

## **CHAPTER 19: TAX WITHHOLDING AND ESTIMATED PAYMENTS**

### **WITHHOLDING – REPORTING BLOCK 16.**

#### **ESTIMATED PAYMENTS.**

**Requirements for Making Estimated Payments.**

**Payment Due Dates.**

**Form PA-40ES.**

**Safe Harbor from Pennsylvania Underpayment Penalties.**

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**EMPLOYER WITHHOLDING**

**DIRECTIONS FOR PENNSYLVANIA TAXABLE COMPENSATION  
BOX 16 ON FEDERAL FORM W-2**

**DIRECTIONS FOR COMPLETING  
Federal Form W-2**

**Block 16**

**“State wages, tips, etc.”**

This booklet contains information that will help you know what income items must be reported in Block 16 (“State wages, tips, etc.”) of your employees’ W-2 Wage and Tax Statement. It also contains instructions to help you know which reportable income items are subject to Pennsylvania personal income tax withholding.

Pennsylvania personal income tax rules vary from Federal income tax rules in many ways. This booklet assumes that:

- You have already correctly determined the employment status under Federal income tax rules of each employee and non-employee with Federally taxable “wages.”
- You have already correctly computed the amount of each employee’s “Block 1” Federal “Wages, tips, etc.” but do not know Pennsylvania personal income tax rules.
- Your employee is not a “statutory employee” or “statutory nonemployee” for Federal income tax purposes.
- Your employee is not a post-doctoral research fellow.

The booklet lists each adjustment to the amount of an employee’s “Block 1” Federal “wages, tips, etc.” that is necessary to compute the correct amount of the employee’s “State wages, tips, etc.” subject to Pennsylvania personal income tax. Part I lists the items that are taxable for Pennsylvania purposes but not for Federal purposes. The amount of these items must be *added* to the Federal income amount. Part II lists the items that are not taxable for Pennsylvania purposes but are taxable for Federal purposes. The amount of these items must be *subtracted* from the Federal income amount you computed.

Many amounts, of course, are taxable for both Pennsylvania and Federal purposes. If you have correctly computed the employee’s Federal “Wages, tips, etc.,” no adjustment for these items will be necessary.

This booklet does not contain instructions covering information returns corresponding to Federal Form 1099R or Form 1099-MISC. It also does not contain information concerning non-payroll items such as pensions, annuities, or other payments from any trust described in IRC §401(a) which is exempt from tax under IRC §501(a) at the time of such payment (unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust) and IRAs, military retirement, gambling winnings, and items subject to Federal backup withholding such as interest, dividends, rents, royalties, commissions, and non-employee compensation. The booklet also does not identify which expenses may be deducted on PA Schedule UE. For more information on these matters, consult the PA PIT Guide.

**Effective January 1, 1998**

Start with Box 1, Wages, tips, other compensation, of Federal Form W-2, Wage and Tax Statement. The following adjustments are required to determine Box 16, state wages, tips, etc.

**Part A ADD the following items to the Box 1 amount (unless already included) in the circumstances noted:**

Item	WITHHOLD	When	Amount
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1	Tuition reimbursement	Yes	All payments made by employers to employees for actual, vouchered educational expenses they incur unless the education is required by law or is required by employer of the employee to retain the specific skills needed for his present position.	Total amount of reimbursements neither used for allowable employee business expenses nor returned to the employer.
2	Educational assistance program	Yes	The education is not required by law or is not required by employer of the employee to retain the specific skills needed for his present position.	All amounts received by an employee for tuition, books, fees, supplies, etc. less than the federal exclusion amount (\$5,250 for 2000 tax year).
3	Dependent care assistance/day care	YES	All instances other than when: a) Service is provided by employer or co-employee; b) Rights to service were procured beforehand by employer (not by employee); and c) Employee has no option to receive additional cash compensation in lieu of assistance.	Amount paid by employer and/or through employee contributions pursuant to salary reduction agreement or payroll deductions.
4	Employee reimbursements	YES	To the extent that the reimbursement is excluded from federal income but not from Pennsylvania income. Example: payments received under educational assistance plan when the training is not business related.	Amount not included in Box 1 federal wages. Arbitrary or lump sum reimbursements are taxable.
5	Prizes and awards, including length of service or safety achievement	Yes	Winner is required to render services as a condition to receiving prize or award or when awarded in recognition of years of service or safe work record.	To the extent not already included in block 1.

**Part B ADD the following items to the Box 1 figure:**

ITEM	Withhold	Amount
1		Amount to the extent not already included in block 1.

	<p>a) 401 (k) plan</p> <p>b) 403(b) Pure annuity plan, including plans sponsored by exempt organizations described in IRC § 501(c)</p> <p>c) 403(b) plan plus another deferred plan</p> <p>d) 408(k) Simplified Employee Pension plan</p> <p>e) 457 plan</p> <p>f) A trust established by an employer or other payor to fund Federally nonqualified deferred compensation payments</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Amount to the extent not already included in block 1.</p> <p>Amount to the extent not already included in block 1.[spacing or alignment?]Amount to the extent not already included in block 1.</p> <p>Amount to the extent not already included in block 1.</p> <p>Amount to the extent not already included in block 1.</p> <p>Amount to the extent not already included in block 1.</p> <p>Amount to the extent not already included in block 1.</p>
2	Elective contributions made under a salary reduction agreement or cash or deferred arrangement credited by an employer or other payor toward non-qualified deferred compensation payments	Yes	Amount to the extent not already included in block 1.
3	Elective contributions made under a salary reduction agreement or cash or deferred arrangement credited by an employer or other payor toward the payment of Federally qualified transportation fringes.	Yes	Amount to the extent not already included in block 1.
4	Elective contributions under a cafeteria plan when the employee elects federally excludible non-cash benefit, which is taxable for PA purposes (i.e., dependent care assistance or adoption assistance).	Yes	Amount to the extent not already included in block 1.
5	Treaty exempt income when employee is PA resident	Yes	Amount to the extent not already included in block 1 as a result of federal treaty, unless treaty specifically says "State Tax Exempt."
6	Mustering out pay excludible under IRC § 113 when serviceman is PA resident	Yes	Amount to the extent not already included in block 1.
7	Rental allowance paid to minister (Value of a parsonage is exempt beginning 1/1/98)	Yes	Entire allowance.
8	Peace corps volunteers, basic living allowance	Yes	Entire allowance.
9	Foreign earned income	Yes	Amount not subject to withholding because of federal exclusion.
10	Veterans' bonus, state wages	Yes	Amount of bonus.
11	Employer pickups	Yes	Amount treated as employer contribution for federal purposes pursuant to IRC §414(h)(2)
12	Reimbursements for employee business expenses reimbursed under an accountable plan	Yes	<p>To the extent the item is an allowable deduction for Federal income tax purposes but not for PA purposes. Such items include:</p> <p>a) Job hunting and travel expenses incurred by an individual seeking new employment in the same trade or profession.</p> <p>b) Taxes based on income.</p> <p>c) Commerce or trade association dues, country club dues, etc.</p> <p>d) Fees incurred for seeking or securing new employment or different job with current employer.</p> <p>e) e. Travel expenses incurred for travel between different employments.</p>
13	Educational assistance plan tuition	RESERVED	

14	Education and related travel expenses incurred by an individual seeking new employment	Yes	Amount to the extent not already included in block 1.
15	Difference between FMV of Federal non-qualified stock option at exercise and any amounts paid for the stock or the option when the option had a readily ascertainable value at the time it was granted and there are no substantial limitations or restrictions on transferability or alienability of the stock	Yes	Amount to the extent not already included in block 1.
<b>Part B continued ADD the following items to the Box 1 figure:</b>			
<b>ITEM</b>		<b>Withheld</b>	<b>Amount</b>
16	Difference between FMV of Federal non-qualified stock option at lapse of limitations or restrictions and any amounts paid for the stock or option when the option had a readily ascertainable value at the time it was granted and there are substantial limitations or restrictions on transferability or alienability of the stock	Yes	Amount to the extent not already included in block 1.
17	Difference between FMV of Federal non-qualified stock option at disposition and any amounts paid for the option when the option had a readily ascertainable value at the time it was granted and the option was disposed of before exercise	Yes	Amount to the extent not already included in block 1.
18	Difference between FMV of incentive stock option at disposition and any amounts paid for the option when the option was disposed of before exercise	Yes	Amount to the extent not already included in block 1.
19	Difference between FMV of incentive stock option at the time it was exercised and the amounts paid for the option when the option was exercised before it was disposed of	Yes	Amount to the extent not already included in block 1.
20	Difference between FMV of employee stock purchase plan stock option at the time limitations or restrictions on transferability or alienability of the stock lapse and the amounts paid for the option	Yes	Amount to the extent not already included in block 1.
21	Dues paid for a membership in a business, athletic, country, social, hotel, airline, luncheon or sporting club when the employer elects not to treat the club usage as compensation for Federal income tax purposes, membership is not in the name of the employer, and the club is not used primarily for trade or business	Yes	Amount to the extent not already included in block 1.
22	Reimbursements for home office expenses when the employee has a principal place of work separate from the home office	Yes	Amount to the extent not already included in block 1.
<b>Part C DEDUCT the following items from the Box 1 figures:</b>			
<b>ITEM</b>		<b>Withheld</b>	
1	Fair market value of personal use of employer's vehicle	No	Irrespective of whether employer elects not to withhold federal tax.

2	Personal use of company owned or commercial transportation unless already excluded as federal no-additional-cost service	No	
3	Personal use of property belonging to, or held under a lease by, the employer, such as educational or training facilities, housing, clothing, day care facilities, passenger cars and commuter highway vehicles, aircraft or watercraft, construction or recreation vehicles, athletic facilities or equipment, entertainment facilities or equipment, parking facilities, eating facilities, office facilities or equipment, tools, equipment or supplies	No	To the extent taxable for Federal tax purposes.
4	Third party sick payments: a. Third party sick payments when premium is paid by employer under nondiscriminatory plan	No	
	b. Third party sick payments are subject to state withholding if third party is administrator/agent of employer for employer's sick leave plan. (When employer bears insurance risk of extent of payment of benefits)	Yes	
5	Premiums paid by employer for nondiscriminatory term life insurance coverage when they exceed the cost (based on the IRS uniform premium cost tables) of more than \$50,000 of group-term life insurance provided by employer If program discriminates in regard to eligibility to participate, coverage or entitlement to benefits, then no adjustment to federal box 1 wages	No	
6	Income in respect of a decedent includible in income for Federal income tax purposes, including after death payments of wages earned through the date of death or for vacation or time off with pay accumulated to date of death	No	
7	Nondiscriminatory split dollar life insurance coverage when the excess of the amount of the one-year term cost of the declining life insurance protection to which the employee is entitled exceeds the amount of the premiums he paid	No	
8	Campus lodging provided to employees of a primary or secondary school, college or university or their dependents if it discriminates in favor of highly compensated employees	No	To the extent not excludible as a de minimis fringe for Federal income tax purposes.
9	Nonqualified stock options (those not governed by IRC §§ 421-424) when amounts are required under the IRC to be included in income upon grant	No	
10	Direct employer contributions to an IRA or SEP when they exceed Federal limitations on employer contributions and not made pursuant to employee election	No	To the extent of the excess.
11	Meals and lodging not provided for the employer's convenience	No	To the extent not excludible as a de minimis fringe for Federal income tax purposes.

**Part D. DEDUCT the following items from the Box 1 figure in the circumstances noted:**

ITEM	Withheld	When
1	No	Service is purchased directly by the employer or is provided by the employer's own employees.
2	No	Service is purchased directly by the employer or is provided by the employer's own employees.
3	No	Except group term life insurance coverage on an employee's dependent.
4	No	To extent employer pays premiums for life insurance coverage element in policy.
5	No	Irrespective of whether for employer's convenience (Act 45 of 1998). (If cash allowance, it is subject to withholding.)

6	Meals and lodging not provided for the employer's convenience	No	
7	Amount of tuition reduction or waiver	No	When the reduction or waiver discriminates in favor of highly compensated employees of the primary or secondary school, college or university or the student is a graduate student not engaged in teaching or research activities for the employer – after 1/1/98 (Act 45).
8	Supplemental unemployment benefits paid under nondiscriminatory plan	No	
9	Amount reportable for Federal income tax purposes at grant of nonqualified stock option	No	When the option has a readily ascertainable value.
10	Amount reported for Federal income tax purposes at sale of stock purchased under an employee stock purchase plan	No	
11	Amount reported for Federal income tax purposes at sale of stock purchased under an incentive stock option	No	
12	Federally taxable compensation received while serving as a U.S. serviceman in a combat zone	No	When <i>NOT</i> for service in a combat zone or for a month during any part of which serviceman was hospitalized as a result of wounds, disease or injury incurred while serving in a combat zone.
13	Federally taxable compensation received for active duty as a member of the Armed Forces of the U.S. outside PA	No	
14	Dues paid for a membership in a business, athletic, country, social, hotel, airline, luncheon or sporting club, to extent the employer elects to treat the club usage as compensation for Federal income tax purposes.	No	When the membership is titled in the name of the employer.
15	Moving and relocation expense reimbursements	No	When both of the following apply: 1) The reimbursement would be wholly excludable for Federal income tax purposes but for the fact that the new principal place of work is less than 50 miles farther from the individual's old residence than was his or her former principal place of work; and 2) The new principal place of work is at least 35 miles farther from the individual's old residence than was his or her former principal place of work.

**Part E NO ADJUSTMENT is made for the following items:**

1	a) Health and accident insurance plan premiums paid by the employer under nondiscriminatory health or accident plan b) Employer contributions to Medical Savings Account, so long as program is nondiscriminatory. If program in a. or b. is discriminatory, add to box 1 wages.
2	Medical reimbursement account. Payments to reimburse the employee for expenses incurred for medical care under self-insured medical reimbursement plan under IRC § 105(h)(6) when employee precluded from receiving unused contributions or carrying benefit to subsequent taxable year.
3	Awards, gifts, prizes and length of service achievement or safety with value in excess of \$400 or in excess of \$1,600 for qualified plan awards.
4	Periodic sick or disability payments by employer if payment based on nature of sickness, injury or disability and not with reference to employee's absence from work. If in lump sum form or based on employee's rate of compensation, then subject to withholding.

5	Sick pay - employee receives the full amount or a percentage of his regular wages, the amount of leave is earned based on length of service, the employee may receive all or a portion of unused sick leave if he terminates employment after a specified time period, whether in years, days, or the employee can receive the benefits if he takes leave for regular physician or dental visits or for family bereavement.
6	Interest from below market interest rate loans in excess of \$10,000.
7	Employer provided facilities for vacations or use of other employer owned or leased property, including off-premises athletic facilities.
8	Meals excludible as a de minimis fringe benefit for federal tax purposes.
9	Meals and lodging provided for the employer's convenience.
10	Uncollected company loans or other advances, discharge of indebtedness constituting compensation.
11	Employee's withholding taxes paid by the employer for: <ul style="list-style-type: none"> <li>a) Federal Income Tax</li> <li>b) Social Security Tax (OASDI)</li> <li>c) Social Security Tax (Medicare)</li> <li>d) State income tax</li> <li>e) State unemployment tax</li> <li>f) State disability tax</li> <li>g) County, city, borough, township, village, school district, or any other local tax.</li> </ul>
12	Tangible personal property awards and prizes.
13	Tuition reimbursement exceeding \$5,250 for 2000; course not required by law or for employee to maintain skills needed for present position.
14	Tangible personal property awards and prizes.
15	Employee voluntary or required contributions to: <ul style="list-style-type: none"> <li>a) IRA/SEP employee only</li> <li>b) IRA/SEP employee plus spousal arrangement.</li> </ul>
16	Excess contributions to: <ul style="list-style-type: none"> <li>a) 401 (k)</li> <li>b) 403(b) annuity contract</li> <li>c) 403(b) (multiple annuity contracts of single employee) e. d. 408(k) or 457 plan.</li> </ul>
17	Employer provided country club memberships, season tickets to sporting or other entertainment events (if reimbursement).
18	<b>ON-SITE DAY CARE OR ATHLETIC FACILITIES.</b>
19	Standard per diem and federal mileage allowance reporting of employee business expenses.
20	Vacation pay .
21	Property received as compensation.
22	Vacation pay .
23	Scholarship or fellowship grant or award requiring services to the employer unless recipient is a candidate for a degree and the same services are required of all students as prerequisite to receiving degree. If scholarship or fellowship awarded on condition for past or future employment services, then subject to withholding. If recipient is required to apply his skill and training to advance research, creative work or some other project or activity, award is subject to withholding unless the test in the first sentence of this paragraph is met.
24	Qualified employee discounts.
25	No additional cost services.
26	Severance or dismissal pay .
27	Pay in lieu of time off for vocation or other earned absences.
28	Allowance for employee's use of personal vehicle based on: <ul style="list-style-type: none"> <li>A. Distance employee must drive to perform regular employment duties as required by employer</li> <li>B. Performing regular employment duties on regular day off, legal holiday, Saturday or Sunday.</li> </ul>
29	Employee business expenses reimbursed by the employer under accountable plan.
30	Value of parsonage furnished to clergy member.
31	Commissions.
32	Employee discounts, no additional cost services, working condition fringes, de minimis fringes or qualified transportation fringe benefits unless the employee has the choice between cash and the benefit. If so, e.g. qualified transportation fringe, the amount the employee could have received as cash compensation or received as a reimbursement for the expense is added to box 1 federal wages.
<b>Part E NO ADJUSTMENT is made for the following items:</b>	
33	Bargain purchases - from employer.

34	Payments received to cancel employment contract with employer.
35	Armed force pay for service performed in Pennsylvania while on federal active duty.
36	Regular pay by non-military employer to employees during period of military service.
37	Group term life insurance coverage for dependents.
38	Cafeteria or flexible benefit plan when employee elects a benefit that is taxable for federal tax purposes.
39	Tuition reductions, (beginning Jan 1, 1998) for employees and their dependents at primary, secondary and post secondary educational institutions for undergraduate courses.
40	Mustering out pay when a Pennsylvania resident separates from active duty following service within Pennsylvania.
41	Golden parachute payments.

**Part F OTHER TOPICS that require separate treatment:**

	Item	Withheld	Reporting	When	Amount
1	Tips	No  Yes	Yes  Yes	Received by employee directly from customers & not turned over to employer.  Tips received through the employer (i.e. fixed gratuity, service charge transfers, credit card tips or pooled fund tips maintained by employer.)	Report amount listed on federal information return. Total amount of tips.
2	Payments to statutory employees	No	Yes		
3	Health or Accident insurance plan	Yes	Yes	Employee actual cash, deductions or employee's unilateral selection of employer contributions, (this rule does not cover employee contributions to an IRC cafeteria plan or medical or dental reimbursement account (IRC § 105(b) when the employee cannot receive unused benefits as cash or carry them forward to a later tax year).	Amount of cash, deductions, or employer contributions.

4	Long term or short term disability payments under nondiscriminatory plan	No  No	No  No	<p>If periodic payments from third party insurer under plan established by the employer.</p> <p><b>If periodic payments that are not regular wages, which means:</b></p> <ul style="list-style-type: none"> <li>a) Payments have no direct relationship to employee's usual rate of compensation;</li> <li>b) The payments are computed with reference to the nature of the sickness or injury and not based on the employee's job classification or title;</li> <li>c) The periodic payments would be reduced by payments under workmen's compensation laws, occupational disease acts, Social Security disability benefits or similar legislation by governmental entities; or</li> <li>d) The payments exceed the employee's usual rate of compensation.</li> </ul>	Applies if employer pays for the insurance premium and does not bare the risk of extent of payment of benefits.
		Yes	Yes	<p>If plan established by employer and if wage continuation plan. A wage continuation plan is one under which:</p> <ul style="list-style-type: none"> <li>1 Employee will receive his regular wages even if he takes sick leave for family bereavement, sickness in the family, regular physician or dental visits;</li> <li>2 The amount of sick leave earned by the employee is based on length of service with the employer; or</li> <li>3 The employ[s]ee may receive a portion or all of his unused sick leave if he terminates employment after a stated time period (e.g. expressed in years of service) with the employer.</li> </ul>	<p>Total amount paid to the employee.</p> <p>Total amount paid to the employee.</p>
<p><b>NOTE:</b> If an item of compensation is not discussed in this document and is included in Box 1 and a question exists about whether it should be subject to withholding for Pennsylvania Personal Income Tax purposes, consult Departmental regulations (61 Pa. Code § 101.6 &amp; 113.1). If an issue and/or transaction is not covered by the regulations, employers may write to the department's Office of Chief Counsel to request a private letter ruling. Send written inquiries to: Pennsylvania Department of Revenue, Office of Chief Counsel, Attn Personal Income Tax, Dept. 281061, Harrisburg PA 17128-1061.</p>					

## ESTIMATED PAYMENTS.

### Requirements for Making Estimated Payments.

Except as explained below, an individual, estate, or trust must make PA estimated tax payments if:

1. Reasonably expecting, after subtracting withholding and credits that the taxpayer expects at least \$8,000 of income not subject to withholding by a Pennsylvania employer, and
2. Reasonably expecting the total withholdings and allowable credits to be less than the smaller of:
  - Ninety percent of the tax to be shown on the taxpayer's prior year's PA tax return; or
  - The product of multiplying the PA taxable income shown on the prior year's PA tax return by the tax rate.

The only exceptions are as follows:

- If a taxpayer expects to obtain at least two-thirds of his, her, or its total estimated gross taxable income from farming for the period, the taxpayer has the option of filing the declaration and paying the estimated tax at any time up to March 1.
- If a taxpayer's total estimated tax is equal to at least the \$8,000 multiplied by the annual tax rate, the taxpayer has the option of filing the declaration and paying the estimated tax at any time up to January 15 following the close of the tax year.
- If an individual expects to qualify for 100 percent tax forgiveness in the current year, the Department does not require estimated payments. If during the year the taxpayer realizes he or she no longer qualifies for TAX BACK/Tax Forgiveness, the taxpayer should immediately begin making payments to be spread out over the remaining quarters. Even if not required to make estimated payments due to TAX BACK/Tax Forgiveness, the taxpayer must file a PA tax return.

### Caution

Individuals, estates, and trusts cannot use the prior year's tax liability as the current year's estimated tax to avoid underpayment penalty. The estimated tax rules apply to:

- PA-resident and part-year PA-resident individuals, estates, and trusts of Pennsylvania;
- Non-PA resident individuals, estates, and trusts, including residents of other countries, that expect at least \$8,000 of taxable income from sources within Pennsylvania; and

Estimated tax is the method used to pay tax on PA taxable income that is not subject to withholding by a Pennsylvania employer. PA taxable income includes wages for domestic service; tips received from customers; wages paid to PA residents working in interstate or intercoastal trade; wages paid to PA residents working in Indiana, Maryland, New Jersey, Ohio, Virginia and West Virginia when PA income tax is not withheld by the employer; earnings and profits from operating a profession, business or farm; gains from the sale, exchange, or disposition of property; interest and dividends; rents and royalties; gambling and lottery winnings (except PA Lottery winnings); and income derived from estates and trusts.

### PA-40ES (I) and PA-40ESR (I) Declaration of Estimated Personal Income Tax Forms

If filing declarations for the first time, a taxpayer should use form **PA-40ESR**. Thereafter, the PA Department of Revenue will supply preprinted forms. Failure to receive Department provided forms does not relieve taxpayers from filing and paying the tax.

### Joint Declaration

A husband and wife may file a joint return declaration, unless:

1. They are separated under a decree of divorce or separate maintenance; or
2. They have different taxable years; or
3. One spouse is liable for child support

To avoid problems and delays in processing your income tax return, a husband and wife should file in the same manner as they made their estimated installment payments. If the taxpayers made joint estimated payments, they should file a joint PA tax return. If they made separate estimated payments, they should file separate PA tax returns claiming the proper amounts on each return. If a joint declaration is filed, but they decide to file separate annual returns, the taxpayers should use REV-459b, **Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account**, to divide the estimated payments.

### Payment Due Dates

Use the following table to determine the due date and the amount of each installment. A taxpayer may pay all of the estimated tax with the first payment or pay in installments when due. A taxpayer can elect to apply the overpayment from the prior year's PA tax return against the current taxable year's estimated tax liability. If so, the Department will apply an approved overpayment to the first installment, unless the taxpayer notifies the Department in writing to apply the overpayment to another installment.

If you first meet the requirement to make estimated tax payments:	The number of required installments is:	And you pay the following percentages of the estimated tax by the date shown or the next business day if the due date falls on a Saturday, Sunday, or holiday.			
		Apr. 15, 200X	Jun. 15, 200X	Sep. 15, 200X	Jan. 15, 200X
Before April 1, 200X	4	25%	25%	25%	25%
After March 31, 200X and before June 1, 200X	3		50%	25%	25%
After May 31, 200X and before September 1, 200X	2			75%	25%
After August 31, 200X	1				100%

Estates and trusts filing on a fiscal year should adjust the above due dates accordingly.

### Farmers

If at least two-thirds of a taxpayer's gross income is from farming, the taxpayer may do one of the following:

- Pay all of the estimated tax by January 15 of the next year; or
- File the current year's PA tax return by March 1 of the following year and paying the total tax due. In this case, PA PIT law does not require current year's estimated tax payments.

### Amending Estimated Tax Payments

A taxpayer may have a change in income or credits during the year that requires a change to the estimated payments. To amend the estimated tax, the taxpayer first figures the estimated tax using Parts A and B of the estimated tax worksheet, then subtracts any overpayment from the prior year's PA tax return applied to the current year's estimated account. The taxpayer also subtracts any current year's estimated payments already made, and makes the remaining payments using the instructions for payment due dates.

### Safe Harbor from Pennsylvania Underpayment Penalties

An estimated underpayment penalty can be imposed if timely prepayments are not at least:

- 90 percent of the tax as shown on the return or
- For each installment period, 100 percent of the product of multiplying the taxable income shown on the prior year's PA tax return by the current tax year's rate.

Prepayments include PA estimated tax payments, carry-over credit from the prior year's PA tax return, PA tax withheld, nonresident tax withheld as shown on **PA Schedule NRK-1**, TAX BACK/Tax Forgiveness, credit for taxes paid to other states or countries, PA Employment Incentive Payments credit, PA Jobs Creation Tax credit, and PA Research and Development tax credit.

Failure to prepay can result in assessment of interest or penalty against the taxpayer.

## PENALTIES

### Underpayment Penalty

If a return is filed on time and the tax liability is not paid in full, a five (5) percent underpayment penalty will be imposed on the unpaid balance after the due date of the return.

### Late Filed Returns Penalty

If a return is filed after the original due date or the extended due date if an extension was granted, a penalty of five (5) percent of any tax due will be imposed for each month or fraction thereof that the return is late. The maximum penalty is 25 percent of the unpaid balance; the minimum penalty is five dollars (\$5). If you do not pay the liability when filing your late return, an additional five (5) percent underpayment penalty will be imposed.

**Fraud Penalties**

If any part of any underpayment of the tax is due to fraud, 50 percent of the underpayment will be added to the tax.

**Additions, Penalties and Fees**

If a taxpayer fails to include in taxable income an amount more than 25 percent of the taxable income that was reported by reason of negligence or intentional disregard of rules and regulations but without intention to defraud, there shall be added an amount equal to 25 percent of the amount of underpayment. See Section 352(b)(2).

Any person required to furnish an information return who furnishes a false or fraudulent return shall be subject to a penalty of \$50.00 for each failure.

Every PA S Corporation required to file a return that furnishes a false or fraudulent return or fails to file a return shall be subject to a \$250 penalty for each failure. See Section 352(f).

If any individual, estate, or trust files a return which does not contain sufficient information to determine the correct liability or which contains information which indicates the liability is significantly incorrect and the return is filed frivolously or to delay or impede the administration of the tax law, the filer shall pay a \$500.00 penalty. Section 342(l).

**Bad Check Penalty**

If a check is returned to the Department of Revenue un-bankable, i.e. it is not honored by the financial institution upon presentment, a 10 percent bad check penalty (minimum \$25/maximum \$500) along with five (5) percent underpayment penalty will be imposed.

**Interest**

If the taxpayer does not pay the tax due on or before the due date, simple interest will be computed daily from the date the tax is due to the date of payment. The annual interest rate established by the U.S. Secretary of the Treasury that is in effect on January 1 of each calendar year is the rate of interest in effect when the tax is due and payable. The interest rate on January 1 remains in effect until the tax is paid in full or until December 31 of that year, whichever comes first.

On a bad check, the interest is computed daily on the face amount of the check from the application date of the returned check until the liability is satisfied.