

**INSTRUCTIONS FOR FILING WAGE TAX REFUND PETITION**  
**(Commission Employees Only)**

**Only non-resident employees are eligible for a refund based on sales outside of Philadelphia.** Resident employees are taxable whether sales are in or out of Philadelphia, but they may use this form to apply for a refund based on allowable employee business expenses on Line 2E.

Employees petitioning for a refund based on sales 100% outside of Philadelphia need to submit a letter from their employer stating that the employee neither lived nor concluded any sales in Philadelphia. The employer must identify the employee's actual work location. Employers have no obligation to withhold wage tax on sales concluded by non-residents outside of Philadelphia.

The taxability of sales by commission employees is based on the place of solicitation. You may only exclude sales outside of Philadelphia if you are out of Philadelphia when the sale is solicited and the order taken. **If you are selling by phone from Philadelphia, these sales are taxable no matter where the customer is located.**

**Both the employer and employee must sign the petition for refund.** A petition for refund of "erroneously withheld Wage Tax from an employee must be made by the employer for and on behalf of the employee" (General Regulations Section 306 (2)). The authorizing official signing this form should do so only if they know of the employee's whereabouts as they relate to this petition, as well as an understanding of how this information applies to Section 401, 402, 403, 404, 405 and 407 of the Philadelphia Income Tax regulations. These regulations are available at [www.phila.gov/revenue](http://www.phila.gov/revenue).

**You must file a separate refund petition for each employee that may have overwithheld Wage Tax.**

**Partial Year:** In the context of this form, a partial year is one in which your liability or status for Wage Tax changes. It could be the result of becoming a resident, becoming a non-resident, starting a new job, terminating a job, etc. In any of these situations you need to indicate the period for which you were liable for Wage Tax with a particular employer.

**Line 1:** Enter your **Gross Compensation** (generally the highest compensation figure on the w-2). The only income excludable from gross compensation for this line would be income received as the result of exercising an employee stock option.

**Line 2A:** This line should reflect **Total Sales** for the year. If your compensation is based on more than one commission rate or a combination of salary, commissions, fee, etc., prepare a worksheet calculating the amount due and attach it to the petition, marking this line "see attached".

**Line 2B:** This line should reflect **Sales Outside of Philadelphia** as noted in paragraph 3 above.

**Line 2E:** Federal Form #2106 must support entries on this line. If an employee is a non-resident, the employee is only permitted to deduct the proportionate share of expenses incurred in Philadelphia. Such expenses are deductible provided that:

1. The total expenses are reduced by any amounts reimbursed by the employer.
2. They are ordinary, necessary and reasonable.
3. They are recognized as employee business expenses by the IRS.

**Note: If your Federal #2106 has an entry on Line 4, you must submit a breakdown of those expenses.**

<b>Line 4: Tax Rates</b>	<b>Period</b>	<b>Resident Rate</b>	<b>Non-Resident Rate</b>
	01-01-2003 to 06-30-2003	4.5% (.045000)	3.9127% (.039127)
	07-01-2003 to 12-31-2003	4.4625% (.044625)	3.8801% (.038801)

**Line 6:** Attach applicable W-2s indicating Federal, Medicare, State and local wages.

**Wage Tax Rate Reduction:** It is expected that the Wage Tax rate will again be reduced, effective on July 1, 2004. Visit our web site, call or e-mail the Revenue Department in June 2004, for confirmation that the rate has been reduced.

For further information, you may reach the Revenue Department Refund Unit at:  
215-686-6574, 6575 or 6578  
Send e-mail to [revenue@phila.gov](mailto:revenue@phila.gov)  
[www.phila.gov/revenue](http://www.phila.gov/revenue) 