

ANNUAL RECONCILIATION OF EMPLOYEE EARNINGS TAX INSTRUCTIONS

Do not file this return if Philadelphia Wage Tax was withheld on all compensation.

- Who Must File**
- 1) Residents of Philadelphia who received compensation from which wage tax was **not** deducted on total wages.
 - 2) Non-residents who have received compensation for services performed in Philadelphia on which wage tax was **not** deducted on total wages.
 - 3) See Instruction Sheet B concerning wage tax paid to other Pennsylvania jurisdictions and reciprocal agreements.

When to File The Annual Reconciliation of Employee Earnings Tax for the calendar year 2001 is due on or before **April 15, 2002. Failure to file by the due date will result in the imposition of interest and penalty.**

Where to File Sign the Annual Reconciliation return, enclose W-2 forms and mail to:
 Philadelphia Department of Revenue
 P.O. Box 1648
 Philadelphia, PA 19105-1648.

Do not staple the tax return. Do not submit photocopies of this return. To obtain additional returns, forms and instructions, refer to the contact information below.

Change Form - To report a mailing address change or to cancel your account use the enclosed Change Form. A single Change Form can be used for all tax types for which you are liable.

Gross Compensation includes wages, commissions, tips, bonuses, severance pay, sick and/or vacation pay, non-cash compensation, and military reserve pay not including active duty. **Pension plan contributions (such as 401k contributions) are subject to wage tax and are not deductible from gross taxable compensation.**

Contact Information: Call 215-686-6600 or send e-mail to revenue@phila.gov. Applications, tax returns, schedules and instructions can be downloaded from our web site at phila.gov/revenue. All forms are in Adobe Acrobat Format and require Adobe Acrobat 4.0 or later.

Computation of Interest and Penalty

Month after Due Date	Returns Filed After Due Date	Interest	Penalty	Combined Interest & Penalty	Cumulative Interest & Penalty
1st	04/16/02 thru 05/15/02	1%	1%	2%	2%
2nd	05/16/02 thru 06/15/02	1%	1%	2%	4%
3rd	06/16/02 thru 07/15/02	1%	1%	2%	6%
4th	07/16/02 thru 08/15/02	1%	2%	3%	9%
5th	08/16/02 thru 09/15/02	1%	2%	3%	12%
6th	09/16/02 thru 10/15/02	1%	2%	3%	15%
7th	10/16/02 thru 11/15/02	1%	3%	4%	19%
8th	11/16/02 thru 12/15/02	1%	3%	4%	23%
9th	12/16/02 thru 01/15/03	1%	3%	4%	27%
10th	01/16/03 thru 02/15/03	1%	4%	5%	32%
11th	02/16/03 thru 03/15/03	1%	4%	5%	37%
12th	03/16/03 thru 04/15/03	1%	4%	5%	42%

For each additional month or fraction thereof, after the 12th month, add 1% for interest and 1¼% for penalty.

Note: Payments made with returns filed after the due date that **do not** include applicable interest and penalty will be **automatically pro-rated** between principal, interest and penalty. You will be subsequently billed for the remaining tax balance and associated interest and penalty.

NON-RESIDENT EMPLOYEE EARNINGS ALLOCATION AND/OR DEDUCTIBLE EMPLOYEE BUSINESS EXPENSES REPORT INSTRUCTIONS

Allocated Compensation: A non-resident who receives compensation for services performed both in and out of Philadelphia may allocate that compensation by completing Page 2 of the Annual Reconciliation of Earnings Tax Return.

- You must enclose copies of your W-2 forms that show Federal, Medicare, state, and local wages.
- If you only worked a partial year in Philadelphia, fill in the beginning and ending dates. Page 2, Line 1A should only reflect the number of days/hours employed.

Line 2B: Non-Workdays/Hours

During a period of sickness or disability, if you receive a normal salary, such salary is considered to be taxable compensation. If you receive worker's compensation or a plan in lieu of worker's compensation where the amount received is less than your normal salary, the compensation received is not subject to Philadelphia Wage Tax. **Non-workdays include Saturday, Sunday, vacation, holidays, leave, sick days, and any day you do not work. Include 104 days for Saturday and Sunday if you work a 5 day week.**

Line 1G/2E: Expenses

Entries on Lines 1G/2E must be supported by Federal Form #2106. If additional business expenses are claimed from Federal Schedule A, Line n, you must also include Schedule A. Photocopies are acceptable. Expenses are deductible if (a) the total expenses are reduced by any amounts reimbursed by your employer; (b) they are ordinary, necessary and reasonable; and (c) they are recognized as deductions from adjusted gross income in the Internal Revenue Code. Complete this worksheet.

	Column A 1/1/2001 to 6/30/2001	Column B 7/1/2001 to 12/31/2001
1. Total non-reimbursed employee business expenses from Form 2106 and/or Schedule A, Miscellaneous Deductions, Line 20.....1.		
2. Multiply Line 1 times the percentage on Page 2, Line 1E AND/OR Line 2C.....2.		
3. Deductible non-reimbursed employee business expenses. Subtract Line 2 from Line 1 and enter on Page 2, Line 1G and/or 2E.....3.		

The City does not allow all Federal expenses. Examples of expenses which are not deductible are: transportation to and from work, educational expenses, dues, subscriptions, and pension plan payments. You must be a **Statutory Employee** as indicated on your W-2 form to claim Federal Schedule "C" expenses. Otherwise, you must obtain a Philadelphia Business Tax Account Number and file Business Privilege/Net Profits Tax returns. Do not file this return. Refer to the contact information on Instruction Sheet A to obtain an application.

Line 3: Total Non-taxable Compensation

Enter the total of Lines 1H and 2F, Columns A & B onto Page 1, Line 2 of the Annual Reconciliation of Earnings Tax Return.

Line 4: Net Taxable Compensation

Residents of Philadelphia enter the amount from Column A, Line 4 on Page 1, Line 4; non-residents use Page 1, Line 6. Residents of Philadelphia enter the amount from Column B, Line 4 on Page 1, Line 8; non-residents use Page 1, Line 10.

Wage taxes paid or payable to other jurisdictions within Pennsylvania

Residents of Philadelphia are required to pay Philadelphia Wage Tax on all salaries, wages and compensation regardless of where that compensation was earned. Philadelphia residents employed in other localities in Pennsylvania should instruct their employers not to withhold other local income taxes from their compensation.

Non-residents of Philadelphia residing in Pennsylvania and employed within the City of Philadelphia must pay the Philadelphia Wage Tax on all compensation earned in Philadelphia. Non-resident compensation not subject to Philadelphia wage tax (due to services rendered outside of Philadelphia) may be subject to taxation in the employee's home jurisdiction.

Reciprocal Agreements: (Employment in/or residents of States other than Pennsylvania)

The City of Philadelphia is not a party to any reciprocal tax agreements with any other State or political subdivision thereof. Non-residents of Pennsylvania cannot claim a tax credit against Philadelphia Wage Tax for income taxes paid to any other State or political subdivision thereof.

Residents of Philadelphia employed outside of Pennsylvania may be required to file and pay a local income tax in that jurisdiction in addition to Philadelphia Wage Tax.