

Tax information for Contractors & Sub-Contractors

The City of Scranton & the Scranton School District have enacted the Business Privilege/ Mercantile Tax and the Local Services Tax, per Act 511, the Local Tax Enabling Act.

BUSINESS PRIVILEGE/ MERCANTILE TAX: This tax is imposed on gross receipts, without deduction there from for the cost of property sold, materials used, labor, service, or other costs, or any other expenses. Since this is a gross receipts tax, general contractors are required to base their tax on their gross receipts. No deduction or credit is allowed for the amount paid to sub-contractors. Also sub-contractors are required to base their tax on their gross receipts. No deduction is allowed if the general contractor paid their tax.

Act 511 was amended as follows:

- (1) A local taxing authority may levy a tax on the privilege of doing business in the jurisdiction of the local taxing authority if:
 - (i) The privilege is exercised by conducting transactions in the jurisdiction of the levying local taxing authority for all or part of fifteen or more calendar days within the calendar year; or
 - (ii) The privilege is exercised through a base of operations in the jurisdiction of the levying local taxing authority. The gross receipts subject to this tax shall not include any receipts subject to a tax measured by such gross receipts which is imposed under subparagraph (i).
- (2) As used in this subsection the term "base of operations" shall mean an actual, physical and permanent place of business from which a taxpayer manages, directs and controls its business activities at the location.

As such, contractors and sub-contractors that transact business within Scranton, with or without an office in Scranton, are required to register and file a Business Privilege/ Mercantile Tax return.

TAX RETURNS: Tax returns are due annually, April 15th, and are to be filed with the Scranton Single Tax Office. All non-resident contractors that have conducted transactions in Scranton for all or part of fifteen or more days within the calendar year are required to pay and file a tax return based on their gross receipts generated in Scranton and all resident contractors are required to file and pay this tax based on their gross receipts less receipts taxed by another jurisdiction(s). Proof of gross receipts and deductions for receipts subject to tax in another jurisdiction are to be attached to all returns.

LOCAL SERVICES TAX: All employers located within the City of Scranton as well as those situated outside of Scranton, but who engage in business in Scranton are required to withhold \$3/week for all employees that work in Scranton and did not file an exemption certificate with the employer.

TAX RETURNS: Are to be filed quarterly with the Scranton Single Tax Office. A detailed list of all employees working in Scranton, (name, address, social security number, total wages, tax withheld and number of weeks worked during the quarter in Scranton) is to be attached.

REGISTRATION: All contractors doing business in Scranton are required to complete a registration form and file it with the Scranton Single Tax Office. Only one form is required to register for both taxes.

These forms, regulations, and additional information are available on this website.