Work through the following flow chart to determine what Earned Income Tax rate to use with each of your employees.

Call your local tax office if you have any questions on this process.

Thank you.
**Note on Reciprocal States**

The following states have a reciprocal agreement with the state of Pennsylvania: Indiana, Maryland, New Jersey, Ohio, West Virginia and Virginia. As per this agreement, the employee includes income earned in PA on their resident state’s tax return. As long as the area in which they reside has a local earned income tax, then do not withhold any nonresident local earned income tax from this employee. If the employee lives in an area of their state that does not have a local earned income tax, then withhold at the business location’s Municipal nonresident tax rate.

**Note on Philadelphia Residency**

If the employee is a legal resident of the City of Philadelphia, then this flow chart is not valid. The City of Philadelphia falls under the Sterling Act, and you must file those Earned Income Tax withholdings directly to the City of Philadelphia. Also, please be aware of special levies assessed for certain municipalities. These special levies include the Keystone Opportunity Zone (exempt from taxes) and Distressed Areas (Financially or Pension). The special levies for distressed areas are in addition to the local earned income tax and remitted separately to the municipality and not the tax collector for the Tax Collection District. Please visit [www.newpa.com](http://www.newpa.com) and search on “earned income tax” for more information and to view the “Official Register” for Earned Income Tax rates and collectors in Pennsylvania.
Based on Certificate of Residency, is Employee a Pennsylvania Resident?

(If employee is a resident of Philadelphia, see note on page 2)

YES
Does Employee’s Municipality levy an Earned Income Tax?

NO
Does Employee reside in Pennsylvania for any part of the year?

A
Continue on PA Resident flow chart

B
Continue on PA Nonresident flow chart
**YES - PA RESIDENT**

Does employee's Municipality levy an Earned Income Tax?

- **YES**
  - Withhold greater of employee's Municipal Resident rate or Nonresident Rate

- **NO**
  - Does the business location's Municipality levy a Nonresident tax?
    - **YES**
      - Withhold at the business location's Municipal Nonresident rate.
    - **NO**
      - Do not withhold any local Earned Income Tax.
NO – PA NONRESIDENT
Does employee reside in Pennsylvania for any part of the year?

YES
Temporary PA Home
Does that Municipality levy a Nonresident Tax?

NO
Commuter
Does the business location’s Municipality levy a Nonresident Tax? (See Reciprocal State Note on Page 2)

YES
Withhold at that Municipality’s Nonresident rate.

NO
Do not withhold any local Earned Income Tax.

YES
Withhold at the business location’s Municipal Nonresident rate.

NO
Do not withhold any local Earned Income Tax.