401. ANNUAL RETURNS OF TAXPAYERS:

A. On or before April 15 of each year, every person, resident or non-resident, who resided in the Township of Richland for all or any portion of the preceding calendar year, shall file with the Richland Township Earned Income Tax office an Annual Tax Return showing all learned income and net profits received and/or earned for the previous year. A husband and wife may not file a joint return with this Office. Photocopies, facsimiles, reproductions, etc. are not acceptable.

B. Persons residing in more than one Taxing District during the calendar year must file an Annual Tax Return with the Tax Collector/Officer for each District in which they resided during the year.

C. If a person has no earned income to report, the word “none” shall be entered on the Annual Tax Return, and the return shall be signed, dated and returned to the Richland Township Earned Income Tax Office with an explanation (military service, retired, disability income only, etc.).

D. If net profits are received, the type of business, profession, or activity shall be indicated on the Annual Tax Return and the amount of the profits shall be shown on the appropriate line(s) of the Return. If a net loss is incurred in the operation of a business activity, it may not be offset against the net profit of other business activities. Losses shall be indicated as zero in all calculations involving net profits on the Annual Tax Return. Copies of the appropriate Pennsylvania or Federal Income Tax Schedules (C, E, F or K-1) shall be attached to the Annual Return to substantiate profits and/or losses indicated.

E. When a Return is made for a fiscal year, the Return shall be filed within one hundred and five (105) days from the end of said fiscal year.

F. The Annual Tax Return shall also show the taxpayer’s name, Social Security Number, address, place or places of employment or business, the amounts of tax due, the amount of any credit claimed for tax withheld by an employer (with a copy of the Earnings and Tax Statement) or prepaid to the Richland Township Earned Income Tax Office and such other information as may be indicated on the Return form or as may be required by the Administrator. Every person subject to the tax shall file such return regardless of the fact that his or her wages may have been subject to withholding of the tax by his or her employer and regardless of whether or not tax is due.

G. At the time of filing the Annual Return, the taxpayer shall pay any tax due. Total balances of less than \$1.00 need not be paid.

H. Tax Returns must be signed and dated by the taxpayer in the space provided.

I. Taxpayers with S Corporation income shall report their total S Corporation income in the appropriate box as required on the Annual Tax Return. At the present time, this is for audit purposes only.

J. Remittance shall be made payable to Richland Township Earned Income Tax Office.

K. Third party checks in payment of the tax due may be refused by the Administrator of Office Staff.

L. Bad checks – A \$25.00 penalty will be levied if a check is returned unpaid by the bank.

SECTION 402. QUARTERLY PAYMENT BY TAXPAYERS:

A. Implementation date shall be October 1, 1996.

B. In addition to the Form 214 Annual Tax Return, a Declaration of Estimated Income Tax Form, must be filed by all taxpayers who anticipate receiving earned income or net profits in excess of \$2,500.00 individually in a given calendar or fiscal year, if the tax due thereon is not withheld by employer(s). Quarterly payments of one-fourth (1/4) of the prior year's net profits and earned income not subject to employer withholding of tax and/or 90% of the current year's tax not subject to employer withholding shall be made to the Richland Township Earned Income Tax Office at the following times:

For Quarter Comprising the following months in which Earned Income or Net Profits are received

Quarterly Payment (1/4 of total estimated yearly) (tax owed) Due on or before:

Jan., Feb., March
April, May
June, July, August
Sept., Oct., Nov., Dec.

April 15
June 15
September 15
January 15

C. Refer to Section 406 for calculating the penalty and interest due on late payments of tax.

D. An additional penalty of \$10.00 per failure to comply with the filing requirement shall be imposed and collected, in addition to the fines and penalties referenced I Section 506 of these Rules and Regulations.

E. The additional \$10.00 penalty shall apply to the following:

1. Failure to file the quarterly declaration of estimated income tax form for each period.
2. The deliberate misrepresentation of information or an improperly filed declaration.
3. Failure to pay any of the estimated tax due for each period.
4. Failure to make timely estimated tax payments for each period.

F. A tax payer who obtains not less than two-thirds of his/her gross income from farming or fishing for each period, shall have the option of filing a Declaration of Estimated Income Tax

Form and of paying the estimated tax prior to March 2 or the following calendar year, except that the quarterly declaration due January 15 is due prior to March 2 of the same calendar year.

The Declaration of Estimated Income Tax Form shall contain a box to be checked if the applicable taxpayer chooses to file the declaration and pay the estimated tax prior to March 2, in lieu of filing and paying quarterly.

G. A husband and wife shall not file a joint declaration using one social security number. If one payment is made for multiple persons, the amount of tax to be applied to each person identified by their correct social security number is required.

H. Should the Earned Income Tax Office accept a joint Declaration of Estimated Income Tax Form, the joint declaration must be signed by both spouses. It must also contain each spouse's correct social security numbers.

SECTION 403. RETURNS OF EMPLOYERS AND PAYMENT OF WITHHELD TAX:

A. Every employer required to withhold the tax shall file a quarterly return on the proper form setting forth the name, social security number, address, municipality of residence, withholding rate, gross earnings and amount of tax withheld for each employee, and shall remit the total sum thereof to the Richland Township Earned Income Tax Office on the dates specified:

For Quarter comprising the following months in which wages are paid	Employer's Quarterly Return and payment due on or before
Jan., Feb., March	April 30
April, May, June	July 31
July, Aug., Sept.	October 31
Oct., Nov., Dec.	January 31

B. Employers may utilize computer printouts or similar listings to transmit quarterly and/or annual employee withholding data provided the required information is furnished in a manner acceptable to the Administrator. By prior arrangement with the Administrator, employers with less than 250 employees may furnish quarterly and/or annual employee withholding data Form W-2 via magnetic media. In such cases, an Employer's Quarterly Return shall be completed and attached as a cover sheet to transmit the data and withheld tax to the Richland Township Earned Income Tax Office quarterly. The annual employee withholding form W-2 data shall be reported to this Office during February of the ensuing calendar year and shall be accompanied by the annual reconciliation Form 322.

C. Every employer who discontinues business prior to the completion of the tax year, shall, within thirty (30) days after discontinuance of business, file and furnish the returns required by this section covering periods between the last such returns and date of discontinuing business and transmit to the Officer all tax remaining due.

D. Every employer with 250 employees shall be required to submit 1997 and subsequent calendar years withholding data for Form W-2 information to this Office on acceptable magnetic media during February of the ensuing calendar year.

E. Every employer who is engaged in a business activity within and outside the approving Political Subdivision shall withhold from resident and nonresident employees who work for such employers within the approving Political Subdivision even though the payroll records and place of payment are not in the approving Political Subdivision.

SECTION 404. FISCAL YEARS:

A. Normally taxpayers shall use the calendar year method for reporting and paying tax.

B. A taxpayer, by filing with the Earned Income Tax Office his or her written election to so, may make returns and pay tax on the same fiscal year basis used for Federal Income Tax purposes. (Refer to Section 401 E.)

SECTION 405. CASH OR ACCRUAL BASIS:

A. A Taxpayer may report income on either the cash or accrual basis as those terms are used for Federal Income Tax purposes. The basis used by the taxpayer shall be the same as used by the taxpayer for Federal Income Tax purposes.

B. Illustrations of Computations of Net Profits – An amplification of the definition contained in Section 405, but not in limitation thereof, the following additional information and requirements for the determination of net business profits are furnished.

(1) “Cash Basis” Method – A taxpayer employing the cash basis of accounting includes in gross income all income subject to tax received during the year in cash or its equivalent. He or she deducts all disbursements made during the year in cash or its equivalent, provided deduction for such expenditures is authorized by law.

(2) The use of the cash basis is mandatory where no book or records of account are maintained.

(3) Items of income and expenditure which, as gross income and deduction, are elements in computing taxable income need not necessarily be in the form of cash. It is sufficient that such items, if otherwise properly included in the computation, can be valued in terms of money.

(4) Example: A taxpayer on the cash basis received shares of stock in payment of services. Assuming that the stock has a fair market value, the taxpayer has received the equivalent of cash to the extent of its value and that amount must be included as income.

(5) If the return is made on a “cash basis”, gross profit shall include receipts from commissions, fees and interest, as well the gross profit or loss from sales of merchandise, chattels, goods, wares, securities, notes, choices-in-action and services.

(6) Accrual Basis – If income is taken into consideration when earned, even though not received in cash, and expenses are considered as soon as incurred, whether paid or not, the system of accounting is said to be on the “accrual basis”.

These are the basic rules: (1) the right to receive an item of income (as distinguished from actual receipts) determines its inclusion in gross income under the accrual method; and (2) a deduction cannot be accrued until an actual liability is incurred.

(7) Example: In September of last year a contractor performed work for a customer. Payment for the work was not received until this year. If the taxpayer reports on the accrual basis, the income will be included in last year's return (when earned). If he reports on the cash basis, the payment will be included in this year's return (when received).

C. A taxpayer engaged in more than one business may, in computing taxable income, use a different method for each trade or business.

D. Methods of Accounting must clearly reflect income. No method of accounting is allowed unless it clearly reflects income. Thus, even if the taxpayer's accounts are kept and the return made on a cash basis, unusual cases may arise in which a payment made during the year is not deductible.

Example: Commission, fees and costs paid in one year by a taxpayer in securing a loan for ten or fifteen years covered by a mortgage on property to be leased are not deductible in full in the year of payment but should be spread over the period of the loan, even though the taxpayer's accounts are kept and the return made on the "cash basis".

SECTION 406. PENALTY AND INTEREST:

If for any reason the tax is not paid when due, interest at the rate of six percent (.06) per annum on the amount of said tax, and an additional penalty of one-half of one percent (.005) of the amount of the unpaid tax for each month or fraction thereof during which the tax remains unpaid, shall be added and collected. Where suit is brought for recovery of any such tax, the person liable therefore shall, in addition, be liable for the cost of collection and interest and penalties herein imposed. Example: Tax due x .06 x No. days delinquent divided by 360 = interest.

SECTION 407. EXTENSIONS:

A taxpayer who requires an extension of time in which to file his annual Tax Return shall make written application to the Richland Township Earned Income Tax Office no later than one hundred and five (105) days from the end of the calendar or fiscal year for which the Return will be filed. A Taxpayer who is granted an extension of time for filing his Federal or Pennsylvania Income Tax Return shall not automatically be entitled to a similar extension of time for filing his local return. A copy of the taxpayer's Federal tax extension form received at this Office on or before April 15 or postmarked by this date is required for approval to be considered.

Interest at the rate of six percent (.06) per annum must be paid even though an extension of time for filing is granted.

SECTION 408. CHANGE IN FEDERAL OR PENNSYLVANIA TAXABLE INCOME:

If the amount of a taxpayer's earned income or net profits reported on his or her annual Federal or Pennsylvania Income Tax Return is changed or corrected either by action of the Internal Revenue Service or Department of Revenue or by the individual's filing of an amended annual Federal or Pennsylvania return, the taxpayer shall report to this Office such change or correction within thirty (30) days after the date when the final such change or correction was determined, by filing an amended tax return indicating the applicable tax year on the return.

ARTICLE V

ADMINISTRATION AND ENFORCEMENT

SECTION 501. INCOME TAX OFFICER:

A. The Administrator is charged with the administration and enforcement of Ordinance and Resolutions and these Rules and Regulations, and is authorized to act on behalf of Richland Township and Quakertown Community School District in such administrative and enforcement matters.

B. The Richland Township Earned Income Tax Office, shall keep a record showing the amount received by it from each person paying the tax and, if paid by such person in respect of another person, the name of such other person, and the date of such receipt for seven (7) years.

SECTION 502. REQUESTS FOR RULINGS:

Any taxpayer or employer or tax preparer desiring a specific ruling concerning the Resolution and/or Ordinances or these Rules and Regulations shall submit all relevant facts in writing to the Administrator who shall issue a written ruling.

SECTION 503. EXAMINATION OF BOOKS AND RECORDS OF TAXPAYERS AND EMPLOYERS:

A. The Administrator and agents or staff members of the Earned Income Tax Office designated in writing by him are authorized to examine the books, papers and records of any taxpayer or supposed taxpayer or of any employer or supposed employer in order to verify the accuracy of any return; or, if no return was filed, to ascertain the tax due, if any. Every tax payer or supposed taxpayer and every employer or supposed employer is required to give the Administrator or any agent or staff member so designated by him/her the means, facilities and opportunity for such examinations and investigations as are authorized. In addition to all other powers, the Administrator and staff shall have the power, on behalf of the taxing jurisdiction to examine any person under oath concerning salaries, wages, commissions, and other compensation returned, or which should have been returned for taxation hereunder; to compel the production of books, papers and records, and the attendance of persons (whether as parties, principals, agents or witnesses) before him.

B. Information obtained by the Administrator or any other official, staff member or agent of the Earned Income Tax Office as a result of any return, examination, investigation, hearing, or verification required or authorized, is confidential and may not be disclosed to any person, except for official use in connection with administration or enforcement of the Resolution and/or Ordinances, or as otherwise provided by law.

SECTION 504. RECORDS TO BE KEPT BY TAXPAYERS AND EMPLOYERS:

Taxpayers and employers subject to the Resolution and/or Ordinances are required to keep such records as will enable the filing of true and accurate returns, whether of taxes payable upon earned income or net profits, or both; and such records shall be preserved for a period of not less than six (6) years in order to enable the Earned Income Tax Office staff to verify the correctness and accuracy of the returns filed.

SECION 505. REFUNDS:

A completed Annual Tax Return must be filed and be processed before a request for refund can be considered. Depending upon the nature of the refund, additional documentation to substantiate the request may be required by the Earned Income Tax Office. Refund requests will not be processed until the necessary documentation is provided. Requests for refund will be considered based upon the relevant facts and circumstances pertinent to each case. Pursuant to Resolution #09-35 adopted September 28, 2009. Tax overpayments of less than ten dollars (\$10.00) will automatically be credited to the taxpayer's account towards the next year's taxes. Refunds of less than ten dollars (\$10.00) will only be made if the tax payer has moved from the Township and the taxpayer's new address is listed on the return or that the taxpayer submits a signed statement stating that the taxpayer has not worked since the end of the previous year and does not expect to work during the current tax year.

SECTION 506. FINES AND PENALTIES FOR VIOLATIONS:

Any person who violates any provision of the Resolution and/or Ordinances, shall, upon conviction, be sentenced to pay a fine of not more than \$500.00 for each offense plus costs, and in default of payment thereof, to be imprisoned in the County Prison for a period not exceeding thirty (30) days. Some of the violations which may result in such conviction are:

A. Revelation for unauthorized purposes by any Office employee or any official or employee of the district of any confidential information acquired as a result of the operation of the Resolution and/or Ordinances or these Rules and Regulations.

B. Failure, neglect, or refusal on the part of any person, any partner of a partnership or any officer of a corporation or association to file any report or return, or to pay, deduct from wages, or transmit any tax, penalty or interest required of such person, partnership, corporation or association.

C. Failure, neglect, or refusal on the part of any person, any partner of a partnership or any officer of a corporation or association to file any report or return, or to pay, deduct from wages, or transmit any tax, penalty or interest required of such person, partnership, corporation or association.

D. Knowingly making any incomplete, false or fraudulent report or return or attempting to do any other thing to avoid payment of the tax in whole or in part.

E. All taxes, fines, and penalties imposed by these Resolutions and Ordinances shall be paid to the Richland Township Earned Income Tax Office.

SECTION 507. CONCURRENT REMEDIES:

Imposition of any fine or imprisonment shall not bar either civil liability for tax, penalty or interest, or criminal prosecution for embezzlement, fraudulent conversion, theft or other offense under the Pennsylvania Crimes Code, or criminal prosecution for failure to file a properly prepared tax return under Act 511.

SECTION 508. FAILURE TO RECEIVE FORMS:

Failure of a taxpayer or employer to receive forms or returns required by the Resolutions and Ordinances does not excuse any failure to file any reports or returns required or to pay any tax due, including penalty and interest.

SECTION 509. SPOUSE'S NAME AND SOCIAL SECURITY NUMBER:

Taxpayers shall provide the full name and social security number of their spouse in the space provided on the annual tax return.

SECTION 510. RETURN COMPLETION – GENERAL:

A. Each taxpayer shall account for all 12 months of the calendar year as to their place of domicile, the months in each place and also provide the name of each Borough, Township or City in which they lived during the calendar year.

B. Figures are not to be rounded off. Actual figures are to be used.

C. All appropriate schedules, W-2 Forms and 1099 Forms shall be enclosed with the tax return when received.

D. Tax returns received without the applicable tax, penalty and interest shall be considered as being an incomplete filing as the return cannot be processed without payments.

E. Taxpayers with earnings in another State and having paid tax on earnings, they must provide a copy of the State Tax Return for that state, plus their Pennsylvania Personal Income Tax Return.

F. Estimates of income and/or expenses by the taxpayer are not acceptable unless accepted by the Earned Income Tax Administrator.

G. Should the taxpayer omit the required expense deduction forms or if the expense deduction forms are not fully completed, the expense deductions shall be disallowed and shall be systematically denied without notification to the taxpayer. The taxpayer instructions shall also indicate this provision.

H. Taxpayers may not submit Federal Schedule SE in lieu of Schedule E to this Office.

I. Taxpayers may not submit Federal Schedule E Form in lieu of submitting their applicable K-1 Form. Failure to submit the completed K-1 Form shall result in the rejection and return of the taxpayer's forms as an incomplete or fraudulent filing.

J. The Earned Income Tax Office may acquire and utilize the Pennsylvania Department of Revenue, Individual Income Tax information regarding earned income and net profits for audit and compliance purposes.

SECTION 511. WHO MUST FILE:

A. Each resident of the Township of Richland, who is 16 years of age or older. All earned income and net profits are taxable for the entire calendar year in which an individual becomes 16 years of age.

B. Taxpayers who are retired or permanently disabled and have no taxable income may be coded on the Earned Income Tax Office files so as not to receive a tax form. The taxpayer must notify the Office in writing and also provide the effective date of retirement or permanent disability.

C. Taxpayers on active military duty must file a tax return for the year in which they first entered the military on active duty and inform the Earned Income Tax Office of their active duty military status.

D. A taxpayer must file a tax return if they are or were a college student when the address on their tax return makes the place of legal domicile within the domicile of the Township of Richland.

E. Taxpayers who had the earned income tax withheld by their employer are not exempt from filing a properly completed tax return.

F. Partial year residents and out of state residents must file for the applicable portion of the calendar year they lived or worked in the Township of Richland.

SECTION 512. REGISTRATION OF TAXPAYERS:

Every resident of the Township of Richland who receives, or anticipates that he/she will receive taxable earned income or net profits during the calendar year must register his/her name and residence address, social security number and the name and address of his/her place of employment or business with the Richland Township Earned Income Tax Office. All residents will thereafter be responsible for reporting changes in their name, place of residence or place of employment or business to the Richland Township Earned Income Tax Office. The Township of

Richland levies the non-resident factor, therefore the above would also apply to non-residents who are employed in the Township and live in a municipality which does not levy this tax.

It shall also be the responsibility of the Township of Richland and the Quakertown Community School District to provide the full name and address of new resident on a timely basis to this Office.

SECTION 513. WAGE ATTACHMENTS:

The Richland Township Earned Income Tax Office shall demand, receive and collect from all corporations, political subdivisions, associations, companies, firms or individuals, employing persons owing delinquent earned income taxes, or whose spouse owes delinquent earned income taxes or net profits, or having in possession unpaid commissions or earnings belonging to any person or persons owing delinquent earned income taxes, or whose spouse owes delinquent earned income taxes, upon the presentation of a written notice and demand under oath or affirmation, containing the name of the taxable or spouse thereof, and the amount of tax due. Upon the presentation of such written notice and demand, it shall be the duty of any such corporation, political subdivision association, company, firm or individual to deduct from the wages, commissions, or earnings of such individual employees, then owing or that shall within sixty (60) days thereafter come into its or his possession, a sum sufficient to pay the respective amount of the delinquent earned income taxes or net profits, and costs shown upon the written notice or demand, and to pay the same to the Richland Township Earned Income Tax Office. Upon the failure of any such corporation, political subdivision, association, company, firm or individual to deduct the amount of such taxes or to pay the same over to the Richland Township Earned Income Tax Office, less the cost of bookkeeping involved in such transaction, or herein provided, within the time hereby required, such corporation, political subdivision, association, company, firm or individual shall forfeit and pay the amount of such tax for each such taxable whose taxes were not withheld and paid over, or that are withheld and not paid over together with a penalty of ten percent (10%) added thereto, to be recovered by an action of assumption in a suit to be instituted by the Richland Township Earned Income Tax Office or by the proper authorities of the taxing district, as debts of like amount are now by law recoverable, except that such person shall not have the benefit of any stay of execution or exemption law.

SECTION 514. BAD CHECKS:

A \$25.00 penalty will be levied if a check is returned unpaid by the bank, plus the issuer/maker may have a criminal complaint court action filed against him/her.

SECTION 515. CHANGES IN ACT 511 BY THE PENNSYLVANIA GENERAL ASSEMBLY.

Should Act 511 language be amended by the Pennsylvania General Assembly, the amended language shall be incorporated into these Rules and Regulations.