

Annual Reconciliation of 2023 Employee Earnings Tax Instructions

Tax regulations and forms are available at www.phila.gov/revenue

Who should file:

- Residents of Philadelphia who received compensation, but Wage Tax **was not** withheld and remitted on gross compensation on their behalf, OR
- Nonresidents who have received compensation for services performed *in* Philadelphia, but Wage Tax **was not** withheld or remitted on that compensation

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.

Do not file this return if:

- If your employer withheld too much Wage Tax. Instead, file the Employee Wage Tax Refund Petition, OR
- If Line 17 of your return is greater than Line 16 (100% Employer withheld). Instead cancel your account by using a change form, found at phila.gov/tax-change.

When and how to file: The 2023 Annual Earnings Tax Reconciliation is due by April 15, 2024. Failure to file and pay by this

date will result in the imposition of interest and penalty.

File and pay Earnings Tax online at the Philadelphia Tax Center at **tax-services.phila.gov**. You will need to upload a copy of your W2 and PA Schedule SP (if applicable). After submitting the return, print the confirmation page for your records.

You will need to create a username and password to file a return. This process can take 10 days or more. But payments can be made without a username and password using E-Check (free!) or credit or debit card (fee). Paper returns are also available at **phila.gov/revenue**.

Do not enclose payments with your tax return. Additionally, do not staple or submit a photocopy.

Mail signed Earnings Tax returns to

City of Philadelphia Department of Revenue

P.O. Box 1648

Philadelphia, PA 19105-1648

Payment information: If the tax due on Line 20 of the return is \$1 or more Payments can be made online at **tax-services.phila.gov**. You can also print a paper payment voucher from the Tax Center to mail payments. Make checks payable to "City of Philadelphia." Include the last four digits of your Social Security

Number on your check or money order.
Always include a voucher with your payment to ensure that it is properly applied.

Mail Earnings Tax payments to

City of Philadelphia
Department of Revenue
P.O. Box 389
Philadelphia, PA 19105

Payments can be made in person in the Concourse area of the Municipal Services Building (1401 John F. Kennedy Blvd.)

How to update your account

information: If your information has changed, update your information on the Change Form found at **phila.gov/tax-change**.

Contact **revenue@phila.gov** or call **215-686-6600** with questions.

Low-income taxpayers are eligible for a lower rate if they also qualify for PA 40

Schedule SP. To receive a decreased Resident or Nonresident Rate, you must file Schedule SP with the Commonwealth of Pennsylvania 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 your SP Schedule with filing.

2023 Schedule SP Eligibility Table		
Number of Dependents	Unmarried, Separated and Deceased	Married (Even if filing separately)
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

Interest, Penalties and Costs

All Philadelphia taxes, except Real Estate) bear simple interest. The annual rate is the Federal Short-Term Rate effective January 1 of each calendar year (26 § USCA 6621 et. seq.) plus five (5) percentage points. Penalty is at the rate of 1¼% of the unpaid tax for each month or fraction thereof. For current interest rates, see **phila.gov/revenue**.

Nonresident employee Earning Tax Allocation and/or deductible business expense report Instructions

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, we consider it 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.

Philadelphia residents reporting 100% of their wages should use the total non-reimbursed expense amounts from Line 2(G)(i) and 4(E)(i) and skip Lines 2(G)(ii), 2(G)(iii), 4(G)(ii), and 4(G)(iii).

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 use Line 5 if you are eligible for the low-income rate; Column B on Page 1, Line 7 or Line 8 if eligible for Income-based rate.

based rate; Column B on Page 1, Line 13 or Line 14 if eligible for the low-income rate.

Nonresidents use Column A on Page 1, Line 10 or Line 11 if eligible for Income-

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.

Wage Taxes paid or payable to other jurisdictions outside of Pennsylvania

Residents of Philadelphia whose wages are subject to the taxes of local jurisdictions outside of Pennsylvania, can take a credit against the Earnings Tax due on line 17 of page 1 of the Earnings Tax Return. Include a copy of the W-2 showing the tax paid to the other 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 jurisdiction.

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.