

# Greenshades and Pennsylvania Act 32

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## Background

The Pennsylvania Act 32 of 2008 (often referred to simply as “Act 32”) is a set of sweeping changes to the way local taxes are assessed, collected and reported. These changes become effective on January 1<sup>st</sup>, 2012 and will impact Pennsylvania employers in several different ways.

## Our Commitment

Greenshades is updating our entire family of tax products to ensure we’re fully compliant with the Act 32 changes. Our clients will let us handle all the new requirements and reporting formats and will be able to keep using the same solutions they have trusted for years.

## Pennsylvania’s Specific Requirements

As a result of Act 32, Pennsylvania employers are now subject to the following requirements:

1. A signed copy of Pennsylvania’s [Residency Certification Form \(RCF\)](#) must be collected from each employee. Additional forms must be collected whenever a new employee is hired or whenever a current employee reports a change of name or address.
2. Once collected, the employer must complete the RCF by adding the Political Subdivision Code (PSD) and Earned Income Tax Rate for both the employee’s home address and worksite. A PSD code is a number that represents a local taxing jurisdiction. A current list of PSDs can be found on Pennsylvania’s website by [clicking here](#).
3. Employers must compare the employee’s home Total Resident Tax Rate (Resident Municipality Earned Income Tax Rate + Resident School District Earned Income Tax Rate) to the employee’s work location’s Non-Resident Tax Rate. The greater of those two tax rates will be considered the effective tax rate for this employee.
4. There are approximately [70 different Tax Collection Agencies](#) that will collect tax payments and tax returns for localities in their jurisdiction. Employers may report wages and remit payments on a quarterly basis to each applicable collection agency or else they may register to be a consolidated payer and may then report wages and remit payments on a monthly basis to a single collection agency.
  - a. Regardless of whether an employer has opted to be a consolidated payer, each employer must also file an annual withholding return.
5. The tax returns must include the two PSD codes that were recorded on each employee’s RCF forms: the home address PSD and the work location PSD.

## Workflow of Greenshades Solutions

Some current Greenshades clients (and employers considering Greenshades) are interested in a detailed explanation of how Greenshades will meet the new requirements. The exact look and operation will differ for each of the Greenshades solutions being utilized. The impact to each solution is listed below in a summary chart and also in detailed explanations found within the following pages.

	Greenshades Online Tax Service and HR Documents Module	Greenshades Online Tax Service	Greenshades Filing Center and Local Tax Manager	Greenshades Filing Center
Prompts employees to fill out and electronically sign RCFs	✓			
Auto-completes RCFs with PSD codes and stores in cloud	✓			
Provides all information necessary to complete RCFs	✓ (included above)	✓	✓	
Determines employee's home PSD by GeoCoding address	✓	✓	✓	
Allows Payroll Administrators to view/edit employee's home PSD codes	✓ (within Dynamics and also in cloud)	✓ (within Dynamics and also in cloud)	✓ (within Dynamics)	✓ (within Dynamics)
Ensures all local withholding codes are assigned correctly	✓ (automatic check)	✓ (automatic check)	✓ (manual check)	
Tracks and notifies about upcoming local tax deadlines	✓	✓		
Builds Act 32 compliant tax returns and assists with filing	✓	✓	✓	✓
Assists with remitting tax payments	✓	✓		

## **Clients using Greenshades Online Payroll Tax Service and the HR Documents module of Greenshades Employee Services**

Greenshades Online Payroll Tax Service (PTS) is Greenshades' easiest way to file and pay employer payroll taxes. Employers using our tax service were already depending on Greenshades for nearly all aspects of withholding taxes and will see the least change to their workflow.

1. Whenever a new employee is hired or reports a change of name/address, the employee's online portal will alert them to complete a new RCF. The employee will be able to electronically sign the RCF and submit it electronically to the payroll department.
2. Greenshades Online will automatically complete the RCF by filling in the home PSD and work location PSD of the employee in question. Greenshades Online will retrieve these PSD codes by GeoCoding the employee's home address and worksite address and looking up the correct PSD code from Pennsylvania's records.
3. Once an administrator from the payroll department approves the RCF (using the portal), the completed form will be stored online for future reference.
  - a. Greenshades Online administrators can view or edit the employee's PSD with the rest of their address information using the employee information page on Greenshades Online.
4. Greenshades Online will automatically verify that each employee has been assigned the correct local tax code in the source payroll package (based on the employee's home PSD and work location PSD). If Greenshades Online detects an incorrect code then administrators will be able to apply the correct tax code using the web portal. The correct amount of tax will be withheld from each employee's paycheck once the correct code has been applied.
5. Greenshades Online will notify employers about upcoming filing or payment deadlines for the local withholding taxes in the same way as all other payroll taxes (on screen prompts after running payroll, reminder emails, etc.). If the employer has opted to be a consolidated payer then Greenshades Online will prompt the administrator to file monthly to a single collection agency. Otherwise Greenshades Online will prompt the administrator to file quarterly to each applicable collection agency. In both cases the administrator will also be prompted for the annual return.
6. Employers may click 'pay now' or 'file now' for local taxes as always. Greenshades Online will build correct returns and payment files and will provide the employer with submission instructions.

## **Clients using Greenshades Online Payroll Tax Service alone**

Clients using the Greenshades Online Payroll Tax Services but not using the HR Documents module for employee self-service will receive most of the benefits listed in the section above but must request, approve, and store the RCF forms manually (since the HR Document module is not being utilized).

1. Greenshades Online will contain a field for employee's home PSD which may be viewed or edited on the employee's information page along with their other address information. Upon request, Greenshades Online will retrieve the home PSD for each employee by GeoCoding the employee's home address and looking up the correct code from Pennsylvania's records. The code will be stored per employee and may be used by an administrator to manually complete an RCF for that employee.
2. Greenshades Online will automatically verify that each employee has been assigned the correct local tax code in the source payroll package (based on the employee's home PSD and work location PSD). If Greenshades Online detects an incorrect code then administrators will be able to apply the correct tax code using the web portal. The correct amount of tax will be withheld from each employee's paycheck once the correct code has been applied.

3. Greenshades Online will notify employers about upcoming filing or payment deadlines for the local withholding taxes in the same way as all other payroll taxes (on screen prompts after running payroll, reminder emails, etc.). If the employer has opted to be a consolidated payer then Greenshades Online will prompt the administrator to file monthly to a single collection agency. Otherwise Greenshades Online will prompt the administrator to file quarterly to each applicable collection agency. In both cases the administrator will also be prompted for the annual return.
4. Employers may click 'pay now' or 'file now' for local taxes as always. Greenshades Online will build correct returns and payment files and will provide the employer with submission instructions.

### **Clients using the Greenshades Filing Center Software as well as Local Tax Manager**

Clients using the Greenshades Filing and Payment Center want Greenshades to perform most of the heavy-lifting related to tax filings but still want to retain control over the creation of tax returns and the submission of returns and payments. The Local Tax Manager serves as an add-on which ensures that Dynamics clients have assigned the correct local tax codes to their employees.

1. Traditionally the Local Tax Manager has provided rate updates for existing tax codes and has not attempted to provide guidance as to whether the correct local code is assigned to each employee within Dynamics payroll. Going forward, the Local Tax Manager will continue to provide rate updates but will also provide guidance as to whether the correct local code is assigned to each employee within Dynamics payroll. This is intended specifically to meet the new challenges of Act 32 compliance and ensure that tax is being withheld properly from all employees.
2. Administrators may use the Local Tax Manager at any time to determine the home PSD codes for each of their employees. The Local Tax Manager will GeoCode the employee's home address and look up the correct PSD code from Pennsylvania's records. These employee codes will then be stored back into Dynamics in a field chosen by the administrator (such as a user-defined field or address 3).
  - a. Dynamics administrators will be able to view/edit any employee's home PSD code within the employee card of Dynamics (using the field chosen above).
3. When payroll administrators wish to file a tax return, they may use the Greenshades Center to manually create a tax return. The Greenshades Center will find the employee's home PSD codes that were saved by the Local Tax Manager and use it when creating returns.
4. The payroll administrator will then choose whether or not to create a consolidated return. The Greenshades Center will build a correct return file and provide the employer with submission instructions.

### **Clients using the Greenshades Filing Center Software alone**

Clients using the Greenshades Filing and Payment Center want Greenshades to perform most of the heavy-lifting related to tax filings but still want to retain control over the creation of tax returns and the submission of returns and payments.

1. Dynamics administrators can store each employee's home-PSD code in any of the employee's user defined fields or address 3.
2. When payroll administrators wish to file a tax return, they may use the Greenshades Center to manually create a tax return. The Greenshades Center will prompt administrators to select the field where employee's home PSD codes have been stored. These codes will be used by the Greenshades Center when creating returns.
3. The payroll administrator will choose whether or not to create a consolidated return. The Greenshades Center will then build a correct return file and provide the employer with submission instructions.