

INSTRUCTIONS

- **This form must be filed with the Annual Reconciliation of Earnings Tax return. Do not send in this form separately.**
- You must attach a copy of your W-2 that shows Federal, Medicare, state, and local wages.
- **Your employer must sign this form.**
- If you only worked a partial year in Philadelphia, you need to fill in the beginning and ending dates on the front of this form.
- Direct telephone inquiries to 215-686-6600. Send e-mail to revenue@phila.gov
- You must attach Federal Form #2106 if claiming expenses on lines 2G or 3E.

Line 2B: Sick Pay, Non-Work Days/Hours

During a period of sickness or disability, if an employee receives a normal salary, such salary is considered to be taxable compensation. If, however, an employee receives workmen's compensation or a plan in lieu of workmen's compensation where the amount received is less than the employee's normal salary, the compensation received is not subject to Philadelphia Wage Tax.

Non-work days include Saturday, Sunday, vacation, holidays, leave, sick days, etc., i.e., any day on which the employee does not work. Be sure to include 104 days for Saturday and Sunday if employee works a 5 day week.

Line 2G/3E: Expenses

Do not enter figures on Lines 2G/3E unless supported by Federal Form #2106. A photocopy of the #2106 is acceptable. A non-resident employee claiming business expenses is only allowed to deduct the proportionate share of expenses incurred in Philadelphia. For example, an employee who works 80% of their time inside Philadelphia and 20% outside may deduct 80% of the business expenses, since this is the proportionate share of expenses incurred which are attributable to the employee's Philadelphia earnings.

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 deductions from gross income in the Internal Revenue Code.

While Federal acceptance is a prerequisite, the City does not allow all expenses. Examples of expenses which are not deductible are; (1) transportation to and from work; (2) educational expenses; (3) clothing; (4) tools; (5) dues; (6) subscriptions; (7) pension plan payments; and (8) Federal Schedule "C" expenses. To claim Federal Schedule "C" expenses, you must obtain a Philadelphia Business Tax Account Number and file Business Privilege/Net Profits Tax returns. Call 215-686-6600 to obtain the application for a business tax account number or visit our web site at www.phila.gov/departments/Revenue.