



**CITY OF ALLENTOWN  
TAX REFERENCE  
BOOKLET**

**ED PAWLOWSKI, MAYOR**

# CITY OF ALLENTOWN – TAX REFERENCE

This reference booklet provides a summary of all taxes and license fees collected by the City of Allentown. These taxes and license fees are collected by the City's Department of Finance, which is also responsible for the discovery and collection of delinquent taxes.

Modern technology has made the detection of tax delinquency and underpayment much simpler. In order to avoid penalties and interest charges, taxpayers, their tax preparers and consultants must know how and when to properly file returns and pay the taxes and licenses fees.

The City hopes that this book will help clarify the City's requirements and make doing business in the City of Allentown as simple as possible. For additional information and assistance, please call the Department of Finance at 610-437-7500.

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ED PAWLOWSKI, MAYOR

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LARRY HILLIARD, DIRECTOR  
DEPARTMENT OF FINANCE

## **General Information:**

It is the responsibility of the taxpayer to pay taxes when due. Failure to receive a form is never an excuse for late payment or non-payment.

City taxes that are not paid when due require the additional payment of penalty and interest.

One could place Allentown's taxes into two categories. One is assessed taxes and the other is self-assessed taxes. The list on the following page shows each tax by category.

For the assessed taxes, the City will compute the tax due with information provided by Lehigh County.

In the case of self-assessed taxes, the City provides blank forms to be completed by the taxpayer or tax preparer. Payment in full is required at the time the tax return is filed with the City.

For all businesses operating within the City of Allentown, it is necessary to complete a Business Registration Questionnaire provided by the Department of Finance, Bureau of Tax & Utility Systems, Room 215, City Hall, 610-437-7501 or 610-437-7507.

A business must be registered when it begins operation within the City. All businesses within the City must have a Business License displayed as of the first day of business.

Tax rates and license fees are subject to change.

## **ASSESSED TAXES**

**CITY REAL ESTATE TAX  
ALLENTOWN SCHOOL DISTRICT REAL ESTATE TAX  
REALTY TRANSFER TAX  
CITY RESIDENCE TAX AND ALLENTOWN SCHOOL DISTRICT  
PER CAPITA TAX**

## **SELF-ASSESSED TAXES**

**EARNED INCOME TAX – BY INDIVIDUAL  
EARNED INCOME TAX - EMPLOYER WITHHOLDING  
LOCAL SERVICES TAX  
BUSINESS PRIVILEGE TAX  
MECHANICAL AMUSEMENT DEVICE TAX  
BUSINESS LICENSE**

## **ASSESSED TAXES**

### **CITY REAL ESTATE TAX**

#### **Who Is Taxed:**

Individuals or businesses owning real estate located within the City. The millage rate is applied to the assessed value, which is roughly one-half of the market value, as determined by the Lehigh County Board of Assessors.

#### **Rate of Tax:**

The rate of the tax is determined by multiplying the millage by the assessed value. Effective January 1, 1997, each parcel of real estate located within the City shall have a separate assessment for land and improvements. City Council sets the millage rates, which may vary on an annual basis.

#### **Discounts:**

Taxpayers may take a 2% discount on the total annual amount of tax due if the entire tax is paid by April 5th.

#### **Tax Payment Due Dates:**

Taxpayers may choose to pay the tax in four equal installment payments as follows:

- April 15th - 1st payment
- May 15th - 2nd payment
- June 15th - 3rd payment
- July 15th - 4th payment

Taxpayers may choose to pay the annual amount at gross. Such gross payment must be made on or before June 5th of each year.

#### **Penalty:**

If a taxpayer chooses to pay in installments and an installment payment is late, a penalty of 10% shall be assessed on the installment. If no payment is made by June 5th the entire year's taxes become due and payable in full and incur a 10% penalty charge.

#### **Notes:**

Taxes that remain unpaid by December 31st of each year are certified as such and are referred to an independent collection agency.

Tax forms are mailed on or by February 1st.

If you have any questions, please call the Bureau of Tax and Utility Systems, 610-437-7516.

City of Allentown Codified Ordinance Article 353.

## **ALLENTOWN SCHOOL DISTRICT REAL ESTATE TAX**

### **Who Is Taxed:**

Individuals or businesses owning real estate located within the Allentown School District. The millage rate is applied to the assessed value, which is roughly one-half of the market value, as determined by the Lehigh County Board of Assessors.

### **Rate of Tax:**

The rate of tax is determined by multiplying the millage by the assessed value.

### **Discounts:**

Taxpayers may take a 2% discount on the total annual amount of tax due if the entire tax is paid by September 5th.

### **Tax Payment Due Dates:**

Taxpayers may choose to pay the tax in four equal installment payments as follows:

August 15th - 1st payment  
September 15th - 2nd payment  
November 15th - 3rd payment  
December 15th - 4th payment

Taxpayers may choose to pay the annual amount at gross. Such gross payment must be made on or before November 5th of each year.

### **Penalty:**

If a taxpayer chooses to pay in installments and an installment payment is late, a penalty of 10% shall be assessed on the installment. If no payment is made by November 5th the entire year's taxes become due and payable in full and incur a 10% penalty charge.

### **Notes:**

Taxes that remain unpaid by December 31st of each year are certified as such and are referred to an independent collection agency.

Tax forms are mailed on or by July 5th.

Please note that although this tax is billed and collected by the City of Allentown, 100% of the revenue collected is remitted to the Allentown School District

If you have any questions, please call the Bureau of Tax and Utility Systems, 610-437-7516.

## **REALTY TRANSFER TAX**

### **Who Is Taxed:**

The new owner of property located within the City of Allentown, regardless of where the paperwork takes place or where the contract of sale was signed.

### **What Is Taxed:**

The gross sale price.

### **Rate of Tax:**

Tax of one percent (1%) imposed on the value of the real estate transferred.

### **Common Exclusions:**

Transfers to certain relatives, transfers to straw parties, transfers involving government and instrumentalities, transfers to trustees for benefit of children.

### **Common Deductions:**

None.

### **Common Credits:**

Real estate agents or brokers can claim deed transfer tax credit when the property was taken in trade for another property, but not in excess of the tax due. No refunds are paid even if the previous tax payment was greater than the current tax due.

### **Notes:**

The Lehigh County Recorder of Deeds collects this tax. The County remits the tax collected to the City of Allentown. The City keeps one-half and distributes the other half to the Allentown School District.

If you have any questions, please call the Bureau of Tax and Utility Systems, 610-437-7501.

City of Allentown Codified Ordinance Article 337.

## **CITY RESIDENCE TAX AND ALLENTOWN SCHOOL DISTRICT PER CAPITA TAX**

### **Who Is Taxed:**

Every inhabitant of the City and Allentown School District who is eighteen (18) years of age or older.

### **Rate of Tax:**

An annual tax of \$20.00.

### **Common Exclusions:**

Upon application to Room 215, City Hall, any senior citizen, aged 65 years or older whose annual income from all sources is less than \$5,000 may be exempt from the tax.

### **Common Deductions and Credits:**

None.

### **Discounts:**

All taxpayers subject to the payment of the tax are entitled to a 2% discount when the entire tax is paid by August 31st.

### **Tax Payment:**

The City sends tax due notices on or before July 1st. Failure of the City to send a notice of tax due does not relieve an individual from the payment of the tax.

### **Penalty:**

Any taxpayer who fails to make payment of the tax by October 31st is charged a penalty of 5%.

### **Notes:**

Please note that although this tax is billed and collected by the City of Allentown, 75% of the revenue collected is remitted to the Allentown School District.

Taxes that remain unpaid by June 30th of the following year are referred to an independent collection agency.

Every owner of a rental property is responsible to provide the City with a list of all tenants and their addresses on or before April 15th of each year. The list must identify the owner of the rental property, the owner's address of residence and telephone number.

If you have any questions, please call the Bureau of Tax and Utility Systems, (610) 437-7509.

City of Allentown Codified Ordinance Article 355.

# **SELF-ASSESSED TAXES**

## **EARNED INCOME TAX – BY INDIVIDUAL**

### **Who Is Taxed:**

The tax is applied to City residents who earn income and net profits.

### **What Is Taxed:**

Wages, salaries, tips, compensation, etc. that is earned, bonuses, net profits from businesses or professions.

### **Rate of Tax:**

Tax of 1% is imposed on earned income and net profits.

### **Common Exclusions:**

Interest, dividends, active duty pay from military service, pensions, social security and capital gains.

### **Common Deductions:**

Mileage or business expenses, when required by an employer and paid by an individual. Union dues are also deductible (effective 2007 tax year).

### **Common Credits:**

Credits for earned income tax paid to another municipality or state up to 1% and not claimed on the Pennsylvania Income Tax Return.

### **Filing Deadline:**

(1) Annual filing of the return is due April 15 th on form FR-1.

(2) Quarterly estimates for self-employed individuals are filed on forms IT-1 and IT-3 are due as follows:

First quarter - April 15 th  
Second quarter - June 15 th  
Third quarter - September 15 th  
Fourth quarter - January 15 th

### **Penalty:**

If the tax is not paid when due, interest accrues at the rate of 6% per year. In addition, a penalty of ½ percent of the amount of the unpaid tax for each month or fraction of a month will also accrue on the amount of the unpaid tax.

**Notes:**

Quarterly filings are due when the source of income is not subject to withholding requirements.

If an individual is employed and has the tax withheld by his/her employer, but also has self-employment income, estimates must be made for the tax based on the self-employment income.

Funds collected from the Earned Income Tax are split equally with the Allentown School District.

To obtain information and forms, please call the Bureau of Tax and Utility Systems, 610-437-7676

City of Allentown Codified Ordinance Article 331.

# EARNED INCOME TAX - EMPLOYER WITHHOLDING

## **Who must withhold the tax:**

Every employer with an office or place of business in Allentown is required by state law to withhold this tax from all of his or her employees.

## **Who Is Taxed:**

Individuals who are employed within the City limits, regardless of where they reside.

## **What Is Taxed:**

Wages, salaries, tips, and bonus compensation of any form that is earned or distributable.

## **Rate of Tax:**

Tax of 1% is imposed.

## **Filing Deadline:**

Quarterly filings submitted on forms ET-1 are due as follows:

- First quarter - April 30<sup>th</sup>
- Second quarter - July 31<sup>st</sup>
- Third quarter - October 31<sup>st</sup>
- Fourth quarter - January 31<sup>st</sup>

An annual end of year reconciliation is required to reconcile amounts withheld from employees to the amount paid to the City. The deadline is January 31<sup>st</sup> and must be submitted with Form AR. A W2 for each employee must also be submitted on paper or electronically. If the business has more than 250 employees or uses a payroll firm, the W2s must be submitted electronically.

## **Penalty:**

If the tax is not paid when due, interest accrues at the rate of 6% per year. In addition, a penalty of ½ percent of the amount of the unpaid tax for each month or fraction of a month will also accrue on the amount of the unpaid tax

## **Notes:**

Funds collected from the Earned Income Tax are split equally with the Allentown School District.

To obtain information and forms, please call the Bureau of Tax and Utility Systems, 610-437-7501.

City of Allentown Codified Ordinance Article 331.

## **LOCAL SERVICES TAX**

### **Who Is Taxed:**

Individuals who are employed within the City limits, regardless of where they reside.

### **Rate of Tax:**

Fifty two (\$52) dollars per individual.

### **Common Exclusions:**

Any person whose total earned income and net profits from all sources within the City of Allentown is less than \$12,000 per year is exempt from this tax. An exemption form must be completed.

### **Common Credits:**

When a \$52 Local Services Tax is first paid to any other municipality in Pennsylvania for any given year, no Local Services Tax is due to the City.

### **Filing Deadline:**

Quarterly filings are due as follows:

- First quarter - April 30 th
- Second quarter – July 31 st
- Third quarter - October 31 st
- Fourth quarter - January 31 st

### **Penalty:**

If the tax is not paid when due, interest accrues at the rate of 6% per year. In addition, a penalty of ½ percent of the amount of the unpaid tax for each month or fraction of a month will also accrue on the amount of the unpaid tax.

### **Refunds:**

The Refund Claim form must be completed and sent to the Bureau of Tax & Utility Systems. The application must be signed and the appropriate proof attached. A self-addressed, stamped envelope must be included.

**Notes:**

Employers are required to withhold this tax at the rate of \$1 a week for each of their employees.

Employers are required to withhold this tax from the earnings of their employees, but the employees are not relieved of the liability until the tax is paid. If the tax is not paid via withholding, the employee must pay it directly to the City.

Self-employed individuals must pay the tax directly to the City quarterly.

This tax is shared between the City (\$47) and the Allentown School District (\$5).

**Forms:**

LST-1 is used by employers to make payment.

LST-3 is used by self-employed individuals to make payment and serves as evidence of payment.

To obtain information and forms, please call the Bureau of Tax and Utility Systems, 610-437-7501.

City of Allentown Codified Ordinance Article 336.

## **BUSINESS PRIVILEGE TAX**

### **Who Is Taxed:**

Any business, trade or profession carrying on or exercising business activity within the City. For a non-resident business to be taxable, the transaction must have substantial nexus with the City.

### **What Is Taxed:**

Gross receipts.

### **Common Exclusions:**

Receipts attributable to a legitimate out of City office; any aspect of business that is specifically exempted, preempted or excluded by law; those qualifying for a manufacturing exclusion; and non-profit entities operating as purely public charities, or with religious or educational purposes.

### **Common Deductions:**

Bad debts, refunds, credits or allowances, and Sales and Use Taxes if they are included in gross receipts on the federal tax return.

### **Common Credits:**

Business Privilege Tax paid to another municipality when evidenced by a paid receipt.

### **Filing Deadline:**

Annual filing due April 15th.

### **Penalty:**

If the tax is not paid when due, interest accrues at the rate of ½ percent per month and a penalty of 5% is assessed. In addition, a penalty of ½ percent of the amount of the unpaid tax for each month or fraction of a month will also accrue on the amount of the unpaid tax.

To obtain information and forms, please call the Bureau of Tax and Utility Systems, 610-437-7507.

City of Allentown Codified Ordinance Article 333.

## **MECHANICAL AMUSEMENT DEVICE TAX**

### **Who Is Taxed:**

Any person, firm, corporation or association using or permitting the use of any coin-operated mechanical amusement and/or music device on the premises.

### **What Is Taxed:**

Machines providing amusements, including, but not limited to jukeboxes, pinball machines, video games and coin-operated pool tables.

Each amusement device	\$ 50.00	
Each music device	\$ 15.00	
Arcade License	\$350.00	(7 machines or more)

### **Common Exemptions:**

None.

### **Common Deductions and Common Credits:**

None.

### **Filing Deadline:**

Annual filing and payment are due February 1st.

### **Penalty:**

If the tax is not paid when due, interest accrues at the rate of ½ percent per month and a penalty of 5% is assessed.

### **Notes:**

Payment of the tax shall result in the issuance of a certificate of payment for the calendar year. It is unlawful to use any mechanical amusement device without the certificate of payment displayed conspicuously. The imposition of this tax does not legalize or permit the operation of any machines or devices whatsoever for the purpose of gambling.

To obtain information and forms, please call the Bureau of Tax and Utility Systems, 610-437-7501.

City of Allentown Codified Ordinance Article 339.

# **LICENSE FEES**

## **BUSINESS LICENSE**

### **Who Is Licensed:**

Any person desiring to conduct or to continue to conduct, transact or engage in any business, trade, profession or other activity within the City.

### **Common Exclusions:**

None.

### **Common Deductions and Common Credits:**

None.

### **Fee:**

An annual license fee of \$35.00.

### **Filing Deadline:**

All licenses issued shall be on an annual basis, expiring on December 31st of the year of issue.

### **Notes:**

The license must be conspicuously posted in the place of business. Where more than one business location exists, a copy may be used for posting.

To obtain information and forms, please call the Bureau of Tax and Utility Systems, 610-437-7507.

City of Allentown Codified Ordinance Article 313.