

# 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**

If you receive a normal salary during a period of sickness or disability, 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 unreimbursed employee expenses are claimed on Federal Schedule A, 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 1/1/2003 to 6/30/2003	Column B 7/1/2003 to 12/31/2003
1. Total unreimbursed employee business expenses from Form 2106 and/or Schedule A, Miscellaneous Deductions.....1.		
2. Multiply Line 1 times the percentage on Page 2, Line 1E <b>AND/OR</b> Line 2C.....2.		
3. Deductible unreimbursed 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.