

2004 EARNED INCOME TAX RETURN INSTRUCTIONS FOR LCTCB/MATCB

GENERAL INFORMATION:

This tax return covers the tax period from January 1, 2004, through December 31, 2004, and must be completed and filed with this bureau by April 15, 2005. This is a resident earned income and net profits tax, levied by school districts and municipalities, collected by this Bureau, and distributed to the school district and municipality where you reside. The Bureau retains the right to request additional documentation to substantiate the information reported.

WHO MUST FILE:

All residents of Lancaster County, Octorara Area School District in Chester County, Middletown Area School District, Lower Dauphin School District and Susquehanna Township School District in Dauphin County who were 16 years of age or older anytime during 2004. A tax return must be filed even if no tax is due or your employer(s) withheld all tax due. Failure to receive a tax return shall not excuse the taxpayer from filing a return, or paying any tax due. Tax return forms are available at our office or by calling (717) 569-4521 between 8:00 and 4:00 weekdays, or by making a request via our website, www.lctcb.org.

INSTRUCTIONS FOR COMPLETING TAX RETURN

- Use Black or Blue Ink
- Do Not Staple Attachments to the form
- Refer to the Alpha/Numeric Key on the reverse side of the tax return for appropriate lettering and numbering
- **Photocopies or substitute forms will not be accepted**

TAXPAYER INFORMATION: Legal name, address, and social security number are required on all returns. If either Taxpayer A or Taxpayer B must be removed from the tax return, follow the instructions to the right of the preprinted Social Security Number and state the reason and effective date in the spaces provided.

- Line 1 Place an "X" in the appropriate box indicating the number of individuals filing this tax return.
- Line 2 Provide home telephone number.
- Line 3 Complete this section only if an extension of time to file a final tax return is needed. For additional information, refer to the Extension Requests portion of "Special Instructions" below.
- Line 4 Complete this section only if Taxpayer A information (name, address and social security number) is blank or has changed.
- Line 5 Complete this section only if (1b) has been "X'd" and Taxpayer B information (name and/or social security number) is blank or has changed.
- Line 6 **Complete this section only if you moved during the tax year.** For additional information, refer to the Moved portion of "Special Instructions" below.
- TAX COMPUTATION:** Lines 7 through 26 provide two columns. All information for Taxpayer A and Taxpayer B must be recorded in the appropriate columns.
- Line 7 Provide social security number(s) in the appropriate columns being consistent with the information on the reverse side of the tax return.
- Line 8 Enter total gross earned income as indicated on your W2(s). Include copies of supporting W2(s) when mailing return. **Report only income earned while a resident of our jurisdiction.** Examples of taxable and non-taxable income are listed in the table below. This is not, however, intended to be a complete listing. If you are not sure about a certain item, please contact our office for clarification.
- Line 9 Enter total business expenses (include supporting documentation/Federal 2106 or State UE-1 or UE-2). For additional information, refer to the Business Expenses portion of "Special Instructions" below. NOTE: Business expenses reported without enclosing proper supporting documentation or schedules will be denied without notification to the taxpayer.
- Line 10 Subtract Line 9 from Line 8.
- Line 11 Enter earned income not reported on Line 8. Interest and dividends earned are not taxable and should not be included.
- Line 12 Report all self-employment profits and indicate in which category the profits were earned by placing an "X" in the appropriate box(es). Supporting schedules (PA Schedules C, F and/or K-1) must accompany this return.
- Line 13 Report all self-employment losses and indicate in which category the losses occurred by placing an "X" in the appropriate box. Supporting schedules (PA Schedules C, F and/or K-1) must accompany this return. NOTE: One person's losses may not be deducted from another person's earnings, nor may losses be carried over to any other tax year.
- Line 14 Enter the sum of Lines 10, 11 and 12, minus Line 13.
- Line 15 Enter the tax rate of the particular township/municipality (see table on reverse side) in which you reside. If you moved during the tax year, refer to the Blended Tax Rate portion of "Special Instructions" below.
- Line 16 Enter the total of Line 14 multiplied by Line 15.
- Line 17 Enter the sum of the amount(s) recorded in the "LOCAL INCOME TAX" box of W2(s). Credit for this amount will only be given if W2(s) are provided with the filing. **Do not include Philadelphia City and/or Other State credits that are properly reported on Line 19.**
- Line 18 Enter the sum of quarterly payments, estimated payments and last year's credit applied to this year.
- Line 19 Enter the total Philadelphia City and/or Other State credit. For additional information, refer to "Special Instructions" below.
- Line 20 Enter the sum of Lines 17, 18 and 19.
- Line 21 If Line 20 is greater than Line 16, enter the total of Line 20 minus Line 16. Refunds of less than \$1.00 will only be made at the office. No credits are granted for less than \$1.00.
- Line 22 If Line 21 is greater than or equal to \$1.00, indicate your preference(s). Failure to choose an option for your overpayment will result in a refund. LCTCB/MATCB is required to report refunds/credits of \$10.00 or more to the Internal Revenue Service.
- Line 23 This should only be completed if Option B of Line 22 is "X'd". Enter amount to apply in column of the spouse receiving the credit.
- Line 24 Enter a value on this line only if Line 16 minus Line 20 is greater than or equal to \$1.00.
- Line 25 Only complete if filed after April 15, 2005. Interest and penalty is computed at the rate of 1% per month, or portion of a month, of the tax that remains unpaid after the due date. Compute the value by multiplying Line 24 times the number of months late times .01 (Line 24 x Months Late x .01).
- Line 26 Enter the sum of Lines 24 and 25. If less than \$1.00 enter 0.00.
- Line 27 Sign and date the tax return. Complete all information requested. Please list a telephone number where you can be contacted in the event of any questions.
- Line 28 (Reverse side-Lower right of tax return) Enter the sum of Line 26 Column A and Line 26 Column B. Enclose check payable to LCTCB/MATCB in this amount. Mail return and all withholding statements, appropriate schedules, and payment by April 15, 2005. Checks deemed to be uncollectible will subject you to a \$20.00 fee and possible legal prosecution.

Mail to: LCTCB/MATCB, 299 HESS BLVD., SUITE 2, LANCASTER, PA 17601-4097.

SPECIAL INSTRUCTIONS

Extension Requests (Line 3): An extension of time does not extend the time to file the earned income tax. Time to file will be extended to August 15, 2005, provided the following are adhered to: (1) the box in this section is "X'd", indicating you are requesting additional time to file, (2) the enclosed tax return is received on or before April 15, 2005, (3) all withheld earned income tax is reported on the return and withholding statements are included, (4) an estimated payment is included with this initial filing.

Moved (Line 6): List the school district/municipal code (see table on reverse side) and the number of months for each residence you occupied during the tax year. Partial months should be attributed to the school district/municipality in which you resided the greatest number of days. **Please do not list residences outside our jurisdiction or report income earned while your residence was outside our jurisdiction.**

Business Expenses (Line 9): Expenses for which an employee has not been reimbursed are allowable as a deduction from gross earned income, provided such expenses are allowable for Pennsylvania State Income Tax purposes. These expenses must be ordinary, necessary, and required by the employer in order for the taxpayer to keep his/her present job. Examples of business expenses are listed in the table below. This is not, however, intended to be a complete listing.

Blended Tax Rate (Line 15): If your tax rate changes during the year, the tax rate applied to Earned Income and Net Profits will be a blended rate based on the number of full months each rate applies. The blended rate will be calculated by dividing each tax rate by the number of months you resided in LCTCB or MATCB's jurisdiction, multiplied by the number of months applicable. If you lived in LCTCB or MATCB jurisdiction the entire year, divide by 12. The result of each applicable tax rate will be added to determine the blended rate to apply to the total Earned Income and Net Profits. The rate shall be calculated to five decimal places. The tax rate applicable for the greatest number of days during any month shall be the tax rate for the month. This calculation applies to:

- Tax rate change by taxing district
- Tax rate change caused by taxpayer moving between taxing districts with different rates

If income reported on the annual return represents only income taxable at one rate, that rate applies, not a blended rate.

Other State (Line 19): You may take credit up to the Tax Rate properly reported on Line 15 multiplied by the gross earnings taxed by another state of the United States, if the amount of income tax liability to another state is in excess of those earnings multiplied by the PA Income Tax rate. You must provide a copy of the other state's income tax return, or credit will not be allowed. No credit will be allowed against compensation received in Maryland, Ohio, West Virginia, Indiana, New Jersey, or Virginia, which are reciprocal tax states.

Philadelphia City (Line 19): You may take credit up to the Tax Rate properly reported on Line 15 multiplied by the earnings subject to Philadelphia Wage Tax, provided you send evidence of payment. You may not apply the excess Philadelphia tax payment against tax liability for earnings not subject to the Philadelphia Wage Tax.

Pittsburgh Credit (Line 19): No credit is available on Pittsburgh withholding. The taxpayer should apply to Pittsburgh for a refund and/or withholding exemption from the Pittsburgh tax.

TAXABLE INCOME:

- Gross Wages and Salaries
- Commissions
- Bonuses
- Stock Options
- Deferred (Tax Sheltered) Contributions
- Net Income from Business, Farm, Limited Liability Company, Limited Liability Partnership, or General Partnership
- Executor and Director Fees
- Vacation Pay
- Separation Pay
- Union Pay
- Tips and Allocated Tips
- Regular Wages Received During Sickness or Disability
- Taxable Fringe Benefits
- Jury Duty Pay
- Inactive Duty Military Pay

TAXABLE INCOME (cont'd):

- Stipends or Fellowships when Compensation for Services Rendered
- Taxes Assumed by Employer
- Foreign Earnings
- Non-Compete Payments

NON-TAXABLE INCOME:

- Interest Income
- Dividends
- Capital Gains
- S Corporation Profits in Excess of Services Rendered (Except for Wages and Salaries)
- Pension Benefits
- Annuities and IRA Benefits
- Active Duty Military Pay
- Third Party Sick Pay or Disability Benefits
- Social Security Benefits
- Unemployment Benefits

NON-TAXABLE INCOME (cont'd):

- Public Assistance Benefits
- Lottery Winnings
- Life Insurance Policy Proceeds
- Workers Compensation
- Meals and Lodging for Employers Convenience
- Rental Income

ALLOWABLE BUSINESS EXPENSES:

- Union Dues
- Professional Dues and License Fees
- Cost of Small Tools
- Uniforms and Work Clothing not Suitable for Everyday Use
- Educational Expenses Required by Your Employer in Order to Keep Your Current Job or Position
- Expenses Properly Deductible on The PA Income Tax Return

NON-ALLOWABLE BUSINESS EXPENSES:

- Commuting Expenses
- Child Care Expenses
- Club Dues or Fees
- Medical Expenses
- Charitable Contributions
- Taxes
- Employment Fees
- Sabbatical Leave Expenses
- Educational Expenses NOT Required By Your Employer
- Contributions To Retirement, Pension, or Salary Reduction Plans
- Insurance Premiums
- Moving Expenses-Unless Required By Your Employer

| SCHOOL DISTRICT Municipality | MUNICIPAL CODE | TAX RATE | SCHOOL DISTRICT Municipality | MUNICIPAL CODE | TAX RATE | SCHOOL DISTRICT Municipality | MUNICIPAL CODE | TAX RATE |
|---------------------------------|-------------------|-------------|---------------------------------|-------------------|-------------|---------------------------------|-------------------|-------------|
| COCALICO | | | HEMPFIELD | | | OCTORARA AREA cont. | | |
| Adamstown Boro | 360033 | 1.000% | E Hempfield Twp | 360575 | 1.000% | Parkesburg Boro | 151203 | 1.000% |
| Denver Boro | 360363 | 1.000% | E Petersburg Boro | 360633 | 1.000% | Sadsbury Twp | 361475 | 1.000% |
| E Cocalico Twp | 360455 | 1.000% | Mountville Boro | 361173 | 1.000% | W Fallowfield Twp | 151865 | 1.000% |
| W Cocalico Twp | 361715 | 1.000% | W Hempfield Twp | 361805 | 1.000% | W Sadsbury Twp | 152075 | 1.200% |
| COLUMBIA | | | LAMPETER/STRASBURG | | | PENN MANOR | | |
| Columbia Boro | 360273 | 1.000% | Strasburg Boro | 361533 | 1.000% | Conestoga Twp | 360305 | 1.000% |
| CONESTOGA VALLEY | | | Strasburg Twp | 361565 | 1.000% | Manor Twp | 361055 | 1.000% |
| E Lampeter Twp | 360605 | 1.000% | W Lampeter Twp | 361835 | 1.000% | Martic Twp | 361115 | 1.000% |
| Upper Leacock Twp | 361625 | 1.000% | W Lampeter Twp Annex | 361855 | 1.100% | Millersville Boro | 361143 | 1.000% |
| W Earl Twp | 361775 | 1.000% | LANCASTER | | | Pequea Twp | 361355 | 1.000% |
| E Lampeter Twp Annex | 360690 | 1.100% | Lancaster City | 360842 | 1.100% | PEQUEA VALLEY | | |
| DONEGAL | | | Lancaster Twp | 360875 | 1.000% | Leacock Twp | 360905 | 1.000% |
| E Donegal Twp | 360485 | 1.000% | LOWER DAUPHIN | | | Paradise Twp | 361295 | 1.000% |
| Marietta Boro | 361083 | 1.000% | Conewago Twp | 220065 | 1.000% | Salisbury Twp | 361505 | 1.000% |
| Mount Joy Boro | 361203 | 1.000% | East Hanover Twp | 220155 | 1.000% | SOLANCO | | |
| Mount Joy Twp | 361235 | 1.000% | Hummelstown Boro | 220363 | 1.000% | Bart Twp | 360095 | 1.650% |
| EASTERN LANCASTER COUNTY | | | Londonderry Twp | 220455 | 1.000% | Colerain Twp | 360245 | 1.650% |
| Brecknock Twp | 360125 | 1.000% | South Hanover Twp | 220905 | 1.000% | Drumore Twp | 360395 | 1.650% |
| Caernarvon Twp | 360155 | 1.000% | MANHEIM CENTRAL | | | E Drumore Twp | 360515 | 1.650% |
| Earl Twp | 360425 | 1.000% | Manheim Boro | 360993 | 1.000% | Eden Twp | 360665 | 1.650% |
| E Earl Twp | 360545 | 1.000% | Penn Twp | 361325 | 1.000% | Fulton Twp | 360815 | 1.650% |
| New Holland Boro | 361263 | 1.000% | Rapho Twp | 361445 | 1.000% | Little Britain Twp | 360965 | 1.650% |
| Terre Hill Boro | 361593 | 1.000% | MANHEIM TOWNSHIP | | | Providence Twp | 361385 | 1.650% |
| ELIZABETHTOWN AREA | | | Manheim Twp | 361024 | 1.000% | Quarryville Boro | 361413 | 1.650% |
| Conoy Twp | 360335 | 1.000% | MIDDLETOWN AREA | | | SUSQUEHANNA TOWNSHIP | | |
| Elizabethtown Boro | 360723 | 1.000% | Lower Swatara Twp | 220514 | 1.750% | Susquehanna Twp | 220964 | 1.000% |
| Mount Joy Twp | 361240 | 1.000% | Middletown Boro | 220633 | 1.750% | WARWICK | | |
| W Donegal Twp | 361745 | 1.000% | Royalton Boro | 220843 | 1.750% | Elizabeth Twp | 360695 | 1.150% |
| EPHRATA AREA | | | OCTORARA AREA | | | Lititz Boro | 360933 | 1.150% |
| Akron Boro | 360063 | 1.000% | Atglen Boro | 150033 | 1.000% | Warwick Twp | 361655 | 1.150% |
| Clay Twp | 360215 | 1.000% | Christiana Boro | 360183 | 1.000% | | | |
| Ephrata Boro | 360753 | 1.000% | Highland Twp | 150725 | 1.000% | | | |
| Ephrata Twp | 360785 | 1.000% | Londonderry Twp | 150935 | 1.250% | | | |

| WORKSHEET TAXPAYER'S COPY | | | | TAXPAYER A | | | TAXPAYER B | | |
|--------------------------------------|---|--|---------|---------------------------|---------------------|--------|---------------------------|---------------------|--|
| 7 | Taxpayer Information (SSN) | | | --- | --- | --- | --- | --- | |
| 8 | Total W2 Earnings | | | _____ | _____ | _____ | _____ | _____ | |
| 9 | Employee Business Expense | | | _____ | _____ | _____ | _____ | _____ | |
| 10 | Taxable W2 Earnings | | | _____ | _____ | _____ | _____ | _____ | |
| 11 | Other Taxable Earned Income | | | _____ | _____ | _____ | _____ | _____ | |
| 12 | Net Profit(s) From: Business, Farm, Partnership | | | _____ | _____ | _____ | _____ | _____ | |
| 13 | Net Loss(es) From: Business, Farm, Partnership | | | _____ | _____ | _____ | _____ | _____ | |
| 14 | Total Earned Income & Net Profits | | | _____ | _____ | _____ | _____ | _____ | |
| 15 | Tax Rate | | _____ % | | | | | | |
| 16 | Tax Liability | | | _____ | _____ | _____ | _____ | _____ | |
| 17 | Total Local Income Tax Withheld | | | _____ | _____ | _____ | _____ | _____ | |
| 18 | Estimated Payments and/or Credit Applied To This Year | | | _____ | _____ | _____ | _____ | _____ | |
| 19 | Credit for Taxes Paid to Philadelphia and/or Other States | | | _____ | _____ | _____ | _____ | _____ | |
| 20 | Total of Lines 17, 18 & 19 | | | _____ | _____ | _____ | _____ | _____ | |
| 21 | Overpayment | | | _____ | _____ | _____ | _____ | _____ | |
| 22 | If Overpaid, Indicate Preference | | | Credit next year's tax | Credit to spouse | Refund | Credit next year's tax | Credit to spouse | |
| 23 | Credit From Spouse | | | _____ | _____ | _____ | _____ | _____ | |
| 24 | Tax Due | | | _____ | _____ | _____ | _____ | _____ | |
| 25 | Interest and Penalty | | | _____ | _____ | _____ | _____ | _____ | |
| 26 | Total Due | | | _____ | _____ | _____ | _____ | _____ | |

IF YOU NEED ASSISTANCE WITH YOUR EARNED INCOME TAX RETURN, COME TO THE BUREAU OFFICE OR
CALL (717) 569-4521, MONDAY THROUGH FRIDAY BETWEEN 8:00 AM and 4:00 PM.