

ANNUAL RECONCILIATION OF EMPLOYEE EARNINGS TAX INSTRUCTIONS

IF WAGE TAX WAS OVERWITHHELD BY YOUR EMPLOYER, DO NOT FILE THIS RETURN. FILE THE EMPLOYEE WAGE TAX REFUND PETITION.

IF LINE 9 OF THE RETURN IS EQUAL TO OR GREATER THAN LINE 8 (100% EMPLOYER WITHHELD), DO NOT FILE THIS RETURN. COMPLETE A CHANGE FORM TO CANCEL YOUR ACCOUNT.

Who Must File - 1) Residents of Philadelphia who received compensation and wage tax **was not** deducted on total wages; 2) Nonresidents who have received compensation for services performed in Philadelphia and wage tax **was not** deducted on total wages.

When to File - The Annual Reconciliation of Employee Earnings Tax for 2011 is due on or before **April 17, 2012**. **Failure to file and pay by this date will result in the imposition of interest and penalty.**

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

Payment of tax - If the tax due on Line 12 of the return is \$1 or more, make a check payable to "City of Philadelphia". Include the last 4 digits of your Social Security Number on your check or money order.

ACH Debits and Credits are accepted for payment of tax. For more information or to enroll in this program go to www.phila.gov/revenue in the "Electronic Filing" section under "Electronic Payments", or contact the Electronic Government Unit at 215-686-6582, 6628 or 6459 or e-mail to egovservices@phila.gov.

Do not staple the tax return. Do not submit photocopies of this return.

Complete and submit a **Change Form** to report a mailing address change or to cancel your account.

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

If you have questions about this return call **215-686-6600** or send an e-mail to revenue@phila.gov. Additional tax returns, instructions, and refund petitions can be downloaded at www.phila.gov/revenue and require Adobe Acrobat Reader.

COMPUTATION OF INTEREST AND PENALTY

Month after Due Date	Returns Filed after Due Date	Interest	Penalty	Combined Interest & Penalty	Cumulative Interest & Penalty
1st	04/18/12 thru 05/15/12	1%	1%	2%	2%
2nd	05/16/12 thru 06/15/12	1%	1%	2%	4%
3rd	06/16/12 thru 07/15/12	1%	1%	2%	6%
4th	07/16/12 thru 08/15/12	1%	2%	3%	9%
5th	08/16/12 thru 09/15/12	1%	2%	3%	12%
6th	09/16/12 thru 10/15/12	1%	2%	3%	15%
7th	10/16/12 thru 11/15/12	1%	3%	4%	19%
8th	11/16/12 thru 12/15/12	1%	3%	4%	23%
9th	12/16/12 thru 01/15/13	1%	3%	4%	27%
10th	01/16/13 thru 02/15/13	1%	4%	5%	32%
11th	02/16/13 thru 03/15/13	1%	4%	5%	37%
12th	03/16/13 thru 04/15/13	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 billed for the remaining tax balance and associated interest and penalty.

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

If wage tax was overwithheld by your employer, do not file this return. File the Employee Wage Tax Refund Petition.

Allocated Compensation: A **non-resident of Philadelphia** receiving 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 containing Federal, Medicare, State and Local Wages. If you worked a partial year in Philadelphia, fill in the beginning and ending dates. Page 2, Line 2A should only reflect the number of days/hours employed.

Line 2B - Non-workdays/Hours: During a period of sickness or disability, if you receive your regular salary, the 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 regular salary, the compensation **is not** subject to Philadelphia Wage Tax. **Non-workdays include Saturday, Sunday, vacation, holidays, leave, sick days, and any day you do not actually work. Include 104 days for Saturday and Sunday if you work a 5 day week.**

Line 2C: If computing overtime, file in hours **and** include overtime hours in Line 2A. For example, 1 hour of double-time pay is equal to 2 hours.

Line 2G/4E - Expenses: Entries on Lines 2G and 4E 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.

Examples of expenses which are not deductible are: transportation to and from work, certain educational expenses, dues, subscriptions, and pension plan contributions. 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. If you are not a Statutory Employee and you want to claim Federal Schedule C expenses, do not file the Earnings Tax Reconciliation return. To obtain a Business Tax Account Number application, refer to the contact information on Instruction Sheet A.

Line 5 - Total Non-taxable Gross Compensation: Enter the total of Line 5 on Page 1, Line 2.

**Line 6 - Taxable Gross Compensation: Residents of Philadelphia enter this amount on Page 1, Line 4.
Non-residents of Philadelphia enter this amount on Page 1, Line 6.**

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. 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.