

## Tax Information on Starting a Business in Scranton

The purpose of this notice is to give a basic explanation of the filing requirements for doing business in the City of Scranton. You are required to register your business, file and pay the Business Privilege/Mercantile Tax and the Local Services Tax.

**REGISTER:** Whether your business is in a traditional storefront, based out of your home, temporary or seasonal, all businesses conducting transactions in Scranton are required to register with the Scranton Single Tax Office. This also applies to businesses that have an office outside of Scranton that conduct business in Scranton in all or part of 15 days in a calendar year, including but not limited to carpet cleaners, contractors, doctors, landscapers, sanitation service, etc. To register, complete and return a Business Privilege/LST Registration Form to the Scranton Single Tax Office. This form can be found on our home page. Upon receipt, you will be assigned an account number and the appropriate tax forms will be sent to you.

**BUSINESS PRIVILEGE/MERCANTILE TAX:** This is a gross receipts tax. New businesses are to file and pay this tax within forty days of starting the business. The tax liability is calculated by multiplying the first month's gross volume of business by the number of months, including the fraction, if any, of the current tax year remaining, and multiplying the product thereof by the tax rate. For 2016 the combined tax rates are as follows:

Wholesale - .001452 or \$1.45 per \$1,000 of sales.  
Retail - .001679 or \$1.68 per \$1,000 of sales.  
Services - .00613 or \$6.13 per \$1,000 of sales.

Example: A dentist opens an office on June 16<sup>th</sup> and the gross receipts are \$10,000 in the first month ending July 15<sup>th</sup>, calculates the tax as follows:  
 $\$10,000 \times 6 \frac{15}{30} = \$65,000$       $\$65,000 \times .00613 = \$398$  tax due on July 26<sup>th</sup>

The following year, this taxpayer would calculate their tax as follows:  
 $\$10,000$  (first month's gross sales)  $\times 12$  (number of months in business this year) =  $\$120,000$   
 $\$120,000 \times .00613 = \$736$  tax due April 15<sup>th</sup>.

If your business is temporary or seasonal, less than 60 consecutive calendar days, the tax is calculated by taking the actual amount of business transacted and multiplying by the tax rate. Tax return is to be filed and paid within 7 days of completion of business.

**LOCAL SERVICES TAX:** For 2016 the tax rate is \$156. 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.

Employers: All employers 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 from all employees that work in Scranton and did not file an exemption certificate with you.

Self-Employed Individuals: All business owners, general partners, etc. who perform services of any type or kind or engage in any occupation or profession within a primary place of business within Scranton are required to file and pay this tax.