

# **ANNUAL RECONCILIATION OF EMPLOYEE EARNINGS TAX INSTRUCTIONS**

Residents of Philadelphia who received compensation and wage tax **was not** deducted on gross compensation and Nonresidents who have received compensation for services performed in Philadelphia and wage tax **was not** deducted on that compensation must file this return. **Gross compensation** includes wages, commissions, tips, bonuses, severance pay, sick and/or vacation pay, non-cash compensation, and military reserve pay excluding active duty. **Employee Pension plan contributions (such as 401k contributions) are subject to wage tax and are not deductible from gross compensation.**

**Eligibility for Reduced Rate and PA 40 Schedule SP** – To receive a decreased Resident or Nonresident Rate, you must file Schedule SP with the state and be approved. Generally, to be eligible under Schedule SP, you must meet the following income requirements based on your marital and federal filing status, number of dependents and income. Include SP Schedule with filing.

<b>SCHEDULE SP ELIGIBILITY INCOME TABLE</b>		
<b>Number of Dependent Children</b>	<b>Unmarried, Separated and Deceased</b>	<b>Married (Even if filing separately)</b>
0	\$8,750	\$15,250
1	\$18,250	\$24,750
2	\$27,750	\$34,250
3	\$37,250	\$43,750
4	\$46,750	\$53,250
5	\$56,250	\$62,750
6	\$65,750	\$72,250
7	\$75,250	\$81,750
8	\$84,750	\$91,250
9	\$94,250	\$100,750

The Annual Reconciliation of Employee Earnings Tax for 2015 is due on or before **April 18, 2016**. **Failure to file and pay by this date will result in the imposition of interest and penalty.** Sign the return, enclose W-2 forms, PA Schedule SP (if applicable) and mail to: Philadelphia Department of Revenue, P.O. Box 1648, Philadelphia, PA 19105-1648.

If the tax due on Line 20 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. If your check is returned unpaid for insufficient or uncollected funds, (1) you authorize The City of Philadelphia or its agent to make a one-time electronic funds transfer from your account to collect a fee of \$20; and (2) The City of Philadelphia or its agent may re-present your check electronically to your depository institution for payment.

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](http://www.phila.gov/revenue) and click "Payments & E-File" then select "Pay Taxes". Contact the Electronic Government Unit at 215-686-6582, 6479 or 6628 or e-mail to [egovservices@phila.gov](mailto:egovservices@phila.gov).

**If wage tax was overwithheld by your employer, do not file this return. File the Employee Wage Tax Refund Petition. To download a Refund Petition, go to [www.phila.gov/revenue](http://www.phila.gov/revenue) and select "Tax Professional Info" then "Refund Petitions".**

**IF LINE 17 OF THE RETURN IS GREATER THAN LINE 16 (100% EMPLOYER WITHHELD), DO NOT FILE THIS RETURN. COMPLETE A CHANGE FORM TO CANCEL YOUR ACCOUNT.**

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.

If you have questions about this return call 215-686-6600 or send an e-mail to [revenue@phila.gov](mailto:revenue@phila.gov). Additional tax returns, instructions, refund petitions and the Change Form can be downloaded at [www.phila.gov/revenue](http://www.phila.gov/revenue) and require Adobe Acrobat Reader.

## **Interest, Penalties and Costs**

Effective January 1, 2014 - All taxes (except Real Estate) bear simple interest. The annual rate shall be the Federal Short-Term Rate effective January 1 of such calendar year (26 § USCA 6621 et. seq.) plus five (5) percentage points.

Penalty will be at the rate of 1¼% of the unpaid tax for each month or fraction thereof.

See the Department of Revenue web site for current interest rate.

**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 **nonresident 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, fill in hours **and** include overtime hours in Line 2A.

**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 the total expenses are reduced by any amounts reimbursed by your employer and they are ordinary, necessary and reasonable.

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 Income & Receipts/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 enter Column A on Page 1, Line 4 or Line 5 if eligible for Income-based rate; Column B on Page 1, Line 7 or Line 8 if eligible for Income-based rate. Nonresidents enter Column A on Page 1, Line 10 or Line 11 if eligible for Income-based rate; Column B on Page 1, Line 13 or Line 14 if eligible for Income-based rate.

**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.

Nonresidents of Philadelphia residing in Pennsylvania and employed within the City of Philadelphia must pay the Philadelphia Wage tax on all compensation earned in Philadelphia. Nonresident 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. **Nonresidents** 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.