

# **IMPORTANT TAX INFORMATION FOR MONTGOMERY COUNTY EMPLOYEES THAT RESIDE IN PENNSYLVANIA**

## **PENNSYLVANIA PERSONAL INCOME TAX RATE CHANGE**

Effective January 1, 2004, the Pennsylvania personal income tax rate increased from 2.8% to 3.07%. Pennsylvania state taxes withheld from gross wages will be calculated based upon the 3.07% rate.

## **CONTRIBUTIONS TO RETIREMENT PLANS, DEFERRED COMPENSATION AND DEPENDENT CARE SPENDING ACCOUNTS**

Employee contributions to the County's retirement plans, the 457 Deferred Compensation Plan and Dependent Care spending accounts reduce your taxable income base for Federal Income Tax purposes. The State of Pennsylvania, however, does not provide for the same favorable tax treatment of these contributions. The County's payroll system currently treats contributions made to all retirement plans, the deferred compensation plan and dependent care spending accounts as tax deferred and does not withhold the appropriate amount of Pennsylvania tax on the contributions. In order to avoid the payment of additional state taxes that may be due at the end of the year when you prepare your Pennsylvania state tax return, we suggest that you have an additional amount of Pennsylvania state tax withheld each pay period.

To estimate the additional bi-weekly tax withholding that should be withheld on contributions made to your retirement plan, deferred compensation plan, and/or dependent care spending account, multiply the contributions as shown on a current pay stub by the current Pennsylvania tax rate of 3.07%. The attached form and worksheet may be completed and forwarded to OHR – Records Management if you choose to have additional state taxes withheld.

# REQUEST FOR ADDITIONAL PENNSYLVANIA INCOME TAX WITHHOLDING

**TO:** OHR - RECORDS MANAGEMENT (Fax number 240-777-5130)

**FROM:** Employee Name \_\_\_\_\_

Social Security Number \_\_\_\_\_

Daytime Phone Number \_\_\_\_\_

I request to have an additional amount of taxes withheld each payroll period for Pennsylvania income tax purposes until further notice.

Additional amount of Pennsylvania income tax to be withheld on each payroll check =

\$ \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

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<b>Worksheet for Employee Use</b>
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1. Bi-weekly retirement plan contributions \_\_\_\_\_

2. Bi-weekly deferred compensation plan contributions (if applicable) \_\_\_\_\_

3. Bi-weekly contributions to dependent care spending account (if applicable) \_\_\_\_\_

4. Total Pre-tax Contributions for Federal Income Tax Purposes (Line 1 + 2 + 3) \_\_\_\_\_

Times: 2004 Pennsylvania Income Tax Rate **x 3.07%**

Additional Bi-Weekly Pennsylvania Income Tax (Multiply Line 4 x 3.07%) \_\_\_\_\_