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 Department of Revenue  
 Bureau of Individual Taxes  
 Harrisburg, PA 17129-0003

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 COMMONWEALTH  
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 PENNSYLVANIA  
 DEPARTMENT OF  
 REVENUE

# 1997

## PENNSYLVANIA

### RESIDENT INDIVIDUAL

### INCOME TAX

### FORM PA-40EZ,

### PAYMENT VOUCHER

### AND INSTRUCTIONS

Dear Taxpayer:

It is a pleasure to present you with the New 1997 PA Personal Income Tax booklet with instructions and forms. Each year adjustments and improvements are made to the forms to help make filing your state taxes as easy and convenient as possible. Usually those changes are undetected. This year, however, the forms have a very different look; the forms have boxes for you to fill in and your information is reported on both sides of the form.

An initiative to improve our processing and data entry involves technology that will actually capture a picture, or image, of the information you report within the boxes on the return. By utilizing the new imaging technology, we will dramatically decrease our processing time (from four days to four hours) and therefore enable us to respond to your inquiries much faster. Other benefits of imaging include the savings we will realize in storing paper documents; images are stored on disks that can hold thousands of documents rather than moving the paper to a warehouse.

In addition to this technology, we are also encouraging taxpayers to file electronically. New for this year is the option to file by telephone. If someone in your household received a TeleFile return, they can simply complete the worksheet (and retain it for their records) and report their tax information toll-free by touch-tone phone.

Another electronic option for all taxpayers is the Federal/State Electronic Tax Filing (ELF) Program that provides fast and accurate service plus allows taxpayers the option of direct deposit for their tax refunds. Last year over 125,000 PA taxpayers filed electronically. Talk to your tax practitioner about this convenient way to file your state and federal returns at the same time.

Along with improving our processes, the Ridge Administration remains committed to helping those who are most in need. This year the Tax Forgiveness Program (Schedule SP) has been expanded to allow for more working families to be relieved of their state tax burden. The form has also been simplified to help those eligible for full or partial relief.

If you need assistance completing any portion of your 1997 PA Personal Income Tax return, visit the district of file or special tax season satellite of file nearest you for assistance.

Robert A. Judge, Sr.  
 Secretary of Revenue

# PA 40

# EZ PA 40-EZ

1997 PENNSYLVANIA INDIVIDUAL INCOME TAX FORMS AND INSTRUCTIONS

Taxpayers' Rights Advocate. The Taxpayers' Rights Advocate was created directly by the Taxpayers' Bill of Rights which became law on December 20, 1996. It is the responsibility of the office to represent the individual taxpayers to insure that they are provided equitable treatment with dignity and respect. Furthermore, it is the

Taxpayers' Rights Advocate's obligation to serve as the Department's primary officer for the administration of the Taxpayers' Bill of Rights.

If you would like more information concerning your rights as a taxpayer, you may contact the Taxpayers' Rights Advocate:

- 1 Send E-mail to **advocate@revenue.state.pa.us**; or
- 1 Call (717) 772-9347; or write to:  
PA Department of Revenue  
Taxpayers' Rights Advocate  
1st Flr. Strawberry Square  
Attention: Donald Sheridan  
Harrisburg, PA 17128

NEW FOR 1997 RETURNS

**Taxpayer Identification Label.** The next page of this booklet is an insert with your preprinted label. Affix your label to the tax return you file. **DO NOT USE** your label unless it is completely correct. If your label is not completely correct, **do not use it. Do not make any corrections to your label.** Please print all your information on your tax return and completely fill in the

**SSN, Name or Address Change** oval to tell us that the information you entered is correct and/or new. See the instructions below for entering information.

**Electronic Data Imaging.** Beginning with 1997 tax returns, the Department of Revenue is using electronic data imaging to enter your tax return on our computer system. The Department's new equipment will take a picture of your tax return, and store the information that you enter in the

boxes on your tax return on our computer. Please follow these instructions for entering your Social Security Number(s), name(s), address, and amounts. Printing neatly will insure the new equipment correctly reads your information and amounts. **If you have a correct label, please use it. If any of the information on your label is wrong, do not use it. Please do not make any corrections on the label — destroy it.**

- 1 Please print all information on your tax return inside the boxes in black ink, if possible. Use capital letters.
- 1 Print one number or letter in each box when entering your Social Security Number(s), name(s), address, dollar amounts, and other information.

ASSEMBLING YOUR TAX RETURN.

Please assemble your tax return, W-2 forms, schedules, and other attachments in this sequence.

- 1 **Federal extension, if you requested one**
- 1 **PA-40EZ**
- 1 **W-2 form(s) and/or other explanation of compensation earned.**
- 1 **PA schedules UE-1 or UE-2, A, B, or SP.**
- 1 **Other PA schedules and forms.**
- 1 **Other documentation explaining information you entered on your tax return.**

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

I 2 3 4 5 6 7 8 9 0 Please print in black ink. Use capital letters.

If your name, address, or city begins with Mc, Van, O', etc., do not enter a space or a punctuation mark. Leave a blank box between words. Example:

Z I M M E R M A N                      L A W R E N C E                      P  
 P O B O X I 2 6 7                      C H R I S T I N A                      L

If you and your spouse use different last names, please file separate returns for 1997. Next year, you may file together  
There are two areas to enter your address. Use the postal format of apartment number, suite, room number, rural route, box number, floor, etc. first, then your street address. If you only have a street address, you may enter it in either area. Example:

P O B O X I 2 6 7                      Remember: Use a blank box to separate words.  
 I 5 6 8 V A L L E Y V I E W R O A D                      7 I 7 - 5 5 5 - I 2 3 4  
 H A R R I S B U R G                      P A                      I 7 I 2 9

- 1 Fill in all the appropriate ovals on your tax form completely.

(Continued on page 7)

**PA Schedule SP. NEW!** Married taxpayers file a **joint claim** for tax forgiveness. The **joint eligibility income** limit is \$12,600. Act 7 of 1997 defines married claimants and dependents and increases the allowance for each dependent **child** from \$3,000 to \$4,000. The allowance for a single claimant remains at \$6,300. The **new PA Schedule SP** includes the information from the old SP Worksheet, that, effective with 1997 returns, is no longer needed. Dependent children of an eligible claimant(s) may still claim tax forgiveness. **Important: Read the new PA Schedule SP instructions beginning on page 15.**

**Local Information.** PA residents enter the name of the county and city, town, borough, township, etc. where you lived on December 31, 1997. This information is in addition to the **School District Name and Code** that you enter every year. Enter this information **even if you did not** change your address or school district in 1997.

**New Lines:** As a result of changes to PA tax law, these lines are new:

- Line 16. Donation to the Organ Donor Awareness Trust Fund.** See page 8.
- Line 17. Donation to the Korea/Vietnam Memorial Inc.** See page 8.
- Line 18. Donation to the Breast and Cervical Cancer Research.** See page 8

### REMINDER FOR 1997 RETURNS

**PA-40EZ, short form,** is on page 3 and 5. **Do not file a photocopy of your PA-40EZ. We must have an original PA-40EZ.** The Department's new equipment cannot read photocopies of the PA tax returns in this booklet.

**SSN, Name, or Address Change.** Fill in the oval if :

- The information you enter is **different** from your label; or
- You **did not file a 1996 PA tax return.**

Do not make any corrections on your label — discard it. **If your label is correct, do not fill in this oval. Affix your label to your tax return in the space shown.**



**Federal/State Electronic Filing.** Last year, more than 125,000 PA taxpayers used electronic filing. The Department and the Internal Revenue Service are again offering this one-stop filing convenience.

You may file your federal and PA tax returns electronically, whether you pay a tax preparer or prepare your own returns. However, you must submit **both** your federal and PA returns through an IRS approved transmitter or electronic return originator (ERO). Electronic filing provides these benefits to you and the Department:

- Accuracy.** Computer programs catch mistakes before they become problems.
- Acknowledgment.** The Department electronically notifies your preparer or ERO that your return was received and accepted.
- Refunds.** With electronic filing, you have the option to receive your refund through direct deposit. This service is not available when filing a paper return. If you wish to receive a check, your refund will be issued within four (4) weeks.
- File Now, Pay Later.** If you owe tax, you can file anytime before the due date. Use your 1997 PA-V, Payment Voucher, to pay by April 15, 1998.

**PA Returns and Schedules.** Pennsylvania rules are different from federal rules. Please read **all** the instructions for each line of your PA return and for each schedule.

**Unreimbursed Employee Business Expenses on PA Schedules UE-1 and UE-2.** The Department will continue to request verification and evidence for the expenses reported on these schedules. Keep your records.

**Payment Voucher.** Your form PA-V Payment Voucher is on the insert. When you file, place your PA-V and check in the same envelope

with your PA return. If you owe tax, using your PA-V will save time and reduce processing costs. Follow the PA-V instructions on the back of the insert and the Mailing Instructions on page 14.

- If you do not owe PA income tax, **do not use your PA-V.**
- If any of the preprinted information on your PA-V is incorrect, **DO NOT USE IT.**

**Important: The PA-V only shows one Social Security Number.**

- If you and your spouse decide to file separately, do not use the PA-V unless it shows your SSN.
- If your SSN is not on the PA-V and you owe tax, insert your check with your tax return, without the PA-V, in the appropriate envelope.
- If your spouse's SSN is on the PA-V and he or she does not owe any tax, do not use the PA-V — **DISCARD IT.**

**School District Code.** Enter the code of the school district in which you lived on December 31, 1997. See the instructions for **Local Information** on this page.

**Mailing Instructions.** See page 14 for the instructions for using the preaddressed mailing labels and envelopes. Read the U.S. Postal Service information about additional postage if your tax return has more than five pages.

**Language Service.** The Department of Revenue will be able to assist non-English speaking taxpayers through an interpretation service during the 1998 tax season. Assistance is available in 140 languages including Spanish, Italian and German, the most common languages, other than English, spoken in PA households.

El Departamento de Impuestos puede ayudar los contribuyentes que no hablan inglés por medio de un servicio de traducción durante el periodo de pago de impuestos 1998. La asistencia esta disponible en 140 idiomas incluyendo español, italiano y alemán, además de inglés, los idiomas más comunes en los hogares del estado.

### CUSTOMER SERVICES AND TAXPAYER ASSISTANCE

The Department offers a variety of ways to serve you .

- Toll-free FACT and Information.** 1-888-PATAxes (1-888-728-2937) is an automated, 24 hour a day service for taxpayers with touch-tone phone service. Taxpayers can get answers to the most commonly asked tax questions; check on estimated tax payments credited toward their accounts; check on the status of a filed PA Personal Income Tax return (or Property Tax or Rent Rebate claim); or order tax forms to be mailed or faxed. Within the local Harrisburg area, taxpayers call (717) 772-9739;
- Toll-free Forms Ordering Message Service** at 1-800-362-2050 serves taxpayers without touch-tone phone service. Within the local Harrisburg area, taxpayers call (717) 787-8094.
- Taxpayers can also request tax forms by writing:**  
PA Department of Revenue  
Tax Forms Service Unit  
711 Gibson Boulevard  
Harrisburg, PA 17104-3200
- Taxpayer Service and Information Center** at (717) 787-8201 offers personal tax help during normal business hours.
- Department's Internet home page** supplies forms and information at <http://www.revenue.state.pa.us> or e-mail us at [parev@epix.net](mailto:parev@epix.net).
- Assistance for the hearing impaired only** — TDD # (717) 772-2252.

**Temporary Offices.** Each year the Department establishes temporary offices to help taxpayers. Local newspapers may list office locations or you may call the Department district office nearest you. See below.

**Free Income Tax Preparation Service.** Individuals who are elderly, on a fixed income, disabled, or housebound can receive free assistance in preparing uncomplicated federal, state, and local income tax returns. Volunteers working through the Volunteer

Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs provide this assistance. Contact the Department district office nearest you for information, or call the Internal Revenue Service toll free number (1-800-829-1040) for the location of assistance sites.

**Free Federal Tax Assistance from the Internal Revenue Service:**

- 1 Federal tax account or technical information: 1-800-829-1040;

**REVENUE DISTRICT OFFICES**

**Altoona**

Cricket Field Plaza  
615 Howard Avenue  
Altoona, PA 16601-4867  
**(814) 946-7310**

**Bethlehem**

44 East Broad Street  
Bethlehem, PA 18018-5998  
**(610) 861-2000**

**Bradford**

Second Floor  
86 Boylston Street  
Bradford, PA 16701-2011  
**(814) 368-7113**

**Doylestown**

Suite 104  
600 Louis Dr.  
Warminster, PA 18974-2846  
**(215) 443-2990**

**Erie**

Sumner Nichols Building  
Room 216  
155 West Eighth Street  
Erie, PA 16501-1012  
**(814) 871-4491**

**Greensburg**

Second Floor  
15 West Third Street  
Greensburg, PA 15601-3003  
**(412) 832-55283**

**Harrisburg**

Lobby  
Strawberry Square  
Harrisburg, PA 17128-0101  
**(717) 783-1405**

**Indiana**

835 Water Street (Rear)  
Indiana, PA 15701-1705  
**(412) 357-7600**

**Johnstown**

Third Floor  
345 Main Street  
Johnstown, PA 15901-1614  
**(814) 533-2495**

**Lancaster**

160 East King Street  
Lancaster, PA 17602-2869  
**(717) 299-7581**

**New Castle**

Room 201  
101 South Mercer Street  
New Castle, PA 16101-3837  
**(412) 656-3203**

**Newtown Square**

Suite 1  
90 South Newtown Street Road  
(Route 252)  
Newtown Square, PA 19073-4090  
**(610) 353-4051**

**Norristown**

Stoney Creek Office Center  
4th Floor  
151 West Marshall Street  
Norristown, PA 19401-4739  
**(610) 270-1780**

**Philadelphia**

State Office Building  
Room 1206  
1400 W. Spring Garden St.  
Philadelphia, PA 19130-4088  
**(215) 560-2056**

**Pittsburgh**

State Office Building  
Suite 104  
300 Liberty Avenue  
Pittsburgh, PA 15222-1210  
**(412) 565-7540**

**Pottsville**

110 East Laurel Blvd.  
Pottsville, PA 17901-2527  
**(717) 621-3175**

**Reading**

Suite 239  
625 Cherry Street  
Reading, PA 19602-1186  
**(610) 378-4401**

**Scranton**

Room 503, Samters Building  
101 Penn Avenue  
Scranton, PA 18503-1970  
**(717) 963-4585**

**Sunbury**

335 Market Street  
Sunbury, PA 17801-3466  
**(717) 988-5520**

**Washington**

George Stewart Building  
75 East Maiden Street  
Washington, PA 15301-4963  
**(412) 223-4550**

**Wilkes-Barre**

Suite 201  
Thomas C. Thomas Building  
100 East Union Street  
Wilkes-Barre, PA 18702  
**(717) 826-2466**

**Williamsport**

322 Locust Street  
Williamsport, PA 17701-6085  
**(717) 327-3475**

**York**

Second Floor  
130 North Duke Street  
York, PA 17401-1113  
**(717) 845-6661**

- 1 Recorded Tele-Tax Service on 150 federal tax topics or 1997 tax refund information 1-800-829-4477;
- 1 Federal tax forms/publications ordering: 1-800-829-FORM (3676);
- 1 Taxpayers unable to solve federal tax account problems through normal contacts may be eligible for help from the Problem Resolution Program: 1-800-829-1040;
- 1 Faster IRS refunds through Electronic Filing: 1-800-829-1040 (information only.)

**DONATIONS**

**WILD RESOURCE CONSERVATION FUND**

You have the chance to "Do Something Wild" and help protect Pennsylvania's nongame wildlife and native wild plants by making a contribution of all or a portion of your state refund on Line 14 of your PA-40EZ. This special nonprofit fund helps the state's resource agencies protect and restore these unique state treasures, our native wild plants, and nongame wildlife.



You can also send a direct contribution. Make your check or money order payable to:

Wild Resource Conservation Fund, P.O. Box 1467, Harrisburg, PA 17120-1467.

**U. S. OLYMPIC COMMITTEE, PA DIVISION**

You have the opportunity to support American athletes in the Olympic Games by making a contribution of all or a portion of your state refund on Line 15 of your PA-40EZ.



You can also send a direct contribution. Make your check or money order payable to:

U. S. Olympic Committee, PA Division, P.O. Box 1994, Colorado Springs, CO 80977-1994.

**ORGAN DONOR AWARENESS TRUST FUND**

Donating an organ is truly giving the gift of life. Each year, many Pennsylvanians are fortunate to receive transplanted organs that save their lives. You can help this vital effort by contributing all or a portion of your state refund on Line 16 of your PA-40EZ to the Organ Donor Awareness Trust Fund. Money from this fund will support educational programs that encourage people to sign organ donor cards.

You can also send a direct contribution. Make your check or money order payable to:

Organ Donor Awareness Trust Fund, P.O. Box 90, Harrisburg, PA 17108.



**KOREA/VIETNAM MEMORIAL, INC.**

You have the opportunity to contribute to the Korea/Vietnam Memorial, Inc., a National Education Center. By making a contribution of all or a portion of your state refund on Line 17 of your PA-40EZ, you will assist future generations while honoring all who served our Nation. KVM is a non-profit organization.

You can also send a direct contribution. Make your check or money order payable to:

Korea/Vietnam Memorial, Inc., and mail to P.O. Box 416, Bethlehem, PA 18016-0416.



**BREAST AND CERVICAL CANCER RESEARCH FUND**



You have the opportunity to contribute to the Breast and Cervical Cancer Research Fund, by making a contribution of all or a portion of your state refund on Line 18 of your PA-40EZ.

You can also send a direct contribution. Make your check or money order payable to: PA Department of Health, Breast and Cervical Cancer Research, and mail to Bureau of Financial Operations, P.O. Box 90, Harrisburg, PA 17108.

## GENERAL INSTRUCTIONS

**Who Must File a Return?** You must complete and file a 1997 PA return if:

- 1 You received total PA gross taxable income in excess of **\$35** during 1997, even if no tax is due with your PA return; and/or
- 1 You incurred a loss from any transaction as an individual, sole proprietor, partner, or shareholder of a PA S corporation.

See the instructions below to determine whether you may file a short form PA-40EZ or must file the long form PA-40.

**Filing for a Deceased or Disabled Individual or a Minor Child.** Every person who is responsible for the care of the property of an individual who cannot prepare his or her own return must complete and file a PA return on behalf of that individual. This includes decedents who died in 1997, disabled individuals, and minor children. PA law does not have any exclusions or exemptions for minor children or any other individual who must file a PA tax return.

**Tax Rate.** For the calendar year 1997, the tax rate is 2.8 percent (0.028).

**PA-40EZ.** If you are able to file Form 1040A or Form 1040EZ with the IRS, you should be able to file the PA-40EZ. Only calendar year taxpayers who were residents of Pennsylvania for all of 1997 and who report these kinds of income and credits may use the PA-40EZ:

**Income:**

- 1 Compensation from services rendered;
- 1 Interest Income; and
- 1 Dividend Income

**Credits:**

- 1 PA Income Taxes Withheld;
- 1 Estimated Payments and Credit; and
- 1 Tax Forgiveness from PA Schedule SP

**PA-40.** You must use a PA-40 if you qualify for the **Medical Savings Account Exclusion** or if you report one or more of the following:

- 1 Income and/or Loss from a partnership or PA S corporation;
- 1 Net Income or Loss from the Operation of a Business, Profession, or Farm;
- 1 Net Gain or Loss from the Sale, Exchange, or Disposition of Property;
- 1 Net Income or Loss from Rents, Royalties, Patents, and Copyrights;
- 1 Estate and Trust Income; and
- 1 Gambling and Lottery Winnings
- 1 Total Credit for Taxes Paid to Other States or Countries;
- 1 PA Employment Incentive Payments Credit;
- 1 PA Jobs Creation Tax Credit;
- 1 PA Waste Tire Recycling Investment Tax Credit; and
- 1 PA Research and Development Tax Credit

**Joint Income-Joint Returns.** If you and your spouse qualify to file a joint claim for tax forgiveness, you must file a joint PA tax return. Otherwise, joint filing is for convenience. If you and your spouse have jointly owned accounts you must each report your share of any income. You and your spouse evenly divide income on jointly owned accounts.

**Important:** On a joint return, both you and your spouse are equally liable for the income tax shown.

**Costs, Expenses and Deductions.** PA law does not allow personal expenses; itemized deductions; personal exemptions; or standard deductions. You may only deduct the PA allowable costs and expenses you directly incur in earning or receiving income. **Important:** Interest and Dividends are gross taxable income classes — you may not deduct any expenses when calculating your income in these classes.

**PA Estimated Personal Income Tax Payments for 1998.** If you expect at least \$2,500 of 1998 taxable income, that will not be subject to withholding, you must file a declaration of PA Estimated Tax and make installment tax payments. **Example:** If you owed \$70 on your 1997 PA tax return and expect to receive the same income in 1998, you should make estimated tax payments. Your estimated installments are due April 15, June 15, September 15, and January 15. **Important:** If you are a PA resident working in a reciprocal state, and your employer is not withholding PA tax, you must also make PA Estimated Tax payments. You should advise your employer to withhold PA tax or obtain PA estimated forms and make installment payments to avoid underpayment penalty.

You do not have to make your PA estimated installment tax payments by the above due dates if your total 1998 PA Estimated Tax will be \$100 or less. You

have the option of filing your declaration and paying your PA Estimated Tax at any time up to January 15, 1999.

The specific instructions for estimating and paying your PA income tax are on form REV-413I.

You must make your estimated tax payments on the PA-40ES form. The Department mails these forms to taxpayers who made 1997 estimated payments. If you do not receive your 1998 PA-40ES forms by April 1, 1998, contact the Department district office nearest you.

If you will be filing PA estimated taxes for the first time, request a PA-40ESR replacement form. See Forms Ordering on page 7.

**Filing Tip:** If you and your spouse made separate estimated installment payments, you should each file separate returns claiming only your own payments. If you and your spouse made estimated payments jointly, you should file a joint return. Filing in this manner will avoid processing delays and correspondence from the Department. **Important:** If you file differently and you want to insure that the Department applies your estimated payments correctly, file form REV-495B, Consent to Transfer, Adjust Or Correct PA Estimated Personal Income Tax Account. See Forms Ordering on page 7. You and your spouse can tell the Department which payments to post under each name and Social Security Number. Both spouses must sign this form. **Note:** For married couples with a joint estimated account but filing separately, the Department may delay processing until we receive and process both tax returns.

**TYPE FILER.** Your filing status depends on whether you are single or married.

**(S) Single.** You must file as single if either of the following is true as of December 31, 1997:

1. You never married; or
2. You divorced or are a widow or widower and not remarried.

You must file as single if your spouse was deceased by the end of the taxable year.

**(J) Married, Filing Jointly.** You and your spouse, even if living apart, may file a joint return. To file a joint PA tax return you must meet **ALL** of the following conditions:

1. Your taxable years begin on the same date and end on the same date; and
2. Neither of you is claiming any of the credits other than PA tax withheld and estimated payments and credits; and
3. Your spouse was living on January 1, 1998.

**Filing Tip:** You, or your spouse, do not have to file a PA tax return if your total gross taxable income was \$35 or less. **Important:** If you do file jointly, you and your spouse are **both liable** for all PA tax owed, even if only one of you had taxable income. If you, or your spouse, have already paid your own PA tax due, through withholding or through estimated payments, you are still both liable on a joint PA return.

**(M) Married, Filing Separately.** You and your spouse always have the option to file separate returns. However, you and your spouse **must** file separate returns if:

1. Your taxable years begin on different dates or end on different dates; or
2. You, or your spouse, are claiming any credits, in addition to PA tax withheld and estimated payments and credits; or
3. You and your spouse use different last names.

**Married, When One Spouse is a Resident or Part-Year Resident and One Spouse is a Nonresident.** If this is your situation, you must file separate PA-40 returns, unless you both elect to file as PA residents and meet all the other requirements for filing a joint return.

**(D) Deceased.** As the executor, administrator, or other responsible person, you **must** file a separate tax return for a deceased individual as **Deceased**. You must report all income that the decedent actually and constructively received during 1997. The surviving spouse may not file a joint return. If the decedent made estimated payments and you must divide the payments between the tax returns, order form REV-459B, Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account. See Forms Ordering on page 7.

**(F) Final Return.** You file as **Final** if you lived in Pennsylvania for all of 1997, but permanently moved from Pennsylvania and will not have any taxable income from PA sources. You will not receive a 1998 booklet.

**Residency.** You may use your PA-40EZ **only** if you were a PA resident for all of 1997. Otherwise, you obtain and file a PA-40. See Forms Ordering on page 7.

**How Residents Are Taxed.** If you are a resident, you must report **all** income from **all** sources and pay PA tax on **all** taxable income received from any source. **Important:** PA residents must report the gain from the sale of a home. If you sold your residence, you must obtain and file a PA-40 and a PA Schedule PA-19, see Forms Ordering on page 7.

**PA Residents Working in Indiana, Maryland, New Jersey, Ohio, Virginia, or West Virginia.** If you are a PA resident and work in one of these reciprocal

states, Pennsylvania taxes your compensation, not the reciprocal state. It is your responsibility to notify your employer that you are a resident of Pennsylvania and that your employer should withhold PA tax from your pay and not the income tax of the reciprocal state. Your employer should withhold PA tax and send it to the Department. If your employer does not withhold PA tax, you may need to make PA estimated payments. See the instructions on page 9. **Important:** The reciprocal agreements between Pennsylvania and these six states apply only to compensation and withholding and do not apply to any other class of income.

**Members of the Armed Forces.** Military pay earned by PA residents is fully taxable unless received while on federal active duty or federal active duty for training outside Pennsylvania. Income received by a PA resident for military service performed inside Pennsylvania, even if on federal active duty or federal active duty for training, is fully taxable as compensation.

Nonresident military personnel who are on active duty in Pennsylvania are exempt from PA tax on their military pay. They are, however, subject to PA tax on any other income normally taxable to nonresidents.

**Military Service Performed Outside Pennsylvania.** Income received for military service outside Pennsylvania while on active duty as a member of the armed forces of the United States is not taxable as compensation. You may deduct such income if included in your W-2 form. Attach an explanation along with copies of your orders.

PA reservists and National Guard members ordered to active duty for training pursuant to Title 10 or Title 32 of the U.S. Code are on federal active duty. When performing active duty service outside Pennsylvania, such military pay received is not taxable. **Important:** A PA resident on active duty with the U.S. Public Health Service outside Pennsylvania is on federal active duty for PA purposes. His or her compensation is not taxable. The taxpayer must provide a written explanation, instead of copies of orders. A PA resident in the U.S. Foreign Service is not on federal active duty for PA purposes and his or her income is PA taxable compensation.

**Evidence of Active Duty.** Residents must provide proof that they earned the military income they excluded from taxable compensation outside Pennsylvania and while on federal active duty. The Department will accept as proof the authority section of the military orders directing the PA resident to federal duty outside Pennsylvania. When the authority for reporting to active duty is a federal statute, such as 32 U.S.C. §§316, 502, 503, 504, or 505, the Department presumes federal active duty. However, military pay is taxable compensation if the authority for reporting to active duty is a PA statute, such as 51 P.S. §§508 or 3102. **Filing Tip:** Attach to your PA return copies of your orders and explain where you earned your active duty pay. Your W-2 form may indicate active duty, but the Department will not process your return without the proof that you earned that pay outside Pennsylvania.

**When to File?** You must report all taxable income received or accrued from January 1, 1997, through December 31, 1997. File before **midnight, Wednesday, April 15, 1998.** The U.S. Postal Service postmark date on your envelope is proof of timely filing. Late filing can result in your paying penalty and interest.

**Extension of Time to File.** An extension of time to file your PA return does not extend the time to pay your PA tax. An extension cannot exceed six (6) months, unless you are outside the United States. You must pay the full amount you reasonably estimate to be your tax due with your extension request. **Important:** Attach a copy of your federal extension form to the front of your PA return when you file. It is not necessary to attach your PA extension form if you sent it separately to the Department. Your extension and payment, if any, was posted to your account when received.

There are two ways to obtain an extension of time to file:

1. If you have an extension for filing your federal tax return, you receive the same extension for filing your PA return. For extensions over four months, also attach a copy of the letter or form granting the federal extension.
2. You may request a PA extension with a form REV-276, [Application for Extension of Time to File](#), see Forms Ordering on page 7. You must submit your application in sufficient time, before the due date, so the Department may consider and act upon it. Mail the extension application with any payment due to: PA Department of Revenue, Bureau of Individual Taxes, Dept. 280504, Harrisburg, PA 17128-0504.

**Important:** With an extension, you must pay in full the amount reasonably expected to be your PA tax due. Include this extension payment on Line 7 of your PA-40EZ when you file your return. The Department will not charge underpayment penalty if:

1. You paid at least 90 percent of the total tax actually due by the original due date; **and**
1. You pay the remaining balance with a timely filed return.

However, the Department will charge interest on the amount not paid by the original due date.

You will not receive an approval letter or acknowledgment that the Department

accepted your extension. However, you may receive correspondence if the Department has a question concerning your extension request.

**Amended Returns.** It is not necessary to attach a complete copy of your original return. Use a PA return from the same tax year you are amending. **Example:** To amend for 1996 and 1997, use 1996 and 1997 PA tax returns.

Completely fill in the oval for an **Amended Return** at the top of a 1997 tax return or write **Amended Return** at the top of a tax return for another tax year. Then, follow these steps:

1. Enter the amounts from your original return that you are not amending.
2. Enter your amended amounts. Attach a statement explaining the reason(s) you are filing an amended return. Attach the amended forms or schedules supporting your amended amounts.
3. Calculate your amended Total PA Taxable Income.
4. Calculate your PA Tax Liability. If you received a refund on your original return, add that amount to your PA Tax Liability.
5. Calculate your Total Payments and Credits. If you paid tax with your original return, add that payment to your Total Payments and Credits.
6. Calculate your amended Tax Due or Overpayment. Be sure to complete the appropriate line(s) explaining how you want the Department to distribute your overpayment (refund/credit/donation).

The Department will take your original refund or payment into account when reviewing your amended return. Be sure to sign your amended return. Mail your amended return with all explanations and attachments to: PA Department of Revenue, Bureau of Individual Taxes, Dept. 280502, Harrisburg, PA 17128-0502.

**Refunds.** You must file an amended PA return within three years from the original due date of your return or within two years from the date of payment to receive a refund. The Department will accept amended returns filed within three years of the date of an approved extension. You may file an amended PA return if you overreported your income or are claiming allowable credits or deductions that you originally did not claim.

**Important:** You may not file an amended PA return after the Department issued an assessment, if the amendment relates to the same taxable year and item of income, gain, deduction, or loss that the Department assessed. In this instance, you must either file a timely petition for reassessment or pay the assessment and file a timely refund petition. For payments made on or after January 1, 1998, such refund petition must be filed not later than six months after the date shown on the billing notice, assessment or other Departmental document. To order the Petition, form REV-65, see Forms Ordering on page 7.

**Underreported Income.** If you discover that you did not report taxable income or erroneously claimed credits or deductions, you must correct the error within 30 days. You must file an amended PA return. You must pay the additional tax, plus applicable penalty and interest.

**Records Must Be Maintained.** All amounts reported on your return and accompanying schedules are subject to verification and audit by the Department. You must maintain your books and records for at least four (4) years after filing, as evidence of the information you reported on your PA returns.

**Penalties For Not Filing or for Filing a Late Return.** If you do not file your return on or before the due date, the Department will impose a 5 percent penalty for each month or fraction of a month your return is late. If you do not file your return by the approved extended due date, the Department will impose a 5 percent penalty for each month or fraction of a month your return is late. The Department will impose this penalty unless you can show reasonable cause for late filing. The maximum penalty is 25 percent. The minimum penalty is \$5. The Department may prosecute any person who attempts to evade or defeat their PA tax responsibility.

**Interest for Nonpayment or for Late Payment of Your Tax.** If you do not pay the tax due on or before the due date, the Department will charge interest from the date the tax was due to the date of payment. The annual interest rate is that rate established by the U.S. Secretary of the Treasury and which is in effect on January 1 of each calendar year.

**Penalties for Nonpayment or for Late Payment of Your Tax.**

1. If you do not pay the full amount of your tax due with your return, the Department will impose a 5 percent underpayment penalty.
1. If you do not report taxable income, that is more than 25 percent of the taxable income shown on your return, the Department will impose an additional penalty. This penalty is 25 percent of the tax due on your unreported income.

You are liable for these penalties if your underpayment of tax is due to negligence or intentional disregard of rules and regulations, but without intent to defraud.

If any part of any underpayment of the tax is due to fraud, the Department will add an additional penalty of 50 percent of the underpayment.

**Important:** The Department may assess both late filing and underpayment penalty if you file your return after the due date (or extended due date) and do

not pay your tax liability with your return.

**Other Penalties.** The Department may impose a \$500 penalty on any taxpayer who files a frivolous return. The Department may impose a \$500 penalty on any taxpayer who files in a manner to delay or impede the administration of the tax law. Such a return is one that does not contain sufficient information for the Department to determine the correct liability or one that contains information indicating the liability is significantly incorrect.

Any person who is required to furnish an information return is subject to a penalty of \$50 for each information return that is not filed or for each information return that is a false or fraudulent return.

**Reproducing PA Returns and Schedules. NEW!** Do not copy the PA-40EZ and the PA-V to file with the Department. A photocopy will not process on the Department's new equipment and will delay the processing of your tax return. You may make copies of the other forms and schedules in this booklet. See Forms Ordering on page 7 for additional PA-40EZ forms. If you cannot use your preprinted PA-V form, include your check with your PA tax return.

### SPECIFIC INSTRUCTIONS

Read all instructions carefully. This booklet contains two PA-40EZ forms. File one with the Department and keep one for your records.

**Social Security Number, Name and Address.** Review the preprinted information on your label. **NEW! If any of the information on the label is incorrect, please do not use it.** If your label is incorrect or you do not have a label, carefully and legibly print your Social Security Number, your spouse's SSN (if married, filing separately), your complete name(s), last name first, and your complete address including ZIP Code. Be sure to completely fill in the **SSN, Name or Address Change** oval. **If you and your spouse do not use the same last name, please file separate PA tax returns for 1997.** If married and filing separately, do not enter your spouse's name, but enter his or her Social Security Number. **Filing Tip:** If divorced, separated, or your spouse is deceased, and filing a separate return, do not enter your spouse's Social Security Number or name.

**SSN, Name or Address Change.** Please fill in this oval completely if the information you enter at the top of your tax return, Social Security Number(s), name(s), or address, is different from your 1996 PA return **or if you did not file a PA tax return in 1996.**

**Type Filer.** See page 9. Fill in this oval completely for your filing status:

- S**  Single
- M**  Married, Filing a Separate Return
- J**  Married, Filing a Joint Return
- F**  Final Return. File as **FINAL** if you permanently moved from Pennsylvania
- D**  Deceased. If filing for a **Deceased** individual, enter the date of death

**Local Information.** Enter the names of the county and municipality and the **School District Name and Code** where you lived on December 31, 1997. Do not enter the school district where you work. See pages 18 and 20.

**Option Not To Receive a 1998 PA Tax Booklet.** If you do not use the forms mailed to you or you paid a preparer who does not use the Department's forms, fill in this oval completely. Ask your preparer if he or she elected this option for you. Next year, you will only receive a letter and a personalized PA-V, not a booklet.

### LINE INSTRUCTIONS FOR REPORTING INCOME AND LOSS

Enter your total taxable compensation from the PA or state box of your W-2 forms (**box 17**) and other statements. Do not use federal wages (**box 1**).

**W-2 Wage and Tax Statement.** A copy of your W-2 form from each employer must accompany your PA return as evidence of your compensation and taxes withheld. If you worked for more than one employer during the year, you should have more than one W-2 form. You must provide copies of all W-2 forms. If the PA taxable compensation you report on Line 1a differs from that on your W-2 form, you must explain this difference in a separate written statement or schedule. Include this explanation with your return. **Filing Tip:** Statutory employees must enter income on Line 1a. See the instructions on page 12.

Use only the wages reported in box 17 of your W-2 form. If you do not have a W-2 form or a federal substitute W-2, Form 4852, provide copies of evidence of your compensation and PA taxes withheld, such as pay stubs and a statement identifying your employer and explaining the reason you do not have a W-2 form.

Compensation means remuneration received for services whether directly or through an agent and whether in cash or in property and includes:

- Salaries, wages, tips, and gratuities; commissions, bonuses, and incentive payments; Vacation and holiday pay; termination and severance pay; sick leave payments (unless excludable); allowances and reimbursements in excess of allowable employee business expenses; payments realized in the form of property; and a discharge of indebtedness, unless specifically excludable from compensation.

Compensation paid in any medium other than cash must be reported at fair market value.

Sick pay and disability benefits, other than regular wages, are not taxable for PA purposes. Payments made by third party insurers for sickness or disability are not taxable. When sick pay represents regular wages or sick leave pay, the payments are taxable as compensation.

**Reimbursement For Expenses.** You must report all reimbursements and allowances paid by your employer as compensation unless:

- The expenses are allowable employee business expenses and
- You are required to, and account for these expenses to your employer; and
- You are reimbursed by your employer in the exact amount of the allowable business expenses; and
- You do not report these expenses on PA Schedules UE-1 or UE-2.

See page 13 for the instructions for reporting your employee business expenses.

You must be able to substantiate travel expenses as to time, place and business purpose. You meet these requirements when you receive a fixed mileage allowance or a per diem living expense allowance that does not exceed applicable limits as defined for federal purposes.

**Exclusions from Compensation.** Do not report as compensation:

- Social security benefits, public assistance, and unemployment compensation;
- Qualifying old age or retirement benefits;
- Payments received under workers' compensation acts, occupational disease acts, or similar legislation. This includes payments for injuries received while working and damages received (whether by suit or otherwise) for personal injuries or sickness. If the payments you received for on-the-job injuries are included in your W-2 form, provide a statement from your employer verifying the amount of these payments.
- All premiums for group term life insurance policies purchased for employees;
- Prizes and awards are not taxable unless the winner is required to render substantial services as a condition to receiving the prize or award. However, prizes and awards could be considered gambling or lottery winnings, you would have to file a PA-40.

**Gifts.** Gifts, made from detached or disinterested generosity, are generally not taxable. However, transfers of cash or property made pursuant to an obligation to provide payment for compensable services or as an inducement to perform compensable services are taxable compensation, not gifts.

**Scholarships, Fellowships and Stipends.** Scholarships and fellowship awards made on the basis of need or academic achievement for the purpose of encouraging or allowing the recipient to further his educational development and not as compensation for past or present services or in expectation of future employment are not taxable. If you believe your scholarship or fellowship award meets this requirement, you must attach an original detailed description of the program under which the scholarship, fellowship or stipend was granted. This must be an original letter and signed by your department head or other official. **Important:** You must attach to your return a detailed description of the program under which the award was granted. A form letter is not acceptable.

Fellowship awards and stipends constitute compensation for services if the recipient is required to apply his skill and training to advance research, creative work or some other project or activity, unless the recipient can show that:

- The benefits resulting from the services of the recipient are so minimal, given the actual services performed or expected to be performed, that they constitute no realistic basis for compensation; or
- The activities of the recipient are so closely and directly supervised and immediately controlled by regular faculty members so as to constitute a burden on the institution which would offset any benefit it receives from the recipient's activities; or
- The recipient is a candidate for a degree and the same activities are required of all candidates for that degree as a condition to receiving such degree.

Stipends paid to medical interns and residents pursuant to an internship or residency program that conforms with the Essentials of an Approved Internship or the Essentials of an Approved Residency as established by the American Medical Association are taxable.

**PA Differences from Federal Rules for Compensation.** On your W-2 form(s), PA taxable compensation will usually be higher than your federal taxable wages. **Report only your PA Compensation from your W-2 form.** Following are some of the more common reasons that federal and PA wages are different on your W-2 form. Your employer should report the correct amount of PA taxable wages on your Form W-2.

**Deferred Compensation Programs: Employer Retirement, Pension and Other Plans.** A qualifying retirement program for PA purposes is an employer sponsored deferred payment program that meets **EACH** of the following conditions:

1. The plan is reduced to writing and communicated to the participants;
2. The plan establishes eligibility requirements for separation from service by retirement. The basis for retirement is old age, infirmity, long-continued service or a combination of old age or infirmity and long-continued years of service;
3. The plan makes provisions for payments based on retirement to be made at regularly recurring intervals to employees after their retirement from service which continue at least until the retired employee's death; and
4. The plan does not permit the distribution of program benefits to any employee until termination of employment except:
  - a) Incidental disability benefits; or
  - b) The return of the employee's previously taxed contributions, and the income or gains thereon, in the case of a contributory retirement benefit plan.

**Employee Contributions and Payments.** You may not exclude or deduct from gross PA taxable compensation your payments into your employer sponsored retirement program, whether voluntary or mandatory and whether direct or through withholding. This is true even if your contributions are not taxable for federal purposes. You may not exclude or deduct any payments you make into any retirement program, including a 401(k) plan under a cafeteria plan.

**Employer Contributions and Payments.** Your employer's contributions to these programs are not includable in your gross PA taxable compensation.

**Distributions from Employer Sponsored Deferred Compensation Programs.** All amounts you receive under your deferred payment program are taxable, in the year received, to the extent that you did not previously pay PA income tax on your contributions and the income earned on your contributions, except:

1. Payments from a PA qualifying retirement benefit program or old age benefit program by reason of retirement; or
2. Payments paid to the estate or designated beneficiary by reason of the employee's death; or
3. Payments received from a PA qualifying retirement benefit program or old age benefit program which you rollover into another deferred payment program or IRA, when the transferred amounts are not includable in your income for federal purposes; or
4. Payments you receive at regularly recurring intervals during periods of disability by reason of disability.

**Early Retirement Incentive Plans.** Payments you receive as an inducement for early retirement are taxable compensation. Your employer should include these incentive payments on your W-2 form and withhold PA tax. Even when you move out of Pennsylvania, these incentive payments remain taxable to Pennsylvania.

**Other Deferred Payment Plans.** PA qualifying old age benefit programs include — Simplified Employee Plans (SEP), federally qualified tax sheltered annuity programs, and tax deferred custodial accounts established by federally tax exempt educational, charitable, or religious organizations. Other deferred payment programs are also PA qualifying old age programs only when meeting **EACH** of the following conditions;

1. The plan is in writing and communicated to the participants;
2. The plan provides for payments at, but not before, retirement, disability, separation from service, unforeseeable emergency, or the attainment of age 59 1/2 or death. If program benefits are payable before retirement, disability, separation from service, unforeseeable emergency, or the attainment of age 59 1/2 or death, the benefits are subject to substantial penalty when so paid;
3. The plan makes provisions for payments at regularly recurring intervals to participants and the payments continue at least until the participant's death.

The cost recovery method of accounting must be used to determine the portion of a distribution to be included in taxable income.

**Annuities.** You invest in a retirement annuity that is not employer sponsored or part of an employer's program, as described above. You may not exclude or deduct your investment contributions into an annuity, even if you intend it for retirement. When you begin receiving annuity payments, you must report the

difference between the amount you receive and your previously taxed investment as taxable **gain** on a **PA Schedule D on a PA-40.**

**Sick Pay and Disability Pay** If you receive periodic payments for sickness or disability, including payments from third party insurers, your employer should not include those payments in your PA taxable compensation. If your employer includes sick or disability pay in your PA taxable compensation, and withholds PA tax, you must provide an explanation from your employer. Your employer should describe the number of days and amount of nontaxable sick or disability pay included in your W-2 form. **Exception:** Sick leave pay and payments that are equal to your full regular wages are taxable for PA purposes.

**Employee Welfare Benefit Plans.** Employee welfare benefit plans are maintained in order to provide to eligible employees or their beneficiaries wage or salary supplements such as medical, surgical or hospital care or benefits in the event of sickness, accident, or disability, death benefits, vacation benefits, scholarships, tuition reductions, or educational assistance, professional services or assistance, food, housing, or food or housing allowances, dependent care assistance, or recreational facilities or services.

Generally, the taxable compensation of an eligible plan participant includes the cost of employer-provided coverage under employee welfare benefit plans. Likewise, generally, no deduction from compensation is allowed for the cost of employee-provided coverage. Taxable items include:

1. Amounts paid by an employer for day care facilities furnished to an employee's child or for child or dependent care.
2. Amounts paid by an employer for non-job-related legal, accounting or other professional services or educational assistance provided to the employer's employees or their dependents.
3. Amounts paid by an employer to reimburse employees for expenses incurred for medical care, unless paid under a qualifying self-insured medical reimbursement account, or adoptions.

Allowable exclusions are limited to:

1. Payments made by an employer or elective contributions made pursuant to a cafeteria plan qualifying under Internal Revenue Code section 125 for a nondiscriminatory employee welfare benefit plan covering hospitalization, sickness, disability or death.
1. Payments made by an employer for a collectively bargained for or non-discriminatory supplemental unemployment benefit or strike benefit plan.
1. Payments to reimburse expenses allowable as an ordinary, reasonable, and necessary business expense.
1. Federally excludable no-additional-cost services, employee discounts, working condition fringes, qualified transportation fringes, and de minimis fringes.
1. Benefits realized from an employee's personal use, before January 1, 1998, of his employer's property or services.

**Distributions from Employer Welfare Benefit Programs.**

Benefits you receive or realize from such benefit programs are taxable, in the year you receive them. Your benefits are taxable to the extent they do not represent contributions on which you already paid PA tax. Your benefits are also taxable if attributable to your employer's direct contributions. The following are the exceptions to the above rule:

1. Amounts which are computed with reference to the nature of a sickness or injury and without regard to the period the employee is absent from work; or
1. Amounts other than regular wages or sick leave pay that are computed with regard to the period that the employee is absent from work due to sickness or disability; or
1. Strike benefits; or
1. Supplemental Unemployment Compensation (SUB) payments made periodically during the period of actual unemployment and that continue only for the period of actual unemployment; or
1. Amounts paid to beneficiaries or to the estate of an employee by reason of the death of the employee; or
1. For 1997, the fair market value of employer-provided dependent care facilities and the use of other employer property, unless provided as a disguised form of compensation.

**Clergy and Statutory Employees.** Pennsylvania has no special rules for clergy, statutory employees, or any other specific employees. Nor are churches, congregations or other entities required to withhold PA income tax, unless required to withhold Federal Income Tax. **All** employees must report compensation on Line 1a and allowable expenses on a PA Schedule UE. Housing allowances are always taxable compensation for PA purposes. However, the fair market value of the use of employer owned property (car and housing) is not PA taxable compensation, when provided for the convenience of the employer. PA law does not make any exception for any specific type of employee or job situation. Clergy must make estimated payments unless their employers will voluntarily withhold the tax.

**Individual Retirement Account Contributions.** PA law does not allow any exclusion for contributions to an IRA except: Direct employer contributions; and/or Amounts rolled over from another IRA or from a PA qualifying old age or retirement benefit program where the transferred amounts are not includable in income for federal purposes.

**Undistributed Income on IRA Assets.** Undistributed income, including interest and other earnings on assets held, is not includable in PA taxable income.

**Withdrawals from IRA's** Amounts you withdraw from an IRA are includable in PA taxable compensation to the extent that you did not previously pay PA tax on the contributions and the income earned on such contributions. However, these withdrawals are not taxable if the payments are:

1. Received, including lump sum distributions, on or after retirement after reaching the age of 59 1/2;
2. Received at regularly recurring intervals during periods of disability by reason of disability;
3. Paid to the estate, or designated beneficiary, of the participant by reason of the participant's death; and/or
4. Rolled into another IRA or into another PA qualifying old age or retirement benefit program and the transferred amounts are also not taxable for federal purposes.

**Line 1b. Unreimbursed Employee Business Expenses from PA Schedule UE.** The instructions for PA Schedule UE-2 begin on page 14.

**Important: The Department of Revenue may request evidence that the expenses you claim on your PA Schedule UE-1 or UE-2 are allowable for PA income tax purposes.**

**What Are Allowable Employee Business Expenses?** Allowable expenses on PA Schedules UE are different from allowable business expenses for federal purposes. For PA purposes, an allowable employee business expense must be:

1. **Ordinary** — customary and accepted in the industry or occupation in which you work; and
2. **Actual** — incurred in performing the duties of your employment; and
3. **Reasonable** — in amount and not excessive; and
4. **Necessary** — to enable you to properly perform the duties of your employment; and
5. **Directly Related** — to performing the duties of your occupation or employment.

You did not incur an allowable business expense during the year if you:

1. Received a fixed mileage allowance or a per diem expense allowance and neither you nor your employer included the allowance in income;
1. Accounted for your expenses to your employer and your employer reimbursed you in the exact amount of your expenses.

Do not include such reimbursements in gross compensation or claim such expenses on a PA Schedule UE.

**What Expenses Are Not Allowable Employee Business Expenses?**

1. Personal, living, or family expenses; dues to fraternal organizations or professional societies, Chambers of Commerce, or recreational club memberships; dues and subscriptions to publications, including trade and professional publications; political candidate or campaign contributions; charitable contributions; commuting expenses; cost of meals while working late, unless while traveling away from home overnight on business; child care or elderly care expenses; life, disability income, and health insurance premiums; contributions to deferred compensation plans or other pension plans; legal fees (except to recover back wages), fines, penalties, and bad debts; job hunting or other pursuit of employment expenses; malpractice insurance premiums, except when required by law or by the employer as a condition of employment. See PA Schedule UE-1: moving expenses, except when moving for the convenience of the employer; educational expenses, except when required by law or by the employer.

**PA Schedule UE-2.** You may use PA Schedule UE-2 if you are claiming **only** union dues, work clothes and uniforms, small tools and supplies, professional license fees or insurance, and/or travel and mileage expenses from your federal Form 2106. You must attach a copy of Form 2106 if using it for PA purposes. The PA Schedule UE-2 is the back of your PA-40EZ.

Even when filing jointly, you and your spouse must submit a separate PA Schedule UE for each employer and you may not combine expenses. You and your spouse must each file separate PA Schedules UE if:

1. You both incur unreimbursed allowable business expenses, even if you both work for the same employer; or
1. You each incur expenses for different employers; or

1. You each incur expenses in more than one specific occupation.

You may claim other allowable employee expenses on PA Schedule UE-1 and attach it to your PA-40EZ. See Forms Ordering on page 7.

**Line 1c. Net PA Taxable Compensation.** Subtract the amount shown on Line 1b from the amount shown on Line 1a.

**PA Taxable Interest.** Include all PA taxable interest received during the taxable year. Include interest from savings and loan associations; credit unions; bank deposits; bonds; certificates of deposit; interest-bearing checking accounts; PA, federal, and local tax refunds; and other obligations on Line 2 of your return. Generally, Form 1099, issued by financial institutions, will indicate the amount of your interest from such institutions. Interest from GNMA and FNMA certificates is taxable for PA purposes.

**PA Tax Exempt Interest.** Interest from direct obligations of the United States Government, the Commonwealth of Pennsylvania, and political subdivisions of Pennsylvania is not taxable for PA purposes. The interest from U. S. Treasury Bonds, Notes, Bills, Certificates, and Savings Bonds is not taxable. The interest you receive from obligations of other states or countries is taxable income. For a complete list of exempt obligations, request form REV-1643, Tax Exempt Obligations For Pennsylvania Personal Income Tax Purposes. See Forms Ordering on page 7. **Important:** You must include PA tax exempt interest in Eligibility Income for tax forgiveness purposes.

**Distributions from Money Market and Mutual Funds and Other Investment Companies.** You report distributions from the earnings and profits of money market or mutual funds and investment trusts and companies as dividend income on Line 3 and not as interest income.

**Forfeited Interest Penalty.** You may offset forfeited interest penalty incurred for premature redemption or withdrawal of a time savings account or certificate of deposit against only the interest income from that account or certificate. You cannot offset such interest penalty against other interest income.

**Line 2. PA Taxable Interest.** Residents report all PA taxable interest income on Line 2. When your interest income exceeds \$1,000, you must complete and file a PA Schedule A. This schedule is on the back of your PA-40EZ. You do not need to attach your Form(s) 1099-INT.

**PA Taxable Dividends.** You report all dividend income on Line 3 in the taxable year in which received or credited. Dividends are distributions of money or property out of earnings and profits made by corporations, S corporations, and business associations. For PA purposes, a business association is an unincorporated business enterprise organized in a manner similar to a business corporation. Business corporations or business associations include, but are not limited to, business trusts, federally qualified real estate investment companies, mutual funds, other federally regulated investment companies, and limited liability companies.

**Dividend Reinvestment Plans.** Pursuant to a stock dividend reinvestment plan, you choose to receive a dividend in the form of stock, rather than cash or other property. You must report the stock's fair market value as of the date paid as dividend income.

**Dividend Income Does Not Include:**

1. Dividends distributed by a corporation to its stockholders as stock, if the distribution is not personal income for federal purposes.
2. Distributions designated as "return of capital" by utility companies or other corporations reduce the basis of your stock in the corporation. Once distributions reduce your basis to zero, any further distributions are taxable as gain from the sale or disposition of property.
3. Dividends from deposits or withdrawals from accounts, paid by savings and loan associations; mutual savings banks; cooperative banks and credit unions. You report these payments as interest on Line 2.
4. Ordinary dividends paid by a mutual fund or a registered investment company and designated as being "Exempt-Interest Dividends" for PA purposes in the written notice issued to the shareholder. You may exclude the portion of total dividends that the fund or company designates as from exempt PA and exempt federal obligations. **Important:** The amount designated as capital gain is fully taxable as dividend income for PA purposes.

**Line 3. PA Taxable Dividends.** Report all PA taxable dividend income on your return. When your total dividend income exceeds \$1,000, you must complete and file a PA Schedule B. This schedule is on the back of your PA-40EZ. You need not attach your Form(s) 1099-DIV.

**Line 4. Total PA Taxable Income.** Total your amounts on Lines 1c, 2 and 3.

**Line 5. Total PA Tax Liability.** Multiply your Total PA Taxable Income amount by 2.8 percent (0.028). Enter the result on this line. This amount is your PA TAX LIABILITY before adjustment for your tax payments and credits.

**LINE INSTRUCTIONS FOR PAYMENTS AND CREDITS**

**Line 6. Total PA Tax Withheld from W-2 forms and other statements.** Enter the total of PA tax withheld as shown in the box 18 (PA or state income tax) of your W-2 form(s). Attach your W-2 form(s) to the back of your PA return. **Important:** If your employer withheld more than 2.8 percent from your wages, attach an explanation from your employer.

**Line 7. Total PA Estimated Payments And Credits.** Enter on Line 7 the TOTAL of the following:

- 1 Credit to your 1997 estimated tax account from your 1996 PA return.
- 1 1997 estimated installment payments. **Important:** Do not include any payment of tax due that you (or your spouse) made with a 1996 PA tax return.
- 1 Extension payment, if you filed a request for an extension of time to file your 1997 PA tax return.

**Tax Forgiveness Credit from PA Schedule SP.** You must complete the PA Schedule SP on page 17 or 19. The specific instructions for claiming Special Tax Forgiveness begin on page 15.

**Line 8a. Dependents from PA Schedule SP, Part B, Line 2.** See the instructions on page 15.

**Line 8b. Total Eligibility Income from PA Schedule SP, Part C, Line 11.** See the instructions on page 15.

**Line 8c. Tax Forgiveness Credit from PA Schedule SP, Part D, Line 16.** See the instructions on page 16.

**Line 9. Total Payments and Credits.** Add Lines 6, 7 and 8c.

**TAX DUE OR OVERPAYMENT**

**Line 10. TAX DUE.** If your PA Tax Liability is more than your Total Payments and Credits, enter the difference on this line. You **must** pay the amount of tax due in full on or before April 15, 1998.

**Line 11. OVERPAYMENT.** If your Total Payments and Credits are more than your PA Tax Liability, enter the difference. **Important:** The Department may apply your overpayment to any tax liability you owe for previous tax years.

**Application Of Overpayment. Lines 12 Through 18.** If you do not enter any amounts on Lines 12 through 18 or the total of Lines 12 through 18 do not equal Line 11, you will receive a refund check, less any credit to 1998 you requested. If you have an overpayment, you may request that all or part of your overpayment be:

- 1 Refunded to you — Line 12.
- 1 Credited to your 1998 estimated tax account — Line 13.
- 1 Donated to the Wild Resource Conservation Fund — Line 14.
- 1 Donated to the U.S. Olympic Committee, PA Division — Line 15.
- 1 Donated to the Organ Donor Awareness Trust Fund — Line 16.
- 1 Donated to the Korea/Vietnam Memorial, Inc. — Line 17.
- 1 Donated to Breast and Cervical Cancer Research — Line 18.

See page 8 for additional information regarding the funds to which you may donate all or part of your overpayment. **The total of Lines 12 through 18 must equal Line 11 on the PA-40EZ.**

**Review Your Return.** Errors delay the processing of your tax return. Carefully check your return. Did you:

- 1 Report your Social Security Number(s), name(s) and address correctly?
- 1 Report all your taxable income and claimed all your allowable credits?
- 1 Check all the entries from W-2 forms and schedules?
- 1 Check your math?
- 1 Attach all necessary and appropriate supporting forms and schedules?

If your label was incorrect and you did not use it, be sure you completely filled in the **SSN/Name/Address Change** oval.

Be sure to review the oval for the **Option for a 1998 Booklet**. Fill in this oval only if you **do not want** a booklet for 1998.

Remember to file your **original** PA-40EZ forms. **Do not send copies.** Keep the copies for your files.

**Taxpayer's Signature and Verification.** You must sign and date your return. Spouses who choose to file a joint return must both sign the return. You have not filed a valid tax return unless you (both) sign it. Read the oath before you sign. Include the area code and telephone number where the Department may call you between the hours of 8:30 a.m. and 4:00 p.m.

**Occupation.** Provide your occupation, and if married and filing jointly, your spouse's occupation.

**Preparer's Name and Telephone Number.** If you paid someone to prepare your tax return, the preparer should, but is not required to, enter his or her name or business name and telephone number on your return.

**You Have Completed Your 1997 PA Tax Return.** Be sure your name and SSN are on all the forms and schedules that accompany your return. See the instructions for **Assembling Your Tax Return** on page 2. Do not staple your return.

**How To Pay.** The balance of tax due shown on your PA return must be paid in full on or before April 15, 1998. Make check or money order payable to **PA Dept. of Revenue**. Include your Social Security Number on the check or money order. See the instructions for using your form PA-V, Payment Voucher, on the insert.

**Bad Check NEW!** If your bank or financial institution returns your check to the Department unpaid, you will be subject to an additional charge equal to 10 percent of the amount of your payment. The minimum charge is \$25 and the maximum charge is \$500. This addition is in addition to possible criminal prosecution and other penalties and interest. This addition to tax is also subject to applicable penalty and interest. Taxpayers may also face possible criminal prosecution.

**Mailing Instructions.** Follow these mailing instructions:

1. Remove all three labels along perforation from envelope flap; and
2. Choose the correct label that applies to your return. See below; and
3. Moisten and affix only the correct label on the front of the return envelope enclosed for your convenience.

<b>If you owe – Tax Due, Line 10.</b>	PA DEPT OF REVENUE PAYMENT ENCLOSED 1 REVENUE PLACE HARRISBURG PA 17129-0001
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<b>If you overpaid – Overpayment on Line 11.</b>	PA DEPT OF REVENUE REFUND/CREDIT REQUESTED 3 REVENUE PLACE HARRISBURG PA 17129-0003
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<b>If you neither owe nor overpaid, zeros on Lines 10 and 11.</b>	PA DEPT OF REVENUE NO PAYMENT/REFUND/CREDIT DUE 2 REVENUE PLACE HARRISBURG PA 17129-0002
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Do not use these mailing labels for other correspondence to the Department.

**Important:** Do not insert your PA-V and payment until after you have placed your complete PA return in your envelope. **Do not staple your check or money order to your PA-V or to your return.**

**Mailing Your Return.** The U.S. Postal Service requires sufficient postage on your envelope. The Post Office may return envelopes without sufficient postage. If your envelope contains more than five (5) pages, it may require additional postage. Oversized envelopes may also require additional postage. Also, it is important that your envelope include your complete return address in the upper left corner.

**SCHEDULE INSTRUCTIONS**

**PA SCHEDULE A.** List and total ALL PA taxable interest received or credited during 1997 from your Form(s) 1099 and all other statements. Also include interest from obligations of other states and countries. Do not include interest from direct obligations of the U.S. Government, Pennsylvania, and political subdivisions of Pennsylvania. Enter payer name and the PA taxable interest from each payer on your PA Schedule A. Enter the total on Line 2 of your PA return. **Important:** You may not deduct any expenses paid or incurred in earning or receiving interest income. **Filing Tip:** If your total PA taxable interest income is less than \$1,000, you do not have to complete PA Schedule A.

**PA SCHEDULE B.** List and total all dividends received or credited during 1997 from your Form(s) 1099 and all other statements. Include dividend income passed through from partnerships and PA S corporations. Enter payer name and the PA taxable dividend from each payer on your PA Schedule B. Enter your total taxable dividend income on Line 3 of your PA return. **Important:** You may not deduct any expenses paid or incurred in earning or receiving dividend income. **Filing Tip:** If your total PA taxable dividends are less than \$1,000, you do not have to complete PA Schedule B.

**PA SCHEDULE UE-2. ALLOWABLE EMPLOYEE BUSINESS EXPENSES.** Complete the PA Schedule UE-2 on the reverse of your form PA-40EZ.

**PART A. UNION DUES.** Union dues, assessments, and initiation fees are allowable business expenses if:

1. Such payments are a condition of continued membership in the union and membership is related directly to your present job; or

- Such payments are a required wage deduction under an agency shop agreement.

**PART B. WORK CLOTHES AND UNIFORMS.** The costs of purchasing and maintaining uniforms and work clothing to protect you from bodily injury are allowable business expenses if the uniforms and clothing are both:

- Of a type specifically required by the employer to be purchased as a condition of continued employment; and
- Not adaptable to general usage.

**PART C. SMALL TOOLS AND SUPPLIES.** Expenditures for small tools and supplies that you must have to perform the duties of your job, but that your employer does not provide, are allowable business expenses. If any of these required tools or supplies have a useful life of more than one year, you may depreciate or amortize the cost. You must use a PA Schedule UE-1.

**PART D. PROFESSIONAL LICENSE FEES, MALPRACTICE INSURANCE, AND FIDELITY BOND PREMIUMS.** Trade, professional, or occupational licenses or fees required as a condition of employment are allowable business expenses. Include malpractice insurance and fidelity bond premiums where required by law or by your employer.

**PART E. TRAVEL AND MILEAGE EXPENSES.** Expenses for travel, transportation, meals, and lodging that you incurred in performing the duties of your job are allowable business expenses. Business expenses incurred by outside salespersons are also allowable. **Commuting costs to and from any job are not allowable for PA purposes.**

The Department accepts the standard mileage rate used by the IRS. If your employer reimburses you at a per mile rate that is less than the federal allowable rate, you **may not** claim the difference on PA Schedule UE-1, Part E.

You may use the PA Schedule UE-2, on the back of your PA-40EZ, if you are only claiming expenses from Lines 1, 2, 3 and 5 of your Form 2106. **If you are claiming expenses from Line 4 of your Form 2106, you must attach an itemized schedule of those expenses.** If you are claiming your actual expenses, you must complete and attach PA Schedule UE-1. See Forms Ordering on page 7.

**Total Unreimbursed Employee Business Expenses.** Add the expenses you are claiming on your PA Schedule UE-2. Enter the total on Line 1b.

You must include in gross compensation on Line 1a of your PA-40EZ all reimbursements or payments for any business expenses you incurred, including your reimbursements for the expenses you are claiming on your PA Schedule UE-2. If your employer included your reimbursements in the amount of PA taxable compensation on your W-2 form, you do not again enter that reimbursement.

**Retention of Records.** The Department may require you to substantiate the amount and nature of the allowable business expenses you claim. You should retain necessary documents, receipts, vouchers or other records for at least four years. You have the burden of proving that your expenses are ordinary, actual, reasonable and necessary.

**PA SCHEDULE SP. SPECIAL TAX FORGIVENESS CREDIT. General Information.** Act 7 of 1997, allows a joint claim for married persons and defines a dependent for tax forgiveness purposes as a dependent child for federal purposes. The allowance for each dependent child changes to \$4,000. For qualifying married claimants, eligibility income begins at \$12,600. For qualifying single claimants, eligibility income remains at \$6,300. You must file a PA Schedule SP to claim tax forgiveness. **Important: Read all the new instructions before you begin.**

**What is Tax Forgiveness?** Special Tax Forgiveness is a credit against PA tax that allows eligible taxpayers to reduce all or part of their PA tax liability. To qualify for this credit, you must calculate your own taxable income and nontaxable income. If married, you and your spouse must each calculate and report these kinds of income.

**Who Is An Eligible Claimant For Tax Forgiveness?** An eligible claimant is a person who:

- IS SUBJECT** to PA Personal Income Tax — has PA taxable income; and
- IS NOT** a dependent on another person's federal tax return — Section 151 of the 1986 IRC, (except that, for 1997, a dependent child who otherwise meets the eligibility test may claim tax forgiveness on a PA Schedule SP on a separately filed PA tax return); and
- DOES MEET** the Eligibility Income test.

If single, you must meet all three requirements. If married and living together, you may claim tax forgiveness jointly if at least one spouse meets all three requirements. You may file jointly if you each meet the eligibility requirements.

Married persons are not dependents of one another for federal tax purposes or PA tax forgiveness purposes. A full time student, claimed on his or her parents'

federal return, as a dependent under IRC Section 151 may not be a claimant for tax forgiveness, unless his or her parents are also eligible for tax forgiveness.

If married, you **must** file separate PA returns if you and your spouse are:

- Living apart at all times during the last six months of the year; or
- Separated pursuant to a written separation agreement.

You and your spouse may elect to file separately. If you have dependent children, only one parent may claim the children on a PA Schedule SP. The parent who claims the children on his or her separate federal tax return also claims the children on his or her PA Schedule SP. **Important: A dependent may not be claimed on two PA Schedules SP.**

**Who is a Dependent for Tax Forgiveness?** A dependent means a child who is a dependent of a claimant(s) for the purposes of IRC Section 151. If you are a dependent child, you may claim tax forgiveness if your parent(s) is (are) eligible for tax forgiveness. You file your PA tax return and PA Schedule SP as Single. The eligibility income limits also apply to you.

**Joint or Separate Returns.** If you and your spouse are living together, you should file a joint return to claim tax forgiveness. If one of you is a dependent of someone other than your spouse, then you each **must** file separate returns. The eligible spouse may file a PA Schedule SP but may not claim his or her spouse.

If you have dependent children, the spouse, if otherwise eligible for tax forgiveness, who claims the children for Federal Income Tax purposes claims the children on PA Schedule SP.

**General Instructions for PA Schedule SP.** This schedule is on page 17 or 19. You must complete a PA Schedule SP and file it with your PA return. Complete ALL the information for yourself in **YOUR** column. If married, your husband or wife should complete the information in the **SPOUSE** column. Married spouses add the columns and use the total in the **JOINT** column. Married taxpayers living together should file a joint PA Schedule SP. There is no advantage to filing separate claims. **Important:** You do not need a worksheet to determine who is a dependent. You make all calculations on the PA Schedule SP.

**Specific Instructions for PA Schedule SP.**

**PART A. Certification of Eligibility.** Fill in the appropriate oval.

- SINGLE (S).** Fill in this oval if you are single or divorced at the end of 1997 or a dependent of an eligible claimant(s).
- MARRIED, FILING JOINTLY (J).** Fill in this oval if you are married and living together at the end of 1997. Also use this certification if only one of you has eligibility income.
- MARRIED, FILING SEPARATELY (M).** Fill in this oval if:
  - You are separated and live apart from your spouse. You **must** provide the name and Social Security Number of your spouse at the top of PA Schedule SP.
  - Your spouse is being claimed on the federal tax return of another person. You must also provide the name and Social Security Number of the person claiming your spouse. Answer whether your spouse has PA taxable income and is filing his or her own PA return. **Note: You must use the M, Married, Filing Separately status on your PA-40EZ. You will use Eligibility Income Table 1 because you are not filing a joint claim for tax forgiveness.**
- DECEASED (D).** Fill in this oval if you are filing for a person who died during 1997. Under Act 7 of 1997, you **must annualize** the income of a decedent before determining if he or she is eligible for tax forgiveness.

**PART B. Dependent Children.** List only the dependent children that you claimed as dependents on your 1997 federal tax return. If you cannot claim a child on your federal tax return, you cannot claim that child for tax forgiveness purposes. Married persons are never dependents of each other on PA Schedule SP, even when one spouse has no Eligibility Income. You need this number to determine your percentage of tax forgiveness. **If you do not have any dependents, go to PART C.**

- Provide all the requested information for each child listed.
- Number of Dependent Children.** Enter here the number of dependent children you are claiming for tax forgiveness purposes.

**PART C. Eligibility Income.** Enter zero if you have no income to report on a line. For Lines 2 through 10, compute and enter the total income received in each category. Nontaxable income includes income that is not taxable under PA law or regulations and may or may not be taxable for federal purposes. Read each description carefully.

If filing as Single or for a Deceased person, use only **YOUR** column.

If filing as Married, Filing Separately, because your spouse is a dependent on another person's federal tax return or you and your spouse are separated and living apart, use only **YOUR** column to calculate your tax forgiveness credit. You must still provide the information in the **SPOUSE'S** column.

If Married, Filing Jointly, you complete **YOUR** column and your spouse completes the **SPOUSE** column. Add the columns and use the **JOINT** column.

1. **PA Taxable Income.** Enter your total PA Taxable Income amount(s) from your PA tax return.
2. **Nontaxable Interest, Dividends, and Gains.** Include income from investments in direct obligations of the Federal Government, Pennsylvania and political subdivisions of Pennsylvania, even if received through a mutual fund or other regulated investment company. If originally issued on or after February 1, 1994, enter any gains realized from sales of these obligations. Include the nontaxable portion of gain on property acquired before June 1, 1971. Also include nontaxable income received as a beneficiary of an estate or trust.
3. **Alimony.** This is the amount of federally taxable alimony received.
4. **Insurance Proceeds and Inheritances.** Includes the total proceeds received from life or other insurance policies, and inherited cash or the value of property received.
5. **Gifts, Awards, and Prizes.** Include the total amount of nontaxable cash or property received as gifts from others. Also include awards given in recognition of civic and social achievements and winnings from the PA State Lottery.
6. **Nonresident Income.** Enter the total of all income received while residing outside Pennsylvania. This includes income that would otherwise be taxable if earned and received in Pennsylvania.
7. **Nontaxable Military Income. Do Not Include Combat Pay.** This amount represents the difference between your total military income earned and the amount you reported to Pennsylvania as taxable on your PA tax return.
8. **Gain Excluded on the Sale of a Personal Residence.** This line does not apply for PA-40EZ.

9. **Nontaxable Educational Assistance.** Include the total value of nontaxable scholarships, fellowships, and stipends you received.
10. **Cash Payments Received from persons outside your household.** This amount includes nontaxable cash or property received for personal use. Include direct contributions from spouses, children, parents and others, such as cash received from a parent to buy clothing. This amount does not include monies paid pursuant to a cost sharing arrangement.
11. **Total Eligibility Income.** Add Lines 1 through 10 in each column and enter the total. Eligibility Income is the amount used to determine your percentage of tax forgiveness.

**PART D. Calculating Your Tax Forgiveness Credit.** Lines 12 through 16.

12. **PA Tax Liability.** Enter the amount of your Tax Due from Line 5 of your PA-40EZ. This is your tax due BEFORE any credits.
13. **Less Resident Credit from PA-40.** This line does not apply for PA-40EZ filers.
14. **Net PA Tax Liability.** Subtract Line 13 from Line 12.
15. **Percentage of Tax Forgiveness.** If filing as **Single** or **Married, Filing Separately** or for a **Deceased** claimant, use **Eligibility Income Table 1**. If filing as **Married, Filing Jointly**, use **Eligibility Income Table 2**. Use the number of your dependents from Part B, Line 2 and your Eligibility Income from Part C, Line 11 on the appropriate Eligibility Income Table to find your percentage of tax forgiveness. Enter the percentage of forgiveness as a decimal on Line 15.
16. **Tax Forgiveness Credit.** Multiply Line 14 by the decimal on Line 15. This is your tax forgiveness credit.

<b>ELIGIBILITY INCOME TABLE 1</b>										
TAXPAYERS FILING AS SINGLE — S; MARRIED, FILING SEPARATELY — M OR DECEASED — D										
IF YOUR TOTAL ELIGIBILITY INCOME FROM PA SCHEDULE SP, PART C, LINE 11, DOES NOT EXCEED:										
You ▶	\$6,300	\$6,400	\$6,500	\$6,600	\$6,700	\$6,800	\$6,900	\$7,000	\$7,100	\$7,200
Dependent Children										
1	\$10,300	\$10,400	\$10,500	\$10,600	\$10,700	\$10,800	\$10,900	\$11,000	\$11,100	\$11,200
2	\$14,300	\$14,400	\$14,500	\$14,600	\$14,700	\$14,800	\$14,900	\$15,000	\$15,100	\$15,200
3	\$18,300	\$18,400	\$18,500	\$18,600	\$18,700	\$18,800	\$18,900	\$19,000	\$19,100	\$19,200
4	\$22,300	\$22,400	\$22,500	\$22,600	\$22,700	\$22,800	\$22,900	\$23,000	\$23,100	\$23,200
5	\$26,300	\$26,400	\$26,500	\$26,600	\$26,700	\$26,800	\$26,900	\$27,000	\$27,100	\$27,200
6	\$30,300	\$30,400	\$30,500	\$30,600	\$30,700	\$30,800	\$30,900	\$31,000	\$31,100	\$31,200
7	\$34,300	\$34,400	\$34,500	\$34,600	\$34,700	\$34,800	\$34,900	\$35,000	\$35,100	\$35,200
8	\$38,300	\$38,400	\$38,500	\$38,600	\$38,700	\$38,800	\$38,900	\$39,000	\$39,100	\$39,200
9	\$42,300	\$42,400	\$42,500	\$42,600	\$42,700	\$42,800	\$42,900	\$43,000	\$43,100	\$43,200
10	\$46,300	\$46,400	\$46,500	\$46,600	\$46,700	\$46,800	\$46,900	\$47,000	\$47,100	\$47,200
THEN YOUR PERCENTAGE OF TAX FORGIVENESS AND THE DECIMAL EQUIVALENT IS:										
PERCENTAGE	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%
DECIMAL	1.0	.90	.80	.70	.60	.50	.40	.30	.20	.10

<b>ELIGIBILITY INCOME TABLE 2</b>										
TAXPAYERS FILING AS MARRIED, FILING JOINTLY — J										
IF YOUR TOTAL ELIGIBILITY INCOME FROM PA SCHEDULE SP, PART C, LINE 11, DOES NOT EXCEED:										
You ▶	\$12,600	\$12,700	\$12,800	\$12,900	\$13,000	\$13,100	\$13,200	\$13,300	\$13,400	\$13,500
Dependent Children										
1	\$16,600	\$16,700	\$16,800	\$16,900	\$17,000	\$17,100	\$17,200	\$17,300	\$17,400	\$17,500
2	\$20,600	\$20,700	\$20,800	\$20,900	\$21,000	\$21,100	\$21,200	\$21,300	\$21,400	\$21,500
3	\$24,600	\$24,700	\$24,800	\$24,900	\$25,000	\$25,100	\$25,200	\$25,300	\$25,400	\$25,500
4	\$28,600	\$28,700	\$28,800	\$28,900	\$29,000	\$29,100	\$29,200	\$29,300	\$29,400	\$29,500
5	\$32,600	\$32,700	\$32,800	\$32,900	\$33,000	\$33,100	\$33,200	\$33,300	\$33,400	\$33,500
6	\$36,600	\$36,700	\$36,800	\$36,900	\$37,000	\$37,100	\$37,200	\$37,300	\$37,400	\$37,500
7	\$40,600	\$40,700	\$40,800	\$40,900	\$41,000	\$41,100	\$41,200	\$41,300	\$41,400	\$41,500
8	\$44,600	\$44,700	\$44,800	\$44,900	\$45,000	\$45,100	\$45,200	\$45,300	\$45,400	\$45,500
9	\$48,600	\$48,700	\$48,800	\$48,900	\$49,000	\$49,100	\$49,200	\$49,300	\$49,400	\$49,500
10	\$52,600	\$52,700	\$52,800	\$52,900	\$53,000	\$53,100	\$53,200	\$53,300	\$53,400	\$53,500
THEN YOUR PERCENTAGE OF TAX FORGIVENESS AND THE DECIMAL EQUIVALENT IS:										
PERCENTAGE	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%
DECIMAL	1.0	.90	.80	.70	.60	.50	.40	.30	.20	.10



SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
<b>ADAMS</b>		<b>BERKS</b>		<b>CENTRE</b>		<b>DELAWARE</b>	
Bermudian Springs	.01110	Antietam	.06050	Palmerton Area	.13650	Middletown Area	.22600
Conewago Valley	.01160	Boyerstown Area	.06075	Panther Valley	.13660	Millersburg Area	.22610
Fairfield Area	.01305	Brandywine Heights Area	.06085	Weatherly Area	.13900	Steeleton Highspire	.22800
Gettysburg Area	.01375	Conrad Weiser Area	.06110	<b>CHESTER</b>		Susquehanna Township	.22830
Littlestown Area	.01520	Daniel Boone Area	.06150	Bald Eagle Area	.14100	Susquenita	.50600
Upper Adams	.01852	Exeter Township	.06200	Bellefonte Area	.14110	Upper Dauphin Area	.22900
<b>ALLEGHENY</b>		Fleetwood Area	.06250	Keystone Central	.18360	Williams Valley	.54880
Allegheny Valley	.02060	Governor Mifflin	.06300	Penns Valley Area	.14700	<b>DELAWARE</b>	
Avonworth	.02075	Hamburg Area	.06350	Philipsburg-Osceola Area	.17700	Chester Upland	.23123
Baldwin Whitehall	.02110	Kutztown Area	.06400	State College Area	.14800	Chichester	.23130
Bethel Park	.02125	Muhlenberg Township	.06550	Tyrone Area	.07800	Garnet Valley	.23410
Brentwood Borough	.02145	Oley Valley	.06650	<b>CHESTER</b>		Haverford Township	.23450
Carlynton	.02160	Reading	.06700	Avon Grove	.15050	Interboro	.23510
Chartiers Valley	.02175	Schuylkill Valley	.06750	Coatesville Area	.15190	Marple Newtown	.23550
Clairton	.02190	Tulpehocken Area	.06800	Downingtown Area	.15200	Penn Delco	.23690
Cornell	.02210	Twin Valley	.06810	Great Valley	.15350	Radnor Township	.23760
Deer Lakes	.02225	Upper Perkiomen	.46860	Kennett Consolidated	.15400	Ridley	.23770
Duquesne City	.02250	Wilson	.06910	Octorara Area	.15650	Rose Tree Media	.23790
East Allegheny	.02280	Wyomissing	.06935	Owen J. Roberts	.15660	Southeast Delco	.23840
Elizabeth Forward	.02315	<b>BLAIR</b>		Oxford Area	.15670	Springfield	.23850
Fort Cherry	.63240	Altoona Area	.07050	Phoenixville Area	.15720	Unionville-Chadds Ford	.15850
Fox Chapel Area	.02391	Bellwood Antis	.07100	Spring Ford Area	.46730	Upper Darby	.23945
Gateway	.02410	Claysburg-Kimmel	.07150	Tredyffrin Easttown	.15780	Wallingford Swarthmore	.23960
Hampton Township	.02460	Holidaysburg Area	.07350	Twin Valley	.06810	West Chester Area	.15900
Highlands	.02475	Spring Cove	.07750	Unionville-Chadds Ford	.15850	William Penn	.23965
Keystone Oaks	.02500	Tyrone Area	.07800	West Chester Area	.15900	<b>ELK</b>	
McKeesport Area	.02600	Williamsburg Community	.07900	<b>CLARION</b>		Brockway Area	.33070
Montour	.02630	<b>BRADFORD</b>		Allegheny Clarion Valley	.16030	Forest Area	.27200
Moon Area	.02634	Athens Area	.08050	Armstrong	.03085	Johnsonburg Area	.24350
Mount Lebanon	.02640	Canton Area	.08100	Clarion Area	.16120	Kane Area	.42230
North Allegheny	.02685	Northwest Bradford County	.08300	Clarion-Limestone Area	.16170	Ridgway Area	.24600
Northgate	.02687	Sayre Area	.08600	Keystone	.16650	Saint Marys Area	.24800
North Hills	.02690	Towanda Area	.08650	North Clarion County	.16750	<b>ERIE</b>	
Penn Hills	.02735	Troy Area	.08665	Redbank Valley	.16800	Corry Area	.25145
Penn-Trafford	.65710	Wyalusing Area	.08900	Union	.16900	Erie City	.25260
Pine-Richland	.02100	<b>BUCKS</b>		<b>CLEARFIELD</b>		Fairview	.25330
Pittsburgh	.02745	Bensalem Township	.09100	Clearfield Area	.17100	Fort Leboeuf	.25355
Plum Borough	.02750	Bristol Borough	.09130	Curwensville Area	.17180	General McLane	.25390
Quaker Valley	.02775	Bristol Township	.09135	Dubois Area	.17200	Girard	.25405
Riverview	.02820	Centennial	.09200	Glendale	.17300	Harbor Creek	.25435
Shaler Area	.02830	Central Bucks	.09210	Harmony Area	.17350	Iroquois	.25655
South Allegheny	.02865	Council Rock	.09235	Moshannon Valley	.17500	Millcreek Township	.25760
South Fayette Township	.02870	Easton Area	.48330	Philipsburg-Osceola Area	.17700	North East	.25830
South Park	.02875	Morrisville Borough	.09720	Purchase Line	.32730	Northwestern	.25850
Steel Valley	.02883	Neshaminy	.09750	West Branch Area	.17900	Union City Area	.25910
Sto Rox	.02885	New Hope Solebury	.09760	<b>CLINTON</b>		Wattsburg Area	.25970
Upper Saint Clair Township	.02920	North Penn	.46570	Jersey Shore Area	.41400	<b>FAYETTE</b>	
West Allegheny	.02940	Palisades	.09800	Keystone Central	.18360	Albert Gallatin Area	.26030
West Jefferson Hills	.02955	Pennridge	.09810	West Branch Area	.17900	Belle Vernon Area	.65060
West Mifflin Area	.02960	Pennsbury	.09820	<b>COLUMBIA</b>		Brownsville Area	.26080
Wilkinsburg Borough	.02980	Quakertown Community	.09840	Benton Area	.19100	Cornellsville Area	.26130
Woodland Hills	.02990	Soudertown Area	.46710	Berwick Area	.19110	Frazier	.26290
<b>ARMSTRONG</b>		<b>BUTLER</b>		Bloomsburg Area	.19120	Laurel Highlands	.26400
Allegheny Clarion Valley	.16030	Allegheny Clarion Valley	.16030	Central Columbia	.19150	Southmoreland	.65750
Apollo-Ridge	.03060	Butler Area	.10125	Millville Area	.19500	Uniontown Area	.26800
Armstrong	.03085	Freeport Area	.03305	Mount Carmel Area	.49510	<b>FOREST</b>	
Freeport Area	.03305	Karns City Area	.10360	North Schuylkill	.54500	Forest Area	.27200
Karns City Area	.10360	Mars Area	.10500	Southern Columbia Area	.19750	<b>FRANKLIN</b>	
Kiski Area	.65440	Moniteau	.10535	<b>CRAWFORD</b>		Chambersburg Area	.28130
Leechburg Area	.03450	Seneca Valley	.10790	Conneaut	.20103	Fannett-Metal	.28200
Redbank Valley	.16800	Slippery Rock Area	.10750	Corry Area	.25145	Greencastle-Antrim	.28300
<b>BEAVER</b>		South Butler County	.10780	Crawford Central	.20135	Shippensburg Area	.21800
Aliquippa Borough	.04050	<b>CAMBRIA</b>		Jamestown Area	.43360	Tuscarora	.28600
Ambridge Area	.04070	Blacklick Valley	.11060	Penncrest	.20470	Waynesboro Area	.28900
Beaver Area	.04120	Cambria Heights	.11120	Titusville Area	.61720	<b>FULTON</b>	
Big Beaver Falls Area	.04150	Central Cambria	.11130	Union City Area	.25910	Central Fulton	.29130
Blackhawk	.04160	Conemaugh Valley	.11140	<b>CUMBERLAND</b>		Forbes Road	.29230
Center Area	.04190	Ferndale Area	.11200	Big Spring	.21050	South Fulton	.29750
Ellwood City Area	.37200	Forest Hills	.11220	Camp Hill	.21100	<b>GREENE</b>	
Freedom Area	.04285	Glendale	.17300	Carlisle Area	.21110	Carmichaels Area	.30130
Hopewell Area	.04410	Greater Johnstown	.11250	Cumberland Valley	.21160	Central Greene	.30140
Midland Borough	.04530	Northern Cambria	.11450	East Pennsboro Area	.21250	Jefferson-Morgan	.30350
Monaca	.04545	Penn Cambria	.11600	Mechanicsburg Area	.21650	Southeastern Greene	.30650
New Brighton Area	.04565	Portage Area	.11630	Shippensburg Area	.21800	West Greene	.30850
Riverside Beaver County	.04585	Richland	.11650	South Middleton	.21830	<b>HUNTINGDON</b>	
Rochester Area	.04690	Westmont Hilltop	.11850	West Shore	.21900	Huntingdon Area	.31250
Southside Area	.04740	Windber Area	.56910	<b>DAUPHIN</b>		Juniata Valley	.31280
Western Beaver County	.04930	<b>CAMERON</b>		Central Dauphin	.22140	Mount Union Area	.31600
<b>BEDFORD</b>		Cameron County	.12270	Derry Township	.22175	South Huntingdon County	.31750
Bedford Area	.05100	<b>CARBON</b>		Halifax Area	.22250	Tussey Mountain	.05800
Chestnut Ridge	.05150	Hazleton Area	.40330	Harrisburg City	.22275	Tyrone Area	.07800
Claysburg-Kimmel	.07150	Jim Thorpe Area	.13500	Lower Dauphin	.22400		
Everett Area	.05300	Lehigh Area	.13550				
Northern Bedford County	.05600						
Tussey Mountain	.05800						

Part-Year Residents who moved out of Pennsylvania during 1997 use code 99999.

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
<b>INDIANA</b>							
Apollo-Ridge	.03060	Dallas	.40160	Easton Area	.48330	<b>UNION</b>	
Armstrong	.03085	Greater Nanticoke Area	.40260	Nazareth Area	.48480	Lewisburg Area	.60400
Blairsville-Saltsburg	.32110	Hanover Area	.40300	Northampton Area	.48490	Mifflinburg Area	.60500
Harmony	.17350	Hazleton Area	.40330	Northern Lehigh	.39450	Milton Area	.49500
Homer Center	.32330	Lake-Lehman	.40390	Pen Argyl Area	.48560	Warrior Run	.49800
Indiana Area	.32370	Northwest Area	.40600	Saucon Valley	.48600	<b>VENANGO</b>	
Marion Center Area	.32520	Pittston Area	.40660	Wilson Area	.48860	Allegheny Clarion Valley	.16030
Penns Manor Area	.32630	Wilkes-Barre Area	.40885	<b>NORTHUMBERLAND</b>			
Punxsutawney Area	.33800	Wyoming Area	.40920	Danville Area	.47180	Cranberry Area	.61130
Purchase Line	.32730	Wyoming Valley West	.40930	Line Mountain	.49350	Forest Area	.27200
United	.32800	<b>LYCOMING</b>		Milton Area	.49500	Franklin Area	.61220
<b>JEFFERSON</b>		Canton Area	.08100	Mount Carmel Area	.49510	Oil City Area	.61620
Brockway Area	.33070	East Lycoming	.41200	Shamokin Area	.49650	Penncrest	.20470
Brookville Area	.33080	Jersey Shore Area	.41400	Shikellamy	.49660	Titusville Area	.61720
Clarion-Limestone Area	.16170	Loyalsock Township	.41420	Southern Columbia Area	.19750	Valley Grove	.61860
Dubois Area	.17200	Montgomery Area	.41500	Warrior Run	.49800	<b>WARREN</b>	
Punxsutawney Area	.33800	Montoursville Area	.41510	<b>PERRY</b>		Corry Area	.25145
<b>JUNIATA</b>		Muncy	.41530	Fannett-Metal	.28200	Titusville Area	.61720
Greenwood	.50300	South Williamsport Area	.41610	Greenwood	.50300	Warren County	.62830
Juniata County	.34360	Southern Tioga	.59700	Newport	.50400	<b>WASHINGTON</b>	
<b>LACKAWANNA</b>		Wellsboro Area	.59850	Susquenita	.50600	Avella Area	.63050
Abington Heights	.35030	Williamsport Area	.41720	West Perry	.50800	Bentworth	.63090
Carbondale Area	.35130	<b>MCKEAN</b>		<b>PHILADELPHIA</b>			
Dunmore	.35220	Bradford Area	.42080	Philadelphia City	.51500	Bethlehem Center	.63100
Forest City Regional	.58300	Kane Area	.42230	<b>PIKE</b>			
Lackawanna Trail	.66500	Oswayo Valley	.53750	Delaware Valley	.52200	Brownsville Area	.26080
Lakeland	.35460	Otto Eldred	.42600	East Stroudsburg Area	.45200	Burgettstown Area	.63120
Mid Valley	.35550	Port Allegany	.42630	Wallenpaupack Area	.64830	California Area	.63150
North Pocono	.35650	Smethport Area	.42750	<b>POTTER</b>			
Old Forge	.35660	<b>MERCER</b>		Austin Area	.53030	Canon McMillan	.63170
Riverside	.35700	Commodore Perry	.43130	Coudersport Area	.53130	Charleroi	.63180
Scranton City	.35740	Crawford Central	.20135	Galeton Area	.53280	Chartiers Houston	.63190
Valley View	.35840	Farrell Area	.43250	Keystone Central	.18360	Fort Cherry	.63240
<b>LANCASTER</b>		Greenville Area	.43280	Northern Potter	.53550	McGuffey	.63390
Cocalico	.36130	Grove City Area	.43290	Oswayo Valley	.53750	Peters Township	.63650
Columbia Borough	.36150	Hermitage	.43330	Port Allegany	.42630	Ringgold	.63700
Conestoga Valley	.36170	Jamestown Area	.43360	<b>SCHUYLKILL</b>			
Donegal	.36220	Lakeview	.43390	Blue Mountain	.54080	Austin Area	.53030
Eastern Lancaster County	.36230	Mercer Area	.43500	Hazleton Area	.40330	Coudersport Area	.53130
Elizabethtown Area	.36240	Reynolds	.43530	Mahanoy Area	.54450	Galeton Area	.53280
Ephrata Area	.36260	Sharon City	.43560	Minersville Area	.54470	Keystone Central	.18360
Hempfield	.36310	Sharpville Area	.43570	North Schuylkill	.54500	Northern Potter	.53550
Lampeter-Strasburg	.36360	West Middlesex Area	.43750	Oswayo Valley	.53750	Oswayo Valley	.53750
Lancaster	.36400	Wilmington Area	.37800	Port Allegany	.42630	Port Allegany	.42630
Manheim Central	.36440	<b>MIFFLIN</b>		<b>SCHUYLKILL</b>			
Manheim Township	.36450	Mifflin County	.44460	Blue Mountain	.54080	Blue Mountain	.54080
Octorara Area	.15650	Mount Union Area	.31600	Hazleton Area	.40330	Hazleton Area	.40330
Penn Manor	.36520	<b>MONROE</b>		Mahanoy Area	.54450	Mahanoy Area	.54450
Pequea Valley	.36530	East Stroudsburg Area	.45200	Minersville Area	.54470	Minersville Area	.54470
Solanco	.36700	Pleasant Valley	.45520	North Schuylkill	.54500	North Schuylkill	.54500
Warwick	.36900	Pocono Mountain	.45540	Panther Valley	.13660	Panther Valley	.13660
<b>LAWRENCE</b>		Stroudsburg Area	.45600	Pine Grove Area	.54600	Pine Grove Area	.54600
Blackhawk	.04160	<b>MONTGOMERY</b>		Pottsville Area	.54610	Pottsville Area	.54610
Ellwood City Area	.37200	Abington	.46030	Saint Clair Area	.54680	Saint Clair Area	.54680
Laurel	.37400	Boyetown Area	.06075	Shenandoah Valley	.54720	Shenandoah Valley	.54720
Mohawk Area	.37500	Bryn Athyn Borough	.46050	Schuylkill Haven Area	.54730	Schuylkill Haven Area	.54730
Neshannock Township	.37520	Cheltenham Township	.46130	Tamaqua Area	.54760	Tamaqua Area	.54760
New Castle Area	.37530	Colonial	.46160	Tri Valley	.54780	Tri Valley	.54780
Shenango Area	.37620	Hatboro-Horsham	.46360	Williams Valley	.54880	Williams Valley	.54880
Union Area	.37700	Jenkintown	.46380	<b>SNYDER</b>			
Wilmington Area	.37800	Lower Merion	.46450	Mid-West	.55500	Mid-West	.55500
<b>LEBANON</b>		Lower Moreland Township	.46460	Selinsgrove	.55710	Selinsgrove	.55710
Annville Cleona	.38030	Methacton	.46530	<b>SOMERSET</b>			
Cornwall Lebanon	.38130	Norristown Area	.46560	Berlin Brothersvalley	.56100	Berlin Brothersvalley	.56100
Eastern Lebanon County	.38230	North Penn	.46570	Conemaugh Township Area	.56180	Conemaugh Township Area	.56180
Lebanon	.38460	Perkiomen Valley	.46610	Meyersdale Area	.56520	Meyersdale Area	.56520
Northern Lebanon	.38500	Pottsgrove	.46630	North Star	.56550	North Star	.56550
Palmyra Area	.38530	Pottstown	.46640	Rockwood Area	.56630	Rockwood Area	.56630
<b>LEHIGH</b>		Souderton Area	.46710	Salisbury Elk Lick	.56700	Salisbury Elk Lick	.56700
Allentown City	.39030	Springfield Township	.46720	Shade-Central City	.56720	Shade-Central City	.56720
Bethlehem Area	.48100	Spring Ford Area	.46730	Shanksville-Stonycreek	.56740	Shanksville-Stonycreek	.56740
Catasauqua Area	.39130	Upper Dublin	.46830	Somersets Area	.56770	Somersets Area	.56770
East Penn	.39230	Upper Merion Area	.46840	Turkeyfoot Valley Area	.56840	Turkeyfoot Valley Area	.56840
Northern Lehigh	.39450	Upper Moreland Township	.46850	Windber Area	.56910	Windber Area	.56910
Northwestern Lehigh	.39460	Upper Perkiomen	.46860	<b>SULLIVAN</b>			
Parkland	.39510	Wissahickon	.46930	Sullivan County	.57630	Sullivan County	.57630
Salisbury Township	.39560	<b>MONTOUR</b>		<b>SUSQUEHANNA</b>			
Southern Lehigh	.39570	Danville Area	.47180	Blue Ridge	.58100	Blue Ridge	.58100
Whitehall Coplay	.39780	Warrior Run	.49800	Elk Lake	.58250	Elk Lake	.58250
<b>LUZERNE</b>		<b>NORTHAMPTON</b>		Forest City Regional	.58300	Forest City Regional	.58300
Berwick Area	.19110	Bangor Area	.48080	Montrose Area	.58450	Montrose Area	.58450
Crestwood	.40140	Bethlehem Area	.48100	Mountain View	.58460	Mountain View	.58460
		Catasauqua Area	.39130	Susquehanna Community	.58650	Susquehanna Community	.58650
				<b>TIOGA</b>			
				Canton Area	.08100	Canton Area	.08100
				Galeton Area	.53280	Galeton Area	.53280
				Northern Tioga	.59600	Northern Tioga	.59600
				Southern Tioga	.59700	Southern Tioga	.59700
				Wellsboro Area	.59850	Wellsboro Area	.59850

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