

# PA-40

# 2000 What You Should Know This Year

Pennsylvania Individual Income Tax Form  
PA-40 and Instructions for Residents,  
Nonresidents, and Part-Year Residents

## Do Something Different...

You won't have to fill out the forms in this booklet this year, if you use our free Internet filing application, **pa.direct.file**. This year we have expanded **pa.direct.file** to handle more complex returns. It's safe, fast, easy, and **free**. Just find your Personal Identification Number (PIN) above your name on the label, which is inserted in this booklet, and log on to our website at: [www.revenue.state.pa.us](http://www.revenue.state.pa.us).

For other paperless filing options, turn to page 2.

...Go Paperless

## You May Be Paying Too Much in Tax

Thousands more Pennsylvania families may qualify for Tax Forgiveness this year. A change in the tax law increased the income limits of Tax Forgiveness for families with children. For example, if you are a married couple with two children and have a household income of \$28,000 or less, you can have all your taxes forgiven. However, to receive Tax Forgiveness you must apply. See pages 19-21.

## Better Way to Handle W-2 Forms

Last year the Department introduced its PA Schedule W-2S to eliminate the need to attach your W-2 forms. Simply copy the information from the W-2 forms you received from your employer, and we will match them with the W-2 we got from your employer.

## Filing Due Date is April 16, 2001

Since April 15 falls on a weekend, you have an extra day to file your PA Personal Income Tax. The deadline is Monday, April 16, 2001.

## Six Federal/State Offices

This year the Department of Revenue and the IRS are sponsoring six joint offices, New Castle, Doylestown, Norristown, Erie, Washington, and Wilkes-Barre, where federal and state tax assistance will be available. For details, contact the district office nearest you, listed on page 3 of this booklet.

## Visit Us at the Mall...

Between February and March, staff from the Department of Revenue and the Internal Revenue Service will be at malls around the Commonwealth. They will answer questions, provide forms, and help you file your income tax return. Bring this booklet containing your Personal Identification Number, and we will give you a free gift if you file your return electronically from the mall.\*

MALL	AREA	DATES
Plymouth Meeting Mall	Plymouth Meeting	February 5 - 9
Wyoming Valley Mall	Wilkes Barre	February 12 - 16
Millcreek Mall	Erie	February 26 - March 2
Century III Mall	Pittsburgh	March 5 - 9

\* Taxpayers who filed a PA tax return last year, but did not receive a booklet with a PIN, can go to the nearest Revenue district office (see page 3) and receive a PIN by presenting picture identification.

For your convenience, we have included an index on the back page to assist you in finding a specific topic.

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COMMONWEALTH  
OF  
PENNSYLVANIA  
DEPARTMENT OF  
REVENUE



Bureau of Individual Taxes  
Harrisburg, PA 17129-0005

## More options make filing safe, easy, and fast.

Paperless options make filing safe, easy, and fast. The Department also partners with the Internal Revenue Service for Pennsylvania/IRS e-file. To use the Department's free options – *pa.direct.file* or *TeleFile* – just look for your Personal Identification Number (PIN) above your preprinted Social Security Number (SSN) on the insert in your booklet.

### Benefits of paperless, electronic options:

- **Safe:** You receive confirmation that you filed, whatever option you choose;
- **Easy:** The systems perform the math calculations for you; and
- **Fast:** The Department approves paperless refunds within three to four weeks instead of the six to eight weeks for paper returns. **REMEMBER:** You do not have to send a paper copy of your return when you choose one of the paperless options. However, write down the confirmation number that the system gives you when you finish filing. Keep a copy of your return or worksheet and confirmation number for your records.

#### **pa.direct.file**

This year, the Department has expanded this **free** Internet filing option. If your Social Security Number on your label is correct, and you have a Personal Identification Number, simply:

- Organize your tax information.
- Log-on to [www.revenue.state.pa.us](http://www.revenue.state.pa.us)
- Click on **pa.direct.file**.
- Read and follow the instructions.
- Start preparing your return. Filing most returns takes less than 20 minutes. For your convenience, electronic payment and direct deposit are available with this option.



#### **TeleFile**

This is the fourth year the Department has offered this **free** telephone filing option. If you have a simple return and you didn't move or change your filing status from last year:

- Locate your Personal Identification Number.
- Organize your tax information.
- Complete your TeleFile worksheet.
- Dial 1-888-4PAFILE (1-888-472-3453).
- Follow the directions. You can order a TeleFile booklet from the toll-free Forms Ordering Service, at the number listed below.



#### **Two Other Paperless Options**

- If you pay a preparer to complete your returns, ask to **e-file** your return. **E-file** is a joint initiative with the IRS that allows for the simultaneous filing of your PA and federal tax returns.
- You can buy software from a store or from the Internet that allows you to file your PA and federal returns together.



Whichever you choose, you will receive confirmations from both the IRS and the PA Department of Revenue that your return was accepted. Although not free, this paperless option also allows electronic payments. If you overpaid, you may choose to have your refund directly deposited into your checking or savings account for faster refunds.

Whatever paperless option you choose, you will have the peace of mind that your return was completed accurately and filed timely.

### Forms Ordering Services

To obtain another PA-40 booklet, single copies of any PA Personal Income Tax form, or any of the brochures listed in this booklet, use one of these services. If you have a Personal Identification Number(s) assigned by the Department, use one of the electronic filing systems available 24-hours a day, seven days a week.

24-hour **FACT & Information Line**  
touch-tone telephone service  
(including forms by fax)

1 - 888 - PATAXES  
(1-888-728-2937)



Toll-free 24-hour **Forms Ordering**  
Message Service

1-800-362-2050 serving taxpayers  
without touch-tone phone service.



Services for Taxpayers with Special  
Hearing and/or Speaking Needs

1-800-447-3020 (TT only)



Tax Forms Service Unit  
for written requests:

PA Department of Revenue  
Tax Forms Service Unit  
711 Gibson Blvd.

Harrisburg, PA 17104-3200



Department's Internet home page offers  
filing options & information at  
<http://www.revenue.state.pa.us>



E-mail us at  
[parev@revenue.state.pa.us](mailto:parev@revenue.state.pa.us)

◆ Visit the Department's district office nearest you ◆

# Free!

The Department has developed a number of brochures to provide information about PA taxes. For a current list of brochures available, please see page 25 or check our web site.  
[www.revenue.state.pa.us](http://www.revenue.state.pa.us)

## YOUR USE TAX RESPONSIBILITY

If you buy items that are subject to Sales Tax, for which the seller does not charge and collect the tax on the invoice (or receipt), you are personally responsible for remitting the tax directly to the PA Department of Revenue. This tax is called USE TAX.

Purchases made over the Internet, through toll-free numbers (800, 888, and 877), from mail order catalogs, or any other purchase from an out-of-state location are generally examples of purchases that would be subject to USE TAX. The tax rate is the same as the Sales Tax, 6% state and 1% local tax, if the purchaser is located in Philadelphia or Allegheny County. The tax is to be reported on an

Individual Use Tax Return, form PA-1, that can be obtained from any Department of Revenue district office, or see Forms Ordering on page 2.

Pennsylvania statutes generally exclude from Sales and Use Tax items such as clothing, most foods purchased from a grocery store, and prescription medicines. Examples of taxable items include: computers, sports and recreational equipment, and formal clothing. A more complete list of taxable and exempt items can be obtained from a district office, the Department's website, or call the Taxpayer Service and Information Center at 717-787-1064.

## PA DEPARTMENT OF REVENUE DISTRICT OFFICES

*(Counties each office serves)*

*\* These offices are scheduled to move by 12-1-00; however, due to circumstances beyond our control, it is possible that the move will not take place. If you need to contact the district office, please call in advance.*

### **Altoona**

*(Blair, Centre, Fulton, Huntingdon, and Mifflin)*  
Cricket Field Plaza  
615 Howard Avenue  
Altoona, PA 16601-4867  
**(814) 946-7310**

### **Bethlehem**

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

### **Bradford**

*(Cameron, Elk, Forest, McKean, Potter, and Warren)*  
Second Floor  
86 Boylston Street  
Bradford, PA 16701-2011  
**(814) 368-7113**

### **Doylestown**

*(Bucks)*  
Suite 104  
600 Louis Drive  
Warminster, PA 18974-2847  
**(215) 443-2990**

### **\* Erie**

*(Erie and Crawford)*  
448 West 11th Street  
Erie, PA 16501-1501  
**(814) 871-4491**

### **Greensburg**

*(Westmoreland)*  
Second Floor  
15 West Third Street  
Greensburg, PA 15601-3003  
**(724) 832-5386**

### **Harrisburg**

*(Cumberland, Dauphin, and Perry)*  
Lobby  
Strawberry Square  
Harrisburg, PA 17128-0100  
**(717) 783-1405**

### **Indiana**

*(Armstrong, Clarion, Indiana, and Jefferson)*  
Canterbury Office Suites  
2263 Philadelphia Street  
Indiana, PA 15701-1595  
**(724) 357-7600**

### **Johnstown**

*(Bedford, Cambria, Clearfield, and Somerset)*  
Third Floor  
345 Main Street  
Johnstown, PA 15901-1614  
**(814) 533-2495**

### **\* Lancaster**

*(Lancaster and Lebanon)*  
Suite 201  
315 West James Street  
Lancaster, PA 17603-2911  
**(717) 299-7581**

### **New Castle**

*(Beaver, Butler, Lawrence, Mercer, and Venango)*  
Room 201  
101 South Mercer Street  
New Castle, PA 16101-3837  
**(724) 656-3203**

### **Newtown Square**

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

### **\* Norristown**

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

### **Philadelphia**

*(Philadelphia)*  
Room 201  
State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130-4088  
**(215) 560-2056**

### **Pittsburgh**

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

### **Pottsville**

*(Carbon and Schuylkill)*  
115 South Centre Street  
Pottsville, PA 17901-3047  
**(570) 621-3175**

### **Reading**

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

### **Scranton**

*(Lackawanna, Monroe, Pike, Susquehanna, and Wayne)*  
Room 305  
Samters Building  
101 Penn Avenue  
Scranton, PA 18503-1970  
**(570) 963-4585**

### **\* Sunbury**

*(Columbia, Juniata, Montour, Northumberland, Snyder, and Union)*  
330 Market Street  
Sunbury, PA 17801-3404  
**(570) 988-5520**

### **Washington**

*(Fayette, Greene, and Washington)*  
Room 204  
Landmark Building  
75 East Maiden Street  
Washington, PA 15301-4963  
**(724) 223-4550**

### **Wilkes-Barre**

*(Luzerne and Wyoming)*  
Suite 201  
Thomas C. Thomas Building  
100 East Union Street  
Wilkes-Barre, PA 18701-3200  
**(570) 826-2466**

### **\* Williamsport**

*(Bradford, Clinton, Lycoming, Sullivan, and Tioga)*  
440 Little League Blvd.  
Williamsport, PA 17701-5055  
**(570) 327-3475**

### **\* York**

*(Adams, Franklin, and York)*  
140 North Duke Street  
York, PA 17401-1110  
**(717) 845-6661**

## CUSTOMER SERVICES AND TAXPAYER ASSISTANCE

### Language Service

The Department can assist non-English speaking taxpayers during the 2001 tax season through an interpretation service. 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 2000. La asistencia esta disponible en 140 idiomas incluyendo español, italiano y alemán, además de inglés, los idiomas más comunes en los hogares del estado.

### 24-hour toll-free FACT & Information Line

1-888-PATAXES (1-888-728-2937) is an automated, 24-hours-a-day service for taxpayers with touch-tone phone service. If in the local Harrisburg area, you may call 717-772-9739. This service provides:

- Answers to some of the most commonly asked tax questions;
- The balance of your PA estimated tax account;
- The status of a filed PA Personal Income Tax return or Property Tax or Rent Rebate claim; and
- Tax Forms Ordering by mail or fax. NOTE: The Department does not have all forms available by fax.

### Services for Taxpayers with Special Hearing and/or Speaking Needs

1-800-447-3020 (TT only)

### Taxpayer Service and Information Center

Call (717) 787-8201 for PA Personal Income Tax help during normal business hours.

### Temporary Offices

Each year the Department establishes temporary offices to help taxpayers. Local newspapers may list office locations, or you can find them on the Department's website, or you may call the Department's district office nearest you.

### Free Income Tax Preparation Service

If you are a senior citizen, on a fixed income, disabled, or housebound, you can receive free assistance in preparing uncomplicated, nonbusiness 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's 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

The IRS provides tax account or technical information, and problem solving by calling: 1-800-829-1040.

- Recorded Tele-Tax Service on 150 federal tax topics or 2000 tax refund information is available by calling 1-800-829-4477;
- Federal tax forms and publications are available by calling 1-800-829-FORM (3676).

### Taxpayers' Rights Advocate

The PA Department of Revenue has a Taxpayers' Rights Advocate who provides assistance to taxpayers whose problems and concerns have not been resolved through normal administrative procedures. It is the Advocate's responsibility to ensure that the PA Department of Revenue provides equitable treatment with dignity and respect. If you would like more information concerning your rights as a taxpayer, you may contact the Taxpayers' Rights Advocate:

- Send e-mail to: [taxadvocate@state.pa.us](mailto:taxadvocate@state.pa.us); or
- Call 717-772-9347; or
- Write to: PA Department of Revenue  
**Taxpayers' Rights Advocate**  
Lobby, Strawberry Square  
Harrisburg, PA 17128

## DONATIONS

*Do Something  
Wild*



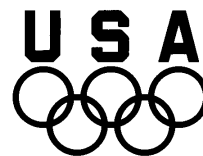
### WILD RESOURCE CONSERVATION FUND

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 tax refund. This special non-profit 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 8764, Harrisburg, PA 17105-8764.

### 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 tax refund.



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.

### DEPARTMENT OF HEALTH

### 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 tax refund 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 tax refund. 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 payable order to Korea/Vietnam Memorial, Inc., and mail to 2761 Distillery Rd, Fogelsville, PA 18051.

### 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 tax refund.



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.

**Electronic Data Imaging**

The Department of Revenue's equipment will take a picture of your PA-40 return and schedules and store your information on our computer. Please follow these instructions for completing your PA-40. **Do not file a photocopy of your 2000 PA-40. A photocopy will not process on our equipment and will delay the processing of your tax return. You must file an original PA-40.**

- Print in black ink or black pencil.
- Fill in all appropriate ovals completely.
- Print neatly within the boxes so our equipment correctly reads your information and amounts.
- Use your label, if it is correct. (Otherwise, destroy it, but keep your PIN.)
- Use UPPER CASE letters.
- Print one number or letter in each box when entering your SSN, name, address, dollar amounts, and other information.
- Round amounts to the nearest dollar.
- Leave a blank box between words.
- Use the postal format by entering your apartment number, suite, room number, rural route, box number, floor, etc. on the first line, and then your street address. There are two lines to enter your complete address, if you need them. If you only have a street address, enter it on either line. (See **Use Your Label** on page 6 for additional information.)



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S	T	E	V	E	N													K					
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N	I	L	A	N	D																		
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1	9	5	7			V	A	L	L	E	Y		V	I	E	W		R	D				
H	A	R	R	I	S	B	U	R	G							P	A	1	7	1	2	9	
2	2	2	7	5					7	1	7		5	5		1	3	5	2				

**IMPORTANT:** Your label may show a postal abbreviation such as WASHINGTON XING for Washington Crossing. Such abbreviations are correct for mailing purposes. If all other information is correct, **please use your label.**



- Use red pen or red pencil.
- Use your label if any of the information is wrong.
- Make any corrections on the label.
- Leave a space or use a punctuation mark if your name, address, or city has Mc, Van, O', etc.
- Use white-out.

BEFORE YOU BEGIN

**Long Form PA-40**

This booklet **does not** contain two copies of the 2000 PA-40. **Please submit an original PA-40.** *Keep the photocopy of the actual PA-40 return for your records.* You may send photocopies of the schedules.

**Short Form PA-40EZ**

The PA-40EZ form is not in this booklet, but the instructions for using a PA-40EZ are in a box like this after each line number. For your convenience, the Department has placed a box around the line on the PA-40 that is applicable to the PA-40EZ.

**Personal Identification Number — PIN**

If the Department mailed you a 2000 tax booklet, you have a five-digit Personal Identification Number above your label. If married, your spouse also has a **PIN**. You do not need your PIN to file a paper PA-40. However, if all your identification information is correct, you will need your **PIN(s)** if you want to:

- File by telephone using PA **TeleFile**; or
- File directly to the Department using the **pa.direct.file** Internet system.

If you did not receive a 2000 tax booklet and filed a 1999 PA tax return, there is a PIN on file for you. To get your PIN, go to a Revenue district office and present a picture identification. You can also obtain a PA TeleFile booklet if you believe that you can file by telephone, or you can file over the Internet using your PIN.

**FILING TIP:** You may use **pa.direct.file** with your correct SSN and PIN. You can also correct your address and other information. Read the on-line instructions. You can also find information on the Internet about Pennsylvania/IRS **e-file**.

**Supporting Schedules**

**CAUTION:** PA tax laws do not always follow federal rules. If either the Internal Revenue Code or Pennsylvania requires an adjustment or election that the other does not permit, you must provide a PA schedule. You may not use PA Schedule I for that income class. **Read the instructions for each line and PA schedule** to determine when you must submit a required PA schedule, or when you may use a federal schedule or PA Schedule I. The Department exchanges information with the IRS. **IMPORTANT:** *The Department has statutory authority to require supporting schedules for amounts on your PA-40.*

**Who Must File a PA Tax Return?**

You must file a 2000 PA tax return if:

- You received total PA gross taxable income in excess of \$35 during 2000, even if no tax is due with your PA return; and/or
- You incurred a loss from any transaction as an individual, sole proprietor, partner in a partnership, or PA S corporation shareholder.

**IMPORTANT.** *The Department will not issue a refund check or credit for less than \$1.00. If you owe \$1.00 or less, you do not have to make a payment when you file your PA tax return.*

**Filing for a Deceased or Disabled Individual or a Minor Child**

If you are responsible for the care of a person who cannot prepare his or her own return, you must file his or her PA tax return. This includes someone who died in 2000, disabled persons, and minor children. PA law does not have any exclusions or exemptions for minor children or any other person who must file a PA tax return.

**When to File?**

You must report all taxable income received or accrued from January 1, 2000 through December 31, 2000. **You must file before midnight, Monday, April 16, 2001.** The U.S. Postal Service postmark date on your envelope is proof of timely filing. **CAUTION:** Late filing can result in penalty and interest.

**Extension**

Fill in this oval if you requested an extension to file your 2000 PA-40. See the instructions on page 24.

**Amended Return**

Fill in this oval only if you are amending your 2000 PA tax return. You must file a paper amended return, even if you filed your 2000 PA tax return using **e-file**, **TeleFile**, or **pa.direct.file**.

**Fiscal Year Filer**

Fill in this oval only if you file your federal tax return on a fiscal year basis.

**Residency Status**

If you are not sure that you were a resident of Pennsylvania during 2000, or that you may be subject to PA Personal Income Tax for part of 2000, request REV-611, **Residency for PA Personal Income Tax Purposes**, for additional information.

Fill in the oval that describes your status in 2000.

- (R) Resident
- (N) Nonresident
- (P) Part-Year Resident

Nonresidents and part-year residents may not file a PA-40EZ.

**Type Filer**

Your filing status depends on whether you were single or married in 2000.

**(S) Single**

You must file as single if on December 31, 2000:

- You were not married; or
- You divorced or became a widow or widower during 2000.

**(J) Married, Filing Jointly**

You and your spouse, even if living apart, may file a joint PA-40 for convenience. To file jointly, you **must** meet **ALL** of the following conditions:

- Your taxable years end on the same date; **and**
- Neither of you is individually claiming one or more of the credits on Lines 23 through 27 of the PA-40; **and**
- Your spouse is still living.



**FILING TIP:** A person does not have to file a PA-40 if he or she does not individually meet the requirements described under **Who Must File a PA Tax Return** on page 5.

**CAUTION:** If you file jointly, you are both liable for all PA tax owed, even if only one had taxable income, and even if either of you paid your own PA tax through withholding or estimated payments.

**(M) Married, Filing Separately**

You and your spouse have the option to file separate returns. However, you and your spouse must file separate returns if:

- Your taxable years end on different dates; or
- Either of you is claiming one or more of the credits on Lines 23 through 27 of the PA-40.

**IMPORTANT:** For married taxpayers, when one spouse is a resident and the other is not a resident, you generally file separate PA returns. However, you may file jointly if you both elect to file as PA residents and meet all other requirements for filing jointly. See **Married, Filing Jointly** above.

**(F) Final Return**

Use this filing status if you lived in Pennsylvania during 2000, but permanently moved away and will not have any PA taxable income (or loss) in 2001. You will not receive a 2001 booklet. Provide the reason, such as you

moved to another state. **IMPORTANT:** You must file your 2000 PA-40 as a PA resident or part-year resident and report all your PA taxable income.

**(D) Deceased**

As the executor, administrator, or other responsible person, you use this status to file a separate PA-40 for a decedent. You report all income that the decedent actually or constructively received during 2000. If the decedent was married and made PA estimated payments, you may transfer payments between the spouses to their separate PA-40 returns. Request REV-459B, **Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account**. **CAUTION:** The surviving spouse must file a separate PA-40.

You may not file a PA-40EZ for a final return for a decedent.

**Use Your Label**

Inside this booklet is an insert with a label that shows your Social Security Number(s), name(s), and mailing address. If all this information is correct, please affix your identification label to the PA-40 that you file. You do not need to complete the identification information on your PA-40 if you use your label.

**Identification Label Change**

Fill in this oval if any of the information on your label is wrong. **Do not use your label. Do not make any corrections on it. Destroy it.** You **must** enter your Social Security Number(s), name(s), and complete address within the boxes on an original PA-40.

**IMPORTANT:** Your label may show a postal abbreviation such as *E. MCKEESPORT* for *East McKeesport*. Such abbreviations are correct for mailing purposes. If all other information on your label is correct, **please use it**. **REMINDER:** Military personnel stationed abroad should use their APO or FPO address.

**Daytime Telephone Number (optional)**

Enter the area code and number where the Department may call you between the hours of 8:30 a.m. and 4:00 p.m.

**School Code and School District Name**

You **must** enter the five-digit code (see pages 26 and 27) and name of the school district where you lived on December 31, 2000. **Do not** enter the school district where you work or where you live if you moved after December 31, 2000. The Department provides information, using your school district code, to the PA Department of Education. Using an incorrect school district code may affect your school district's funding. **CAUTION:** If you were not a PA resident on December 31, 2000, enter 99999.

**County**

Enter the name of the county where you lived on December 31, 2000.

**Municipality**

Enter the name of the city, town, borough, township, or other municipality where you lived on December 31, 2000.

**PA INCOME CLASSES**

Regardless of how you report income and loss on your federal tax return, you report income and loss in the PA income classes in which you directly earned, received, or realized the income or loss. **Read the instructions** for each class of income listed on lines 1 – 8 on the PA-40.

**Tax Rate**

For calendar year 2000, and all fiscal years beginning in 2000, the tax rate is 2.8 percent (0.028).

## Rounding Amounts

Please round all amounts on your return and all schedules to the nearest whole dollar. Enter amounts in whole dollars. Eliminate any amount less than \$.50, and increase any amount that is \$.50 or more to the next highest dollar.

## Joint Income - Joint Returns

Married taxpayers file a joint PA-40 for convenience only. If you and your spouse jointly own income-producing property, you must each report your share of any income or loss. Income-producing property includes savings accounts, businesses, stock, and real estate. Spouses usually evenly divide income from jointly owned property. **CAUTION:** On a joint return, both you and your spouse are each separately liable for the entire amount of PA tax due.

## Costs, Expenses, and Deductions

PA law does not allow any personal expenses, itemized deductions, personal exemptions, or standard deductions. You may only deduct the PA allowable costs and expenses that you directly incur in earning or receiving income. **IMPORTANT:** PA taxable interest income (Line 2), dividend income (Line 3), estate and trust income (Line 7), and gambling and lottery winnings (Line 8) are gross taxable income classes. You may not deduct any expenses to realize income in these classes.

## PA Resident Members of Partnerships and PA S Corporations

As a PA resident partner or PA S corporation shareholder, you must report your share of income whether distributed or not. You report your share of the income, or loss, in the same classes in which the partnership or PA S corporation realized the income or loss. You must enclose a copy of each PA Schedule RK-1 you receive from the partnership or PA S corporation. **CAUTION:** If the partnership only provides a Federal Schedule K-1, you must classify the income or loss according to the instructions for each PA income class. **IMPORTANT:** If you are a shareholder in another state's Subchapter S corporation, that is not also a PA S corporation, you must report the cash or property you actually received as dividend income. Do not report the amount of your distributable income. **You may not claim a PA Resident Credit for any tax paid to the other state on this income.** **EXAMPLE:** A New York Subchapter S corporation, that is not a PA S corporation, distributes all its earnings and profits to its sole stockholder, Carolyn, a PA resident. The corporate income was from the operation of a department store, investments, and rental properties in Pennsylvania. Notwithstanding the PA income classes of the sources of the earnings and profits, the distribution represents taxable dividend income to Carolyn in the year received.

## Income Checklist

This list shows some of the kinds of PA taxable and nontaxable income that taxpayers earn, receive, or realize. You must report the PA taxable income item in the proper income class. The eight classes of PA income are compensation; interest income; dividend income; net profit or loss from operating a business, profession, or farm; net gain or loss from the sale, exchange, or disposition of property; net income or loss from rents, royalties, patents and copyrights; estate and trust income, and income from gambling and lotteries. Please read the instructions for each income class for additional information.

### Include as PA Taxable Income:

- Salaries, wages, tips, and gratuities (Line 1a)
- Employer provided fringe benefits (Line 1a), *unless excludable.* Read **Special Reporting Rules** on page 8 and the instructions for **Gross Compensation** on page 9.
- Commissions, bonuses, and incentive payments (Line 1a)
- Vacation and holiday pay (Line 1a)
- Termination pay (Line 1a)
- Allowances and reimbursements in excess of allowable employee business expenses (Line 1a)
- Payments that represent regular wages, even if received under workers' compensation acts, occupational disease acts, or similar

legislation, including payments for injuries you received while working and damages received, whether by suit or otherwise, for personal injuries (Line 1a)

- The value of property received as payment for services (Line 1a), unless rendering services in the normal course of operating a business (Line 4)
- A discharge of indebtedness (May be one of several income classes depending on the specific circumstances)
- Damage awards and settlements *to the extent that the payments represent back wages or other uncollected entitlement to taxable income* (Line 1a)
- Delay damages received in connection with a court judgment or settlement (May be one of several income classes depending on the specific circumstances)
- Honorariums (Line 1a or Line 4, when received in the operation of a business of speaking, making presentations, etc.)
- Compensation as fees for performing services as an executor or a director of a corporation (Line 1a)
- Executor fees and director fees when in the business of being an executor or a director (Line 4)
- Severance pay and incentive payments received for terminating employment before reaching normal retirement age (Line 1a)
- Covenants not to compete, or for refraining from the performance of services (Line 1a or Line 4, when received in a business transaction)
- Jury fees (Line 1a)
- Expert witness fees (Line 1a or Line 4, when testifying as an expert in a field in which operating a business)
- Cash reimbursements for personal expenses, such as commuting and day care (Line 1a)
- Prizes given for performing services (Line 1a) or won from gambling or a lottery (Line 8)
- Other income described in the PA income classes

### Do Not Report as PA Taxable Income:

- Social Security benefits
- Railroad Retirement benefits
- Commonly recognized old age or retirement benefits paid after meeting the conditions of the qualifying retirement plan and retiring
- Public assistance
- Unemployment compensation
- Payments you received under workers' compensation acts, occupational disease acts, or similar legislation, including payments for injuries you received while working, and damages received, whether by suit or otherwise, for personal injuries. **Note:** If your employer includes your payments for on-the-job injuries in your Form W-2, provide a statement from your employer verifying the amount of these payments.
- Employer paid group term life insurance premiums
- Awards, *unless given in recognition for past, present, or future service*
- Damage awards and settlements from physical injury or sickness, emotional distress, or another non-economic element that was, or would have been, a significant evidentiary factor in determining the amount of the taxpayer's damages
- Alimony
- Inheritances and death benefits
- Federal active-duty pay earned outside Pennsylvania
- Gifts made from detached or disinterested generosity, *unless a transfer of cash or property in payment for past or present services or as an inducement to perform future services*
- Personal use of an employer's owned or leased property and/or services, at no cost or at a reduced cost
- Federally taxable punitive damages received for personal physical injury or physical sickness, whether received by suit or by settlement

## Sick Pay and Disability Benefits

Such payments, including payments made by third party insurers for sickness or disability are not taxable income for PA purposes. **NOTE:** Your employer should not include periodic payments for sickness or disability in box 17 of your Form W-2. If your employer does include such income and withholds PA tax, you must obtain and submit a corrected Form W-2 or a statement explaining the error from your employer. However, sick pay that represents your regular wages and sick leave pay are taxable. Your employer must include these payments as compensation and withhold PA tax. Request REV-634, *Employee Fringe Benefits and Wage/Salary Supplements* for additional information.

## Miscellaneous or Other Income

PA law does not have a miscellaneous or other income class. You must classify and report other income on the appropriate line of your PA-40 and enclose an explanation of the income. **Read the instructions for each PA income class.**

## SPECIAL REPORTING RULES

### Reciprocal Compensation Agreements

Pennsylvania has agreements with Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. Under these agreements, one state will not tax the others' residents on employee compensation that is subject to employer withholding. These agreements apply to employee compensation only. If you are a PA resident working in one of these states, and your employer withheld the other state's income tax, you must file for a refund from that state. You must pay your PA tax liability by the due date. If you are a resident of a reciprocal state working in Pennsylvania, and your employer withheld PA income tax, you may request a refund of the PA tax. You report zero taxable compensation on Line 1a and the PA tax withheld on Line 14. Attach an explanation that you were a resident of a reciprocal agreement state in 2000. File early so you will have your refund before you must pay your own state's tax. Request REV-615, *Reciprocal Compensation Agreements and Pennsylvania Personal Income Tax*, for more information.

### Reimbursement for Expenses

PA allowable business expenses are not always the same as allowable federal business expenses. Read the instructions on page 9 for reporting your unreimbursed allowable employee business expenses. You must be able to substantiate travel expenses as to time, place, and business purpose. You must report all reimbursements and allowances paid by your employer as compensation **unless:**

1. The expenses are PA allowable employee business expenses; **and**
2. You must, and do, account for these expenses to your employer; **and**
3. Your employer reimburses you in the exact amount of the allowable business expenses.

You do not report these expenses on PA Schedule UE.

**IMPORTANT:** *You meet these requirements when you receive a fixed mileage allowance or a per diem living expense allowance that does not exceed applicable federal limits.*

### Scholarships, Fellowships, and Stipends

A scholarship, fellowship, or stipend is taxable compensation if the award is for past or present services or in expectation of future employment. A scholarship or fellowship award made on the basis of need or academic achievement is not taxable if awarded to encourage or allow the recipient to further his or her educational development. For more information, request REV-614, *Scholarships, Fellowships, and Stipends for Pennsylvania Personal Income Tax Purposes*.

### Employer-Sponsored Retirement, Pension, and other Deferred Compensation Plans

Pennsylvania does not tax commonly recognized retirement income from your employer's PA qualifying retirement or old age benefit program or disability retirement program. If you have questions about your plan, ask your employer. **IMPORTANT:** *The contributions you make to your*

*employer sponsored retirement plan are PA taxable compensation, even if your contributions are not taxable for federal purposes.*

### Distributions from Employer-Sponsored Deferred Compensation Programs

All amounts you receive from your employer's PA qualifying retirement or old age benefit plan are taxable in the year you receive the payments, except:

1. Payments you receive **after** you qualify for retirement and retire.
2. Payments you receive that you rollover into another deferred payment program or retirement IRA, but only when the transferred amounts are not taxable income for federal purposes.

**IMPORTANT:** *You do not pay tax on that part of a distribution from an employer-sponsored deferred compensation plan that represents your previously taxed contributions and any previously taxed earnings on your contributions.*

3. Payments paid to the estate or designated beneficiary upon an employee's death are not PA taxable income on the employee's final PA-40 or on the decedent's estate or trust PA tax return (PA-41).

### Individual Retirement Accounts

#### ► Contributions

PA law does not allow you to deduct your contributions to any IRA.

#### ► Undistributed income

You do not report the undistributed interest and other earnings on the assets held in your IRA.

#### ► Withdrawals

Distributions from an IRA, including a federal Roth IRA, are taxable to the extent the distribution exceeds your previously taxed contributions. Distributions you receive after retiring, but before age 59 1/2 are taxable even if you receive substantially equal payments, and for federal purposes, you do not pay a penalty for an early withdrawal. PA law does not have any exceptions similar to the federal exceptions for withdrawal before age 59 1/2. However, distributions from an IRA are not taxable if the payments are:

1. Received, including lump sum distributions, on or after retirement, and after reaching the age of 59 1/2.
2. Paid to the estate, or designated beneficiary, of the participant by reason of the participant's death.

#### ► Roth IRA Rollover

You do not have to pay PA tax on the difference between the amount distributed from your traditional IRA and your previously taxed contributions, if you rolled over the **entire** withdrawal:

1. Directly (trustee to trustee) from the traditional IRA to the Roth IRA; or
2. Within 60 days from the date you received the distribution.

### Early Retirement Incentive Plans

Payments you receive as an inducement to retire early are taxable compensation. Such payments are not part of a PA qualifying retirement program. Your employer includes these incentive payments on your Form W-2 and withholds PA tax. Even when you move out of Pennsylvania, these incentive payments remain taxable to Pennsylvania.

### Annuities

If you invest in a retirement annuity that is **not part** of an employer-sponsored program or a commonly recognized retirement program, you have PA taxable income 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. If you receive periodic payments, you use the cost recovery method to report the taxable gain.

### Employee Welfare Benefit Plans

Employers establish and maintain employee welfare benefit plans to provide wage or salary supplements to eligible employees, or their beneficiaries. Unless a benefit is specifically excluded, your PA taxable compensation includes the cost of the benefits that your employer provides.

Your employer must include the value of these benefits, regardless of the type of plan your employer has. **CAUTION:** You may not take a deduction for any contributions you make to an employer-sponsored benefit plan.

### Personal Use of Employer Property and Services

The value of your personal use of your employer's owned or leased property is not PA taxable income.

**EXAMPLE:** Using your employer's company car, using your employer's services at no cost, or at a reduced cost, and using your employer's dependent care facilities are not taxable for PA purposes.

If your employer reimburses you for personal expenses, the reimbursement is taxable compensation for Pennsylvania. **EXAMPLE:** Your employer reimburses you for the cost to lease your own car, for retirement counseling, or for dependent care. These are personal costs and your employer includes the reimbursement in your PA taxable compensation. You may deduct any other allowable expenses, such as union dues, office at home, and moving expenses, on PA Schedule UE. Read the PA Schedule UE instructions beginning on page 15. Your employer includes taxable reimbursements in your PA taxable wages. If you have any questions concerning the value of benefits that your employer included in your PA taxable compensation, ask your employer.

### Clergy and Statutory Employees

Pennsylvania does not follow federal rules for clergy, statutory employees, or any other specific employees. Housing allowances are always taxable for PA purposes. Clergy must make estimated payments unless their employers voluntarily withhold PA tax. Statutory employees use PA Schedule UE to claim expenses.

## PA-40 LINE INSTRUCTIONS

### Line 1a. Gross Compensation

For both PA-40 and PA-40EZ


Compensation is the financial benefit you derive from your labor. It includes salaries, wages, tips and gratuities; commissions, bonuses, and incentive payments; vacation pay and holiday pay; and termination pay.

### W-2 Wage and Tax Statement

You must report the PA compensation and withholding from each 2000 Form W-2 from each employer. Enter your total PA taxable compensation from box 17 of your 2000 Form(s) W-2. Do not use box 1, federal wages. Enter the state or PA amounts from any other statements. You may:

1. Complete PA Schedule W-2S, Wage Statement Summary, see the schedule instructions on page 15; or
2. Submit your Form(s) W-2; or
3. Submit photocopies of each Form W-2 on 8½ by 11-inch paper. You may photocopy more than one Form W-2 on each sheet. Be sure we can read the information you copied.

**IMPORTANT:** If the PA compensation you report on Line 1a on your PA-40 is not the same as box 17 on your Form W-2, you must enclose the Form W-2, or a legible photocopy, and a written statement explaining the difference. If your employer reported an incorrect amount of PA wages in box 17, your employer should provide a corrected Form W-2. If you do not have a Form W-2 or a federal substitute W-2, Form 4852, you must submit evidence of your PA compensation and tax withheld by providing pay stubs and a statement identifying your employer and the reason you do not have a Form W-2. Please submit photocopies and keep your original documents.

 **FILING TIP:** If you are a statutory employee, you report your compensation on Line 1a, not as business income on Line 4.

### Line 1b. Unreimbursed Employee Business Expenses

For both PA-40 and PA-40EZ

If you cannot or do not have to file a Federal Form 2106 or Form 2106EZ, follow the federal rules for determining your allowable expenses for Part A of PA Schedule UE. For PA purposes, you may deduct 100 percent of your allowable expenses on PA Schedule UE. Read the instructions for PA Schedule UE beginning on page 15 carefully.

**IMPORTANT:** The Department has the authority to request evidence that the expenses you claim on your PA Schedule UE are allowable for PA purposes.

You may reduce your taxable compensation by your allowable expenses. If your reimbursement is more than your allowable expenses, you must report the excess as taxable compensation on Line 1a and explain on your PA Schedule UE. **EXAMPLE:** Dave is a salesperson who earned compensation of \$30,000 and incurred allowable employee business expenses of \$3,000. He received reimbursement of \$3,500. Dave must report the excess \$500 as compensation. His net taxable compensation is \$30,500. If Dave's reimbursement was \$2,000, his net taxable compensation would be \$29,000. Dave must complete a PA Schedule UE to deduct the \$1,000 on Line 1b.

### Line 1c. Net Compensation

For both PA-40 and PA-40EZ

Subtract Line 1b from Line 1a.

### Line 2. Interest Income

For both PA-40 and PA-40EZ

You must report all PA taxable interest income received or credited during the year. Generally, Forms 1099 INT and similar statements from financial institutions show the interest amount. You do not have to submit these forms and statements. If your interest income is more than \$2,500, you must complete and submit a schedule. See the instructions for PA Schedule A on page 15.

For a list of exempt obligations, request REV-1643, *Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes*.

**IMPORTANT:** You must classify interest, regardless of how you report the income for federal purposes. Interest on PA Schedule A is generally personal interest, however, report interest from business accounts and accounts receivable on your business schedule. Report interest from installment sales on PA Schedule D-1. Report interest from rental security deposits on your rental schedule. Report interest income from estates or trusts on PA Schedule J, even if you used Federal Schedule B.

### Distributions from Money Market and Mutual Funds and other Investment Companies

You include these distributions as dividend income on Line 3.

### Forfeited Interest Penalty

You may offset this penalty for premature redemption or withdrawal of a time savings account or certificate of deposit, against only the interest income you received in the same taxable year from that account or certificate. You cannot offset this penalty against other interest income. If your total penalty exceeds your interest, you may report the excess as a loss on PA Schedule D.

**IMPORTANT:** You must include nontaxable interest as Eligibility Income on PA Schedule SP.

### Line 3. Dividend Income

For both PA-40 and PA-40EZ

You must report all dividend income received or credited during the year. You do not have to submit your Forms 1099 DIV and other statements. If your dividend income is more than \$2,500, you must complete and submit a schedule. See the instructions for PA Schedule B on page 15.

Report dividend income from business corporations, business trusts, federally qualified real estate investment companies, mutual funds, other federally regulated investment companies, and limited liability companies.

**IMPORTANT:** You report Capital Gains Distributions as dividend income for PA purposes, even though you report such distributions on Federal Schedule D.

**CAUTION:** If you are a shareholder in another state's Subchapter S corporation, and that corporation is not a PA S corporation, read the information under PA Resident Members of Partnerships and PA S Corporations on page 7. You report the cash or property you actually received as dividend income on your PA-40. You do not report the amount of your distributable income, and you may not claim a credit for any tax paid to the other state.

### Gains and Losses

You may not offset income in one PA income class with a loss in any other PA income class. You cannot carry forward or carry back gains or losses to other tax years. **CAUTION:** If entering a loss on Lines 4, 5, or 6, fill in the oval next to the line.

Spouses, whether filing jointly or separately, may not use each other's expenses to reduce income or offset each other's income and losses. This applies to compensation and unreimbursed employee business expenses, profits and losses from businesses, professions, and farms, sales of real or intangible property, and rents and royalties. You must each separately determine your own net income or loss for each income class. If you both have activity in the same income class, follow these reporting rules:

1. You each realize a net profit, gain, or income. Add your net income amounts together and report that total on the appropriate line.
2. You each realize a net loss. Add your net losses together and report that total on the appropriate line. Fill in the oval next to that line.
3. One spouse has net profit, income, or gain and the other spouse has a net loss. Report only the net income on the appropriate line.

**EXAMPLE:** Mary and Ben file a joint PA-40. Mary owned a flower shop and realized a net profit of \$5,000. Ben was a shareholder in a PA S corporation and his share of the net profits was \$35,000. They jointly owned a small retail store and realized a loss of \$8,000. On Line 4, they report a total of \$32,000. Mary's net income is \$1,000 (\$5,000 less her half of the \$8,000 loss). Ben's net income is \$31,000 (\$35,000 less his half of the \$8,000 loss).

They sold the retail store for a \$6,000 loss. Mary sold stock that she owned individually for a \$9,000 gain. Ben sold stock he individually owned for a \$3,000 loss. On Line 5, they report a gain of \$6,000. Mary's net gain is \$6,000 (\$9,000 less her half of the \$6,000 loss). Ben's net loss is \$6,000 (his \$3,000 stock sale loss and his half of the \$6,000 loss on the sale of the store). Since Ben's separate loss may not reduce Mary's gain, they report a gain of \$6,000 on Line 5.

Mary and Ben jointly owned a rental property and realized a loss of \$2,000. Mary was a partner in a rental partnership that lost money. Her share of the loss was \$1,000. Ben's PA S corporation also realized a loss from rents. His share of the loss was \$4,000. Mary's total loss was \$2,000 and Ben's total loss was \$5,000. On Line 6, they report the total loss of \$7,000 (and fill in the oval) since they each individually realized a total net loss.

### Line 4. Net Income or Loss from the Operation of a Business, Profession, or Farm

- You must report all income and losses from business, farm, partnership, and PA S corporation schedules.
- In determining this amount, you may offset your own business income from one schedule with your own business loss from another.
- If you report a total net loss, fill in the oval next to Line 4 on your PA-40. See **Gains and Losses** above.

### PA and Federal Schedules

Enclose your PA Schedules C, F, RK-1, NRK-1, and C-F. If you receive a Federal Schedule K-1, you must submit the Federal Schedule K-1 and classify your income using PA rules. Read the instructions for each income class carefully and report your income accordingly.

**CAUTION:** If you are a shareholder in another state's Federal S corporation that is **not** also a PA S corporation, see PA Resident Members of Partnerships and PA S Corporations on page 7.

### What is a Business or Profession?

A business or profession has certain common characteristics. You realize income from the operation of a business or profession if you meet **ALL** of the following:

1. You market your products, goods, and services to your customers in a marketplace; **and**
2. You regularly and continuously conduct your commercial activities; **and**
3. You do not limit or restrict your commercial activities to certain related or unrelated customers; **and**
4. You compute your net income or loss solely from those items of revenue, cost, expense, or liability that you receive from or incur in:
  - (a) The ordinary course and operation of your business, profession, or farm; **or**
  - (b) Securities employed as working capital in the ordinary operation of your business; **or**
  - (c) Accounts and notes receivable from the sales of products and services in the ordinary operation of your business; **or**
  - (d) Assets that serve an operational function in the ordinary operation of your business.

Your allowable business expenses are the direct, ordinary, necessary, and reasonable expenses that you paid or incurred during the taxable year. Expenses are allowable when directly related to, necessary for, and actually paid in the production and marketing of your products, goods, or services. Your personal expenses are never deductible.

The following activities **DO NOT** constitute the operation of a business, profession, or farm:

1. A sale, discontinuation, or abandonment of a business or segment thereof;
2. An isolated or nonrecurring transaction that is not a normal or routine business activity;
3. The ownership or disposition of assets that you hold for long-term investment purposes;
4. Trading in securities for personal purposes; or
5. A nonoperating interest in coal, oil, gas, or minerals-in-place, unless they serve an operational function in the operation of the owner's business.

**CAUTION:** You report income or loss from these activities in other PA income classes. **IMPORTANT:** You may not deduct any tax imposed on, or measured by, gross or net earned or unearned income. You may deduct any business privilege tax for which you would be liable even if you have no actual gross income.

### PA Schedule C-F Reconciliation

**IMPORTANT:** For PA purposes, you determine net income or loss under generally accepted principles and practices. If you keep separate books and records for PA purposes, you should file a PA Schedule C or a PA Schedule F. You may obtain these PA schedules from one of the Forms Ordering options on page 2. Otherwise, review PA Schedule C-F Reconciliation. If you do not have any required adjustments and choose not to make allowable adjustments, submit your Federal Schedule C or Federal Schedule F, or PA Schedule I. If you use PA Schedule C-F Reconciliation, you do not have to also submit your federal schedule.

### PA Schedules RK-1 and NRK-1

If you are a partner or a PA S corporation shareholder, you receive a PA Schedule RK-1 or NRK-1 that reports your share of income or loss for each PA income class. If you received any guaranteed payments, you generally add those payments to your share of income or loss as shown on your PA schedules. The partnership or PA S corporation should deduct all

allowable expenses and make all other allowable adjustments. However, your partnership or PA S corporation may require that you incur direct business expenses. If these are allowable unreimbursed expenses for PA purposes, you must itemize them on a separate statement. The expenses you claim must be actual, ordinary, necessary, reasonable, and directly related to your business activity. You may not deduct personal expenses, or expenses you incur for your own convenience.

#### Line 5. Net Gain or Loss from the Sale, Exchange, or Disposition of Property

- You must report your gain or loss from each sale, exchange, or disposition of any kind of real or tangible property. You must report your share of partnership or PA S corporation gains or losses. Report the total of your PA Schedules D, D-1, D-71, RK-1 or NRK-1.
- You may offset your own net gains and losses in determining this line. If married and you both have income or losses in this class, see **Gains and Losses** on page 10.
- If you realize an overall net loss, fill in the oval next to Line 5 on your PA-40.

On PA Schedule D, you report gains or losses from selling:

- Land and buildings;
- Stocks and bonds;
- Ownership interests in partnerships and business enterprises;
- Contracts of insurance and annuities, including a personal retirement annuity;
- Contracts of insurance with accumulated refundable reserves payable upon lapse or surrender;
- A business asset that is not an ordinary or recurring business transaction;
- Obligations of other states and countries;

On PA Schedule D you also report the taxable portion of gain from:

- A distribution from a **PA Tuition Account Program**;
- A distribution from a **Medical Savings Account**; and
- The taxable portion from the sale of your principal residence.

#### Loss on the Disposition of Property

You recognize a loss only in the year in which some identifiable event closes and completes the transaction and fixes the amount of the loss so there is no possibility of any eventual recovery. You recognize a loss only on transactions you enter into for profit, such as investments, business property, and real estate. You do not recognize a loss on the sale of property that you did not acquire as an investment or for profit, such as a personal car or furniture.

#### Capital Gain Distributions

Even though you report capital gain distributions from mutual funds or other regulated investment companies on Federal Schedule D, you report this kind of income as PA dividend income on Line 3.

#### Exempt Obligations — Originally Issued before February 1, 1994

Do not report the gain or loss realized on the sale, exchange, or disposition of the following obligations, if the **original issue date** was **before** February 1, 1994, regardless of the date you acquired the obligation.

- Direct obligations of the U.S. Government, such as federal treasury bills and treasury notes;
- Obligations of certain agencies, instrumentalities, and territories of the U.S. Government;
- Direct obligations of the Commonwealth of Pennsylvania and its political subdivisions. **IMPORTANT:** *You may not use any loss realized on the disposition of the above obligations to offset other gains.*

#### Exempt Obligations — Originally Issued on or after February 1, 1994

You must report the gain or loss realized on the sale, exchange, or disposition of the above obligations, if the **original issue date** was on or **after** February 1, 1994. **IMPORTANT:** *You must report all such gains and may use any losses to offset other gains.*

#### Sale of Your Principal Residence

If you sold your principal residence in 2000 and meet the requirements for the 100 percent gain exclusion, you do not have to report the sale on your PA-40. Generally, if you owned your home for two of the five years preceding the sale and used it as your principal residence for two of the five years preceding the sale, your gain is exempt. This exclusion is not identical to the federal exclusion. For a complete explanation of the requirements for this exclusion, request REV-625, **Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes**, and the PA-19, **Sale of a Principal Residence**. **CAUTION:** If you sell a principal residence that does not qualify for the exclusion, report your gain or loss on PA Schedule D and Line 5 of your PA-40.

#### Line 6. Net Income or Loss from Rents, Royalties, Patents, and Copyrights

- Report the total income or loss from all PA Schedules E and all PA Schedules RK-1 or NRK-1.
- You may offset your own net income and losses in determining this line. If married and you both have income or losses in this class, see **Gains and Losses** on page 10.
- If you realize a total net loss, fill in the oval next to Line 6 on your PA-40.

Rents are income you receive for the use of your real or tangible property. Royalties are income you receive upon the extraction of coal, oil, gas, or minerals or for the use of your patent or copyright. You determine net income or loss on PA Schedule E under generally accepted accounting principles and practices. **CAUTION:** PA follows IRS guidelines if you rent or lease your property, but do not intend to realize a profit. Therefore, you may only deduct your rental expenses up to your rental income, and **you may not** use your loss against other income in this class. If you **do** rent or lease your property **to realize a profit**, read the **Rents or Net Profit from the Operation of a Business** instructions on the next page. Do not use Federal Schedule E unless reporting only Part I. If making PA adjustments to Part I of your Federal Schedule E, enclose an explanation of your adjustments or complete PA Schedule E. If reporting a net loss, fill in the oval next to Line 6.

#### Rental and Royalty Receipts and Allowable Expenses

Gross rents and royalties include all items of gross receipts from rents, royalties, patents, copyrights, secret processes, formulas, goodwill, trademarks, trade brands, franchises, and similar property except:

1. Receipts from the sale, exchange, or other disposition of rental, royalty, and similar property; and
2. Receipts from operating an oil, gas, or mineral interest as a business, profession, or farm, or otherwise derived in the ordinary course of, and from the operation of, a business.

You deduct those expenses that you paid or incurred during the taxable year that are ordinary and necessary for:

1. The production of, or collection of, rents and royalties; or
2. The management, conservation, or maintenance of rents, royalties, patents, copyrights, and similar property.

Such expenses include advertising, cleaning and maintenance, agent commissions, insurance, legal fees, management fees, interest, repairs, supplies, utilities, depreciation, and depletion. Deductions allowable under MACRS, including the IRC Section 179 additional first year depreciation allowable for small businesses, are acceptable deductions for PA purposes. You may not deduct expenses for your own labor, capital investment, or capital improvements. You may not deduct personal expenses, or that part of an allowable deduction that is personal.

### Rents or Net Profit from the Operation of a Business

The leasing of tangible property is a business only when you offer the use of your property on a commercial basis to others in a marketplace, and at least one of the following applies:

1. The average period of customer use is 30 days or less; **or**
  - Your property is customarily made available for use only during defined business hours; **or**
  - In addition to the property, you also provide significant services to your lessee; **or**
  - You incur significant operating expenses in making the property available for lease; **or**
  - The leasing activity is incidental to a real estate sales business; **and**
2. You offer the use of your property intending to realize a profit; **and**
  3. The leasing of your property is a regular and continuous activity.

Providing housekeeping service, room service, valet parking, decorating assistance, delivery services, transportation services, and concierge services are significant services. However, providing heat, lighting, electric service, elevators, cleaning public access and exit areas, collecting trash, and maintaining the property in a usable rental condition are not usually significant services.


### Rents or Net Gain from the Sale, Exchange, or Disposition of Property

A lease with an option to buy real property in Pennsylvania may be a purchase contract. If so, you report the payments you receive as net gain from the sale of property on a PA Schedule D. If you give up all mineral rights or ownership rights to your PA property, patents, or copyrights, you report the payments you receive as a gain on a PA Schedule D.

### Line 7. Estate or Trust Income

Report your total PA taxable income from estates or trusts on PA Schedule J. You cannot receive a loss as a beneficiary for PA purposes.

Estates or trusts that must distribute, pay, or credit to the beneficiaries the income realized on assets must report your share of the PA taxable income. **CAUTION:** You should receive a PA Schedule L from the estate or trust. If you received a Federal Schedule K-1, you must report only the positive income, not taking into account any losses, shown on the Federal Schedule K-1. If you received a Federal Schedule K-1 and you included interest and/or dividend income on your Federal Schedule B, that income should be reported on PA Schedule J. You should adjust all your PA schedules to properly report your correct PA taxable amounts.

 **FILING TIP:** Cash and property you acquire from an estate or trust by gift, bequest, devise, or inheritance is not taxable.

### Revocable Trusts

If you establish a revocable trust, you report the income from that trust on your PA Schedule J. You report the income that you constructively received in 2000.

### Line 8. Gambling and Lottery Winnings

Report all gambling and lottery winnings, including lottery winnings from other states and countries. You may only offset gambling and lottery losses (not expenses such as travel, meals, lodging, etc.) to determine Line 8. Enclose a schedule explaining your gambling and lottery winnings.

### Pennsylvania Lottery Winnings

Do not report your winnings, and do not use your losses, from the PA State Lottery if won on or after July 21, 1983.

### Line 9. Total Gross PA Taxable Income

**Line 4 if filing a PA-40EZ**

Add only the **positive** income amounts from Lines 1c through 8. Do not add, subtract, or take into consideration losses. You may not use a loss in one class of income to reduce income in the other classes.

### Line 10. Contributions to your Medical Savings Account

Pennsylvania follows federal rules for this deduction. If married, filing separate returns, only one spouse may take this deduction. The amount you report on Line 10 must be the same amount that you report on your federal return.

### Line 11. Adjusted PA Taxable Income

Subtract Line 10 from Line 9.

### Line 12. PA Tax Liability

**Line 5 if filing a PA-40EZ**

Multiply Line 11 by 2.8 percent (0.028). Also enter your 2000 PA tax liability on side 2 of your PA-40, Line 13.


## REPORTING PA PAYMENTS AND CREDITS

### Line 14. Total PA Tax Withheld

**Line 6 if filing a PA-40EZ**

Enter your total PA tax withheld from your PA Schedule W-2S or from box 18 of your Form(s) W-2. **IMPORTANT:** If your PA tax withheld is more than 2.8 percent, you must submit a written explanation for the reason that your employer withheld greater than 2.8 percent. The Department may also request an explanation from your employer.

### Estimated Payments and Credits


 **FILING TIP:** Call the Department's FACT and Information Line [1-888-PATAXES (728-2937)] and verify your 1999 credit and 2000 PA estimated payments before completing Lines 15, 16, and 17.

### Line 15. Credit from your 1999 PA Income Tax Return

Enter your credit from your 1999 PA-40. If you originally requested a credit to your 2000 PA estimated account, but later requested a refund, or the Department sent you a refund, do not claim the credit. See the **Filing Tip** above.

### Line 16. 2000 Estimated Installment Payments

Enter your total 2000 estimated payments. Include your spouse's 2000 estimated payments if filing jointly. Do not include any payment of tax due made with a PA tax return.

 **FILING TIP:** If you and your spouse made separate estimated payments, you should file separately, each claiming only your own payments. If you and your spouse made your estimated payments jointly, you should file jointly. This avoids processing delays and correspondence from the Department.

**CAUTION:** If filing separately with a joint estimated account, the Department may delay processing until we process both tax returns. To ensure that the Department applies your estimated payments correctly, read the instructions and file form REV-459B, **Consent to Transfer, Adjust, or Correct PA Estimated Personal Income Tax Account**. Follow the instructions to tell the Department which payments to post under each name and Social Security Number. Both spouses must sign this form.

### Line 17. 2000 Extension Payment

Enter the payment you made with your 2000 extension request.

### Line 18. Nonresident Tax Withheld

Enter the PA tax withheld by your partnership or PA S corporation. You must submit your PA Schedule(s) NRK-1.

### Line 19. Total Estimated Payments and Credits

Add **only** Lines 15, 16, 17, and 18.

### Tax Forgiveness Credit

**IMPORTANT:** *Nonresidents and part-year residents may claim this credit, but must include all income from all sources within and outside Pennsylvania when determining Eligibility Income.*

**Line 20a. Filing Status** from PA Schedule SP, Part A

**Line 20b. Dependent Children** from PA Schedule SP, Part B, Line 2

**Line 21. Eligibility Income** from PA Schedule SP, Part C, Line 11

**Line 7 if filing a PA-40EZ**

**Line 22. Tax Forgiveness Credit** from PA Schedule SP, Part D, Line 16

**Line 8 if filing a PA-40EZ**

**Line 23. Total Credit for Taxes Paid to Other States or Countries**

You must submit PA Schedule G to claim a credit for PA Personal Income Tax that you paid to another state or country on income that you also report on your PA-40.

Resident shareholders in PA S corporations must submit the PA Schedule RK-1 to claim a credit for taxes paid to another state or country through the PA S corporation.

The Department accepts a schedule from multi-state partnerships that report taxable income for its PA resident partners. The schedule must identify each state, the income reported and tax due to each state, and the lower of the tax due to each state, or the PA tax due on the income reported to each state. The schedule should not include any income or tax due to a municipality in the other state.

If you are a PA resident and also a resident, for income tax purposes, of another state, you may claim the PA Resident Credit only if **both** of the following apply:

1. The income that the other state taxes is also taxed by Pennsylvania in the same taxable year, and is also taxable under the other state's laws, regardless of your place of residence or domicile; **and**
2. You cannot claim any credit for Pennsylvania tax against the other state's tax. **IMPORTANT:** *You must submit a complete PA Schedule G and a photocopy of the signed tax return you filed in the other state or country. If filing for credit for income tax paid to another country that does not have a tax return system, you must attach the same forms and evidence you submitted, or would submit, to claim a credit on your federal tax return.*

**NOTE:** Lines 24 through 27. Partners and PA S corporation shareholders enter the amounts from their PA Schedules RK-1 and NRK-1.

**Line 24. PA Employment Incentive Payments Credit**

You must submit a complete PA Schedule W, with a copy of the certification from the Department of Labor and Industry, for each employee.

**Line 25. PA Jobs Creation Tax Credit**

You must submit a copy of your certification from the PA Department of Community and Economic Development. Partners and PA S corporation shareholders enter the credit amount from your PA Schedules RK-1 or NRK-1.

**Line 26. PA Waste Tire Recycling Investment Tax Credit**

You must submit a copy of your certification from the PA Department of Environmental Protection. Partners and PA S corporation shareholders enter the credit amount from your PA Schedules RK-1 or NRK-1.

**Line 27. PA Research and Development Tax Credit**

You must submit a copy of your certification from the PA Department of Revenue. Partners and PA S corporation shareholders enter the credit amount from your PA Schedules RK-1 or NRK-1.

**Line 28. Total Payments and Credits**

**Line 9 if filing a PA-40EZ**

Add Lines 14, 19, 22, 23, 24, 25, 26, and 27.

**Line 29. Tax Due**

**Line 10 if filing a PA-40EZ**

If Line 13 is more than Line 28, enter the tax you owe. You must pay the tax due, in full, on or before April 16, 2001. Use your PA-V form.

**FILING TIP:** If your Tax Due is \$1.00 or less, you do not have to pay the tax due, but you must file your PA-40.

**CAUTION:** If you pay your tax after the due date, you must also pay applicable penalty and interest, see page 25. **DO NOT** include the penalty and interest on Line 29. Your tax return must be mathematically correct. Enter only the tax due on Line 29, but include the applicable penalty and interest in your payment. Your check and Form PA-V will be more than Line 29. The Department will apply your payment to tax, interest, and penalty.

**Line 30. Overpayment**

**Line 11 if filing a PA-40EZ**

If Line 28 is more than Line 13, enter your overpayment. The Department will not issue a refund for less than \$1.00. **IMPORTANT:** The Department may apply your overpayment to any tax liability you owe for previous tax years.

**Lines 31 through 37. Application of Overpayment**

If you do not enter any amounts on Lines 31 through 37, or the total of Lines 31 through 37 does not equal Line 30, you will receive a refund check, less any amount on Line 32. If you overpaid, you may apply all or part of your overpayment as follows:

**Line 31.** Enter the amount of Line 30 that you want as a **refund check**.

**Line 12 if filing a PA-40EZ**

**Line 32.** Enter the amount of Line 30 that you want as a **credit** to your **2001 estimated tax account**.

**Line 33.** Enter the amount of Line 30 that you want to **donate** to the **Wild Resource Conservation Fund**.

**Line 13 if filing a PA-40EZ**

**Line 34.** Enter the amount of Line 30 that you want to **donate** to the **U.S. Olympic Committee, PA Division**.

**Line 14 if filing a PA-40EZ**

**Line 35.** Enter the amount of Line 30 that you want to **donate** to the **Organ Donor Awareness Trust Fund**.

**Line 15 if filing a PA-40EZ**

**Line 36.** Enter the amount of Line 30 that you want to **donate** to the **Korea/Vietnam Memorial Inc.**

**Line 16 if filing a PA-40EZ**

**Line 37.** Enter the amount of Line 30 that you want to **donate** to the **Breast and Cervical Cancer Research Fund**.

**Line 17 if filing a PA-40EZ**

The total of Lines 31 through 37 must equal Line 30.

See page 4 for additional information about these funds.

## Review Your Return

Before you sign your return, carefully review it. Did you:

- Report your Social Security Number(s), name(s), and address correctly?
- Report **all** your PA taxable income, and claim **all** your allowable PA credits?
- Check **all** the entries from Form(s) W-2 and schedules?
- Round amounts to the nearest dollar?
- Check your math?
- Enclose all necessary and appropriate supporting forms and schedules?
- Fill in the "Identification Label Change" oval, if necessary?

**REMEMBER:** File your **original** PA-40. **Please do not send a photocopy.** Keep a copy for your files.

## Your Signature(s) and Date

Read the oath before you sign. You must sign and date your return. Spouses filing jointly must both sign and date the return. You have not filed a valid PA-40 unless you (both) sign it. If you are responsible for the affairs of a minor, disabled person, or a decedent that could not prepare his or her own PA tax return, you must sign to file a valid PA-40.

## Occupation

Enter your occupation(s).

## Preparer or Company Name and Telephone Number

If you paid someone to prepare your PA-40, the preparer may enter his or her name or business name and telephone number. This is optional.

## Assembling your PA-40:

- ✓ Original PA-40. **Please do not send a photocopy of your PA-40.**
- ✓ A complete PA Schedule W-2S; or photocopies of your Form(s) W-2 on an 8 1/2 by 11 inch sheet of paper (be sure we can read the information), or your paper Form(s) W-2.
- ✓ Photocopies of your Forms 1099 and other statements evidencing your PA compensation and withholding.
- ✓ PA Schedules RK-1, PA Schedules NRK-1, and Federal Schedule K-1.
- ✓ Your **PA schedules** and other forms, including any additional sheets you prepared.
- ✓ Other documents, including federal schedules that explain the information you entered.
- ✓ Your PA-V and payment, behind your PA-40 in the envelope.

## IMPORTANT:

- ⊗ Do not staple your check or money order to your PA-V or your PA-40.

## How to Pay

If you received a tax booklet with a correct Form PA-V, use that voucher to make your payment. See Payment Voucher (PA-V) below. If you did not receive a personalized tax booklet or Form PA-V, submit your payment with your paper PA tax return.

You must pay your tax due on or before **midnight, Monday, April 16, 2001.** Make your check or money order payable to **PA Dept. of Revenue.** Write your **Social Security Number** and "**2000 PA Tax**" on your check or money order. If you are filing for another person, write that taxpayer's name and Social Security Number on the check. Please do not staple your check to your return or the PA-V.

## Payment Voucher (PA-V)

Your PA-V is on the insert. If you owe tax, follow the instructions for the PA-V. Place your PA-V and check in the same envelope with your PA-40.

- ⊗ **DO NOT** use your PA-V if you do not owe tax.
- ⊗ **DO NOT** use your PA-V if any of the preprinted information is incorrect.

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

- If you and your spouse file separately, **DO NOT** use the PA-V unless it shows **your** SSN.
- If you **do not have** a correct PA-V, enclose (do not staple) your check with your PA-40.

## MAILING INSTRUCTIONS

Follow these instructions for mailing your PA-40:

1. Remove the labels from envelope flap.
2. Choose the correct label that applies to your return.
3. Affix only the correct label on the front of the envelope.

### PA-40 ONLY

If you owe tax  
(an amount on Line 29)

**PA DEPT OF REVENUE  
PAYMENT ENCLOSED  
4 REVENUE PLACE  
HARRISBURG PA 17129-0004**

If you overpaid  
(an amount on Line 30)

**PA DEPT OF REVENUE  
REFUND/CREDIT REQUESTED  
6 REVENUE PLACE  
HARRISBURG PA 17129-0006**

If you neither owe nor overpaid (zeros on Lines 29 and 30)

**PA DEPT OF REVENUE  
NO PAYMENT/NO REFUND/NO CREDIT DUE  
5 REVENUE PLACE  
HARRISBURG PA 17129-0005**

### PA-40EZ ONLY

If you owe tax  
(an amount on Line 10)

**PA DEPT OF REVENUE  
PAYMENT ENCLOSED  
1 REVENUE PLACE  
HARRISBURG PA 17129-0001**

If you overpaid  
(an amount on Line 11)

**PA DEPT OF REVENUE  
REFUND/CREDIT REQUESTED  
3 REVENUE PLACE  
HARRISBURG PA 17129-0003**

If you neither owe nor overpaid (zeros on Lines 10 and 11)

**PA DEPT OF REVENUE  
NO PAYMENT/NO REFUND/NO CREDIT DUE  
2 REVENUE PLACE  
HARRISBURG PA 17129-0002**

**Do not** use these mailing labels to send other correspondence to the Department.

## Mailing Your PA Tax Return

The U.S. Postal Service requires that you use sufficient postage, and may return envelopes without sufficient postage. If your PA-40 is more than five (5) pages, you may need additional postage. You may also need more postage for an oversized envelope. Please write your complete return address in the upper left corner of the envelope.

## SCHEDULE INSTRUCTIONS


Enter the name and Social Security Number of the person reporting the income or claiming the expenses or credit on each form and schedule. If filing jointly, enter the name and SSN of the person listed first on your PA-40.

## Reproducing PA Returns and Schedules

You may make additional photocopies of the schedules in this booklet, or prepare your own schedules to report your PA information. **IMPORTANT:** *Do not photocopy the PA-40, PA-40EZ, or PA-V forms. You must send original tax returns and PA-V forms for electronic imaging. Make photocopies for your records.*

## PA Schedule W-2S

Use this schedule to summarize the PA compensation and withholding information from your Form(s) W-2, instead of sending your paper forms or photocopies. Keep your original Form(s) W-2.

 **FILING TIP:** Your PA taxable compensation may be different from your federal wages. Enter your federal and PA amounts. Then, enter only the totals of the PA amounts from column (c) and (d) of your PA Schedule W-2S on your PA tax return.

**CAUTION:** If your employer withheld PA income tax at more than 2.8 percent, or you believe that a PA amount on your Form W-2 is incorrect, you must submit that Form W-2, or a legible photocopy, with a written explanation. You may not use PA Schedule W-2S for that Form W-2. You **must** submit your paper Form(s) 1099 (or photocopies) and other statements for amounts you are reporting as compensation on your PA tax return. **IMPORTANT:** *The Department has the statutory authority to require your actual Form(s) W-2.*

## PA Schedule A

If your total PA taxable interest income is \$2,500 or less, you do not have to complete and submit any schedule. If your PA taxable interest income is more than \$2,500, the Department allows you these filing options:

1. If your federal and PA taxable interest are the same, you may submit a copy of your federal schedule, enter the taxable amount from your federal schedule, or use PA Schedule I; or
2. You may complete PA Schedule A with the payer name and PA taxable interest from each Form 1099 or other statement. You may enclose additional sheets if you need more space.

You do not need to submit your federal schedule with a PA Schedule A. For a list of exempt obligations, request form REV-1643, **Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes.**

### Interest from the following is taxable for PA

- Savings and loan associations
- Credit unions - even if reported as dividends on your statement
- Bank deposits
- Bonds
- Certificates of deposit
- Interest-bearing personal checking accounts
- PA, federal, and local tax refunds
- Other deposits, investments, and obligations
- GNMA and FNMA certificates and other obligations that are guaranteed by the U.S. Government, but not direct federal obligations of the U.S. Government
- Obligations of other states or countries
- Mutual savings banks and cooperative banks - even if reported as dividends

### Interest from the following is not taxable for PA

- Direct obligations of the U.S. Government (U.S. Treasury Bonds, Notes, Bills, Certificates, and Savings Bonds)
- Direct obligations of the Commonwealth of Pennsylvania
- Direct obligations of political subdivisions of Pennsylvania

**IMPORTANT:** *You must include PA tax-exempt interest in Eligibility Income for Tax Forgiveness purposes.*

## PA Schedule B

If your total PA taxable dividend income is \$2,500 or less, you do not have to complete and enclose any schedule. If your PA taxable dividend income is more than \$2,500, the Department allows you these filing options:

1. If you are reporting the same taxable dividend income that you report on your federal tax return, you may submit a copy of your federal schedule, enter that amount on PA Schedule B, or request and complete a PA Schedule I; or

2. You may complete PA Schedule B with the payer name and PA taxable dividend income from each Form 1099 or other statement. You may enclose additional sheets if you need more space. You do not need to submit your federal schedule with a PA Schedule B.

## Capital Gain Distributions

Such distributions are taxable as dividend income for Pennsylvania. Do not report capital gain distributions as a gain on a Schedule D as you do for federal purposes.

## Stock Dividend Reinvestment Plans

Under such a plan, you elect dividends 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 and other corporations that reduce the basis of your stock in the corporation. Once such distributions reduce your basis to zero, any further distributions are taxable as gain from the sale or disposition of property. See **Taxable Return of Capital Distributions** on page 19.
3. Dividends from deposits or withdrawals from accounts paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions. You report such payments as PA taxable interest income 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. You may exclude the portion of total dividends that the fund or company designates as from exempt PA and exempt federal obligations in the written notice you received.

**NOTE:** *Dividend income from estates or trusts that you reported on federal Schedule B, because you did not receive a PA Schedule L, should be reported on PA Schedule J.*

## PA Schedule UE

Allowable employee business expenses for PA purposes are similar, but not exactly the same, as expenses for federal purposes. An allowable PA employee business expense must be:

1. **Ordinary** — customary and accepted in the industry or occupation in which you work; **and**
2. **Actual** — paid while 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.
6. **100 percent allowable** — PA does not have federal expense and percentage accounting limitations and thresholds, such as 50 percent of meal and entertainment expenses and the 2 percent of adjusted gross income limitation.

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

- Received a fixed mileage allowance or a per diem allowance for allowable expenses, and neither you, nor your employer, included the allowance in your compensation; **or**
- Accounted for your allowable expenses to your employer, and your employer reimbursed you in the exact amount of your expenses.

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

### What Expenses are Not Allowable?

Pennsylvania does not allow the following expenses, even if allowed for federal purposes:

- Personal, living, or family expenses;

- Dues to fraternal organizations, 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;
- Bribes, kickbacks, or other illegal payments;
- Job hunting or other pursuit of employment expenses;
- Malpractice insurance premiums, except when allowed in Part B, Line 14;
- Moving expenses, except when allowed in Part D;
- Educational expenses, except as allowed in Part E; and
- Capital expenditures. Depreciation may be allowable in determining expenses. Federal depreciation or cost recovery deductions are acceptable for computing allowable business expenses.

**CAUTION:** If filing jointly, you and your spouse must each submit separate PA Schedules UE. You may not combine expenses. **IMPORTANT:** *Sole proprietors, partners, shareholders, or other self-employed individuals do not use PA Schedule UE to claim expenses. Nonresidents who earn compensation and incur allowable employee business expenses both within and outside Pennsylvania may need to complete and file a PA Schedule NRH.*

#### Part A. Employee Business Expenses from Form 2106

Enter your amounts from Lines 1, 2, 3, and 5 from your Federal Form 2106 or Form 2106EZ. If you cannot or do not have to file a Federal Form 2106 or Form 2106EZ, follow the federal rules for determining your allowable expenses for Part A. Remember that PA rules permit you to deduct 100 percent of your allowable expenses. **CAUTION:** You must report expenses from Line 4 of your Form 2106 or Form 2106EZ in Part G.

Expenses for transportation, traveling, 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. **CAUTION:** Commuting costs to and from any job, including the cost of transportation between different jobs for different employers, are not allowable for PA purposes.

#### Vehicle Expenses — Standard Mileage Rate

1. Enter the amount from your Form 2106 or Form 2106EZ. Otherwise, enter your business miles and the federal mileage allowance. Then, calculate your allowable business mileage expense.

#### Actual Expenses

You may always claim your actual allowable expenses for PA purposes. Start with your federal form and adjust for PA purposes. **IMPORTANT:** *Expenses, such as business meals and entertainment, and expenses incurred while away from home overnight expenses are 100 percent allowable. Pennsylvania does not follow the federal limitations on allowable expenses.*

2. Enter your actual expenses from Line 29 of your Form 2106.
3. Add back the inclusion amount from Line 24b. This rule does not apply for PA purposes.

4. You may use any generally accepted depreciation method. If using a different method for depreciation, enter the adjusted expense here.
5. Name the depreciation method you are using. If using a different method, you must consistently use it for PA purposes.
6. **Total Lines 2, 3, and 4.** These are your actual PA allowable expenses.
7. **Parking Fees, Tolls, and Transportation.** Enter the amount from your Form 2106 or your Form 2106EZ.
8. **Away from Home Overnight.** Enter the amount from your Form 2106 or Form 2106EZ, or the actual amount of allowable expenses you incurred.
9. **Meals and Entertainment Expenses.** Enter the amount from your Form 2106 or Form 2106EZ, or the actual amount of allowable expenses you incurred.
10. **Total Form 2106 expenses.** Add Lines 1 or 6 and 7 through 9.

#### Part B. Direct Employee Business Expenses

These are the expenses you pay directly or through an employer withholding arrangement. These expenses are necessary to perform or maintain your job.

##### 11. Union Dues

Union dues, assessments, and initiation fees are allowable business expenses if:

- 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.

##### 12. 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.

##### 13. Small Tools and Supplies

Expenditures for small tools and supplies that your employer does not provide, but you must have to perform the duties of your job, are allowable business expenses. If any of these tools or supplies have a useful life of more than one year, you must depreciate or amortize the cost in Part F below. You may currently expense the item if allowable under IRC Section 179.

##### 14. 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.

15. **Total Direct Employee Business Expenses.** Add Lines 11 through 14.

#### Part C. Office or Work Area Expenses

Your office or work area expenses are allowable if:

- The duties of your employment require a suitable work area apart from your employer's premises; and
- Your employer does not provide a suitable work area; and
- You must provide your own work area as a condition of employment; and
- The work area you use is your principal place of work; and
- You use your work area regularly to perform the duties of your employment.

You must answer **YES** to questions C1, C2, and C3 in order to claim office or work area expenses.

Lines a through i. Enter your actual expenses.

j. Follow the instructions to calculate the business portion of your home.

k. Calculate the expenses directly related to the business use of your home.

l. Enter the total cost of the directly related business supplies you purchased. Only include costs you incurred for business purposes.

#### 16. Total Office or Work Area Expenses

Add Lines k and l.

#### Part D. Moving Expenses

Expenses you pay or incur in moving yourself, your immediate family, your household goods, and your personal effects are allowable. Allowable moving expenses also include the cost of transportation to your new home. You may use actual out-of-pocket costs or the federal mileage allowance. The expenses for the storage of household goods, for meals and lodging on the way (including such costs on the day you arrive), and parking fees and tolls are also allowable.

Pennsylvania does not allow expenses to sell or purchase a home and costs to break a lease. You may not deduct pre-move house hunting expenses, temporary lodging prior to moving, or any costs or expenses not directly related to actually moving.

#### Distance Test

Your new workplace must be at least 50 miles farther from your old residence than your old workplace was. **EXAMPLE:** If your old workplace was 3 miles from your old residence, your new workplace must be at least 53 miles from your old residence. Measure the distance using the shortest of the most commonly traveled routes. Complete Lines a, b, and c to determine if you meet this test. **IMPORTANT:** *If you are in the military service, you do not have to meet the distance test if your move is a permanent change of duty station. If you, your spouse, and dependents are moving to the new duty station from different locations, you may claim all the allowable expenses.*

17. Enter your actual allowable transportation expenses, as described above.

18. Enter your actual qualifying expenses for travel, meals, and lodging, as described above.

19. **Total Moving Expenses.** Add Lines 17 and 18.

#### Part E. Education Expenses

**CAUTION:** You may not deduct travel costs as educational expenses on the grounds that the travel itself constitutes a form of education. You may not deduct commuting. The federal and PA rules for educational expenses are similar, but not the same. For PA purposes, costs for education expenses that you pay or incur are allowable only when:

- The education is specifically required by law or by your employer to retain an established employment status or rate of compensation; and
- The education is not part of a program that would qualify you for a new occupation, trade, or business, even if you have no intention of entering that new occupation, trade, or business.

Unlike federal rules, you may not deduct education expenses that you incur to maintain or improve your skills. **EXAMPLE:** Anthony is a licensed professional in a position that, by law, requires a specific number of continuing education credits every other year. If Anthony fails to obtain these credits, he will lose his license. Anthony also takes courses in using a computer to improve his job performance. Anthony may claim the cost of his continuing education courses. He may not claim the cost of the computer courses.

You must answer question E1 on PA Schedule UE. If you answer **YES**, continue. If you answer **NO**, you may not claim any education expenses. You must answer questions E2 and E3 on PA Schedule UE. If you answer

**NO** to both questions, continue. If you answer **YES** to either question, you may not claim any education expenses.

20. Enter the name of the college, university, or educational institution you attend.

21. Enter your specific course of study. Your education must meet the requirements described above.

22. Enter the amount of tuition or fees you actually paid.

23. Enter the costs of your books and other materials required for your courses.

24. Enter the cost of travel. Pennsylvania follows the federal rules for travel expenses for education.

25. **Total Education Expenses.** Add Lines 22 through 24.

#### Part F. Depreciation Expense

Do not report depreciation for vehicles, offices, or work areas in this Part. See Parts A and C above. Depreciation is the amount you can claim over the useful life of property you use in performing the duties of your employment. A depreciation expense is allowable if the property:

- Has a useful life exceeding one year; and
- Is required to be regularly and predominantly used to perform the duties of employment; and
- Is required and not provided or supplied by your employer.

Pennsylvania accepts federal depreciation and current expensing. You may use any other generally accepted depreciation method, but you must use it consistently. Once you have selected a depreciation method, you may not change it.

26. **Total Depreciation Expenses.** Enter the total of column (f).

#### Part G. Miscellaneous Expenses

Include the expenses that you report on Line 4 of Form 2106. You must itemize and describe these expenses in detail. Enclose an additional schedule or worksheet if you need more space. Expenses that you may claim include:

- Breakage fees or cash shortages you must pay to your employer;
- Fees or income included in your PA taxable compensation on your Form W-2 that you are required to pay over to your employer as a condition of employment;
- Costs incurred by blind employees to pay readers who assist them in performing their job duties;
- Business gifts that are ordinary, necessary, reasonable, and actually incurred for business purposes. Pennsylvania does not follow federal percentage limits on such expenses.

**IMPORTANT:** *You may be a statutory employee for federal purposes. However, PA law does not define statutory employees. As an employee, you must claim your expenses on PA Schedule UE. If you are self-employed, you must report your business activity on Line 4 of your PA-40, and enclose the necessary PA Schedule C.*

#### 27. Total Miscellaneous Expenses.

Enter the total of Part G (Lines a through e.)

#### 28. Total PA Schedule UE Expenses

Add the expenses you are claiming on Lines 10, 15, 16, 19, 25, 26, and 27. If you are a nonresident or part-year resident who earned income and incurred expenses within and outside Pennsylvania, you must complete PA Schedule NRH.

#### 29. Reimbursements

If your employer included your reimbursement in PA taxable compensation on your Form W-2, do not enter that reimbursement here. If your employer **did not** include your reimbursement on your Form W-2, enter the amount you received from your employer.

### 30. Net Expense or Reimbursement

- If Line 28 is MORE than Line 29, enter the difference on Line 1b of your PA-40.
- If Line 29 is more than Line 28, include your excess reimbursement on Line 1a of your PA-40.

### Keep Your Records

The Department may ask that you substantiate the amount and nature of your business expenses. Keep your necessary documents, receipts, vouchers, and other records for at least four years. You must be able to prove that your expenses are ordinary, actual, reasonable, and necessary.

### PA Schedule C-F Reconciliation

Enter all the required information. Use this schedule to account for differences between PA and IRS rules when determining your net PA taxable income or loss. If you start with the income or loss from your federal business schedule, you must make any adjustments on Lines 13 through 18 in Part D that apply.

#### Part A. Identification Information

Complete all applicable information. Enter your PA Sales Tax License Number, if you have one.

#### Part B. Receipts from Business or Profession

Copy the gross income information from your Federal Schedule C or Federal Schedule F. **CAUTION:** PA law does not allow the federal elections to defer income to another taxable year, or to report income that you will receive in a future year.

1. Gross receipts from your federal schedule.
2. Returns and allowances from your federal schedule.
3. Realized gross receipts or sales from your federal schedule.
4. Additional income or loss that you must report for PA purposes, but you reported elsewhere on your federal tax return. **EXAMPLE:** Add interest from short-term investments to generate working capital and the net gain or loss from the sale of assets in the ordinary course of business. Deduct income that is not reportable for PA purposes, such as Subpart F income, or income you may elect to defer for federal purposes.
5. Cost of goods sold and/or operations from your federal schedule.
6. **Gross profits.** Total Lines 3 and 4. Then subtract Line 5.

#### Part C. Business Expenses

7. Enter your total business expenses from your federal schedule.

#### Part D. Adjustments for PA Income Tax Purposes

Make the necessary adjustments to your federal business expenses on Lines 8 through 19. Enter the difference between the federal and the PA allowable amount. If increasing an expense amount, enter a positive amount. If decreasing an expense, use a negative sign. Personal expenses are never allowable. For PA purposes, expenses must be:

- Ordinary to the business or farm activity; and
- Necessary to operate the business or farm; and
- Actually incurred in operating the business or farm; and
- Reasonable in amount and not excessive; and
- Directly related to the business or farm activity.

The list below includes common differences.

**IMPORTANT:** You must make any applicable adjustments for Lines 13 through 18.

8. The federal percentage limitation on business meals and entertainment does not apply. You may deduct 100 percent of these expenses.

9. Sales Tax on depreciable business assets may be a current expense for PA purposes. On disposition, your PA basis and federal basis will be different.

10. Charitable contributions you make from your business account that the recipient publicly acknowledges are allowable deductions. Personal charitable contributions are never allowable.

11. You may use the capitalization rules established by your trade, profession, or industry under its generally accepted accounting principles and practices. Once elected, you must consistently use this method.

12. You may use any generally recognized and accepted depreciation method for your business or farm activity, including IRC Section 179 current expensing. Once you elect a method, you must consistently follow that depreciation method. Enter the method you elected, if making this adjustment.

13. The federal labor hired deduction or federal wage deduction does not apply for PA purposes. If claimed on your federal schedule, you must add back these deductions to your wage expense.

14. If you are claiming the PA Employment Incentive Payments (EIP) Credit and/or the PA Jobs Creation Tax Credit, you must reduce your total wages expense by your credit.

15. Contributions you make as a self-employed individual to your own IRA or Keogh or deferred income plan are not allowable expenses. PA does not have any special reporting requirements. If you deducted this kind of expense for yourself, or your personal portion of such expense, on your federal schedule, you must reduce your expenses.

16. You may not deduct taxes based on gross or net income, federal income taxes, and one-half of the self-employment taxes that the IRS allows. You may not deduct taxes paid to other states or foreign countries based on income. You may not deduct estate taxes, and inheritance, legacy, succession, and gift taxes. Assessments for betterments and improvements are not allowable. The Philadelphia Business Privilege Tax is an allowable deduction on this schedule, if not already deducted on your federal form. Single member limited liability companies that file as sole proprietors and LLCs that file as partnerships and PA S corporations may deduct the PA Capital Stock/Franchise Tax paid. Other federal, state, and local taxes are allowable deductions.

17. Contributions to your own health or welfare benefits plan are not allowable expenses. Pennsylvania does not have any special reporting requirements. If you deducted such an expense for yourself, or your personal portion of such expense, on your federal schedule, you must reduce your expenses.

18. If you are claiming the PA Research and Development Tax Credit and/or the PA Waste Tire Recycling Investment Tax Credit, you must reduce your direct business expenses. Reduce the amount of expenses you incurred in the activities that qualified your claim for these credits.

19. Other. Itemize expenses that are allowable under GAAP or FASB rules, but are not allowable or limited under federal rules.

20. **Total Adjustments.** Add Lines 8 through 19. Enter the net amount.

21. **Total Allowable PA Business Expenses.** Total Lines 7 and 20 and enter the net amount.

#### Part E. Net Profit or Loss for PA Income Tax Purposes

22. Subtract Line 21 from Line 6. If you realize a net loss, fill in the oval next to Line 22. Your PA net income or loss should be different from your federal schedule. Include this amount on Line 4 of your PA-40.

### PA Schedule D

1. Unless the specific instructions require a different PA schedule, report each sale, exchange, or disposition of property on PA Schedule D. Spouses should complete separate PA Schedules D.

## Columns a through f

- a). List and describe the property sold or otherwise disposed of for cash or other property. **EXAMPLE:** Two acres of land in Dauphin County or 100 shares of ABC common stock.
- b). Enter the month, day, and year you sold the property.
- c). Enter the month, day, and year you acquired the property. If you acquired properties over a period of time, you may enter *various*.
- d). Enter the gross sales price or fair market value of cash and property you received less the applicable expenses of sale.
- e). Enter the Adjusted Basis of the property sold.
- f). Determine whether your property was either I or II, and follow the appropriate instructions:
  - I. If your property was income-producing property, such as stock, bonds, an ownership interest in a business, a rental property, a patent or copyright, or you held your property in connection with a business, profession, or occupation (but not inventory or an operational asset), then:
    - Subtract Column e from Column d, and enter either the gain or the loss or zero in Column f;
  - II. If your property was other than income-producing property, such as a personal automobile or furniture, then:
    - If the adjusted basis is less than Column d, subtract Column e from Column d, and enter the gain in Column f; or
    - If the adjusted basis is greater than Column d, you do not have a gain or a loss. Enter zero in Column f. **IMPORTANT:** *You may only deduct losses from transactions you entered into for profit.*

## 2. Net Gain or Loss

Total Column f and enter the net amount. You may offset gains and losses for Line 2.

## 3. Gain from Installment Sales, PA Schedule D-1

Enter your taxable gain from each **PA Schedule D-1**, form REV-1689, **Computation of Installment Sale Income**.

**CAUTION:** You may not elect the installment sales method for:

- Reporting gains from the sale of intangible personal property;
- Transactions where the object is the lending of money or the rendering of services.

## 4. Taxable Return of Capital Distributions

As a shareholder in a C corporation, you must report a taxable gain on the excess of the fair market value of any return of capital distribution over the adjusted basis of your stock. A return of capital distribution is any distribution that a business corporation makes that is not from its earnings and profits. You must decrease the basis of your stock or shares, but not below zero, by any distribution that is not taxable as a dividend on Line 3 of your PA-40. **EXAMPLE:** B Inc. distributes from its capital account \$100,000 to Karen, the only stockholder. Karen's adjusted basis in her stock is \$75,000. Since the distribution is not from the corporation's earnings and profits, it is not a taxable dividend on Line 3 of her PA-40. Karen must, however, reduce her basis in her stock by \$75,000 to zero. Karen must report the remaining \$25,000 as a taxable gain on her PA Schedule D.

## Calculating Line 4

From the total return of capital distributions, subtract your previously unrecovered basis. Enter the difference as taxable gain on Line 4.

Also report on this line, **Taxable Return of Capital Distributions** from partnerships, business trusts, and other organizations.

## 5. Net Gain or Loss from the Sale of 6-1-71 Property from PA Schedule D-71

You determine your gain or loss on the sale of property that you bought or acquired before June 1, 1971, on form REV-1742, **PA Schedule D-71**.

## 6. Net Gain or Loss from Partnerships and PA S Corporations

Report the taxable gain or loss from your PA Schedules RK-1 or NRK-1.

## 7. Taxable Gain from the Sale of Your Principal Residence

PA law excludes the qualifying gain from the sale of your principal residence. Generally, if you owned and used property as your principal residence for at least two of the five years preceding the sale, your gain is exempt. However, you must report a gain if you do not meet the requirements. For more information request REV-625, **Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes**. Report your taxable gain, if any, on this line. If you realized a loss from the sale of your principal residence, enter a zero.

## 8. Total PA Taxable Gain

Add Lines 2 through 7. You may offset your taxable gain and losses. Include your net gain or loss on Line 5 of your PA-40.

## PA Schedule E

**Read the instructions.** The instructions for this schedule follow generally accepted principles and practices. See page 11 for additional guidance. You may use Federal Schedule E, Part 1 only, and make adjustments for PA purposes on the federal schedule. If you do not have to make any adjustments, you may use the Federal Schedule E or PA Schedule I. **CAUTION:** If you make your property available for rent, but do not intend to realize a profit (you use the receipts to offset the expenses directly related to the property), you may not claim any depreciation. If you make your property available with the intention of making a profit, you may offset any loss you realize against other income in this class. You may also be in a business and have to report your income or loss on Line 4 of your PA-40.

## PA Schedule J

Enter the name, identification number, and amount of PA taxable income from each estate or trust. If you receive a Federal Schedule K-1, instead of a PA Schedule L, enter the total amount of positive income reported. **CAUTION:** The federal amount may not be correct for PA purposes. You may want to contact the fiduciary of the estate or trust to verify the correct PA income.

## PA Schedule SP

**IMPORTANT:** *Read all the instructions before you begin.*

### What is Tax Forgiveness?

Tax Forgiveness is a credit that allows eligible taxpayers to reduce all or part of their PA tax liability. If **unmarried**, as defined below, you must calculate your Eligibility Income. If **married**, as defined below, you and your spouse must always determine and use your Joint Eligibility Income, even if filing separate returns. If you have children, you use your Eligibility Income and the number of your dependent children to calculate your percentage of Tax Forgiveness.

**IMPORTANT:** *Do not claim the same dependent on two PA Schedules SP.* **CAUTION:** On a joint federal tax return, you claim your dependent children. For PA purposes, if you elect to file separately, neither you nor your spouse may claim your children on a PA Schedule SP. Since a dependent is a child claimed on a federal tax return, you cannot divide children on separate PA-40 returns. To claim the children for Tax Forgiveness purposes, you must file jointly.

### Who is Eligible for Tax Forgiveness?

You, and your spouse, are eligible if:

1. You are **subject** to PA Personal Income Tax. You and/or your spouse have PA taxable income; and
2. You are **not** a dependent on another person's federal tax return, under IRC §151; and

3. You are **able to meet** the Eligibility Income test.

### Student Claim

If you are a full-time student and your parents claim you on their federal tax return as a dependent, you may not claim Tax Forgiveness. Regardless of your income, you are not eligible for Tax Forgiveness. However, if your parents are also eligible for Tax Forgiveness, you may claim Tax Forgiveness on a separate PA-40 and PA Schedule SP.

### General Information

You claim Tax Forgiveness as either **unmarried (separated)** or **married**.

**Unmarried (Separated)** means during 2000 you were:

- Single; or
- Separated and lived apart at all times during the last six months of 2000; or
- Separated pursuant to a written separation agreement.

If **unmarried (separated)**, you must meet all three eligibility requirements. **You use Eligibility Income Table 1.**

**Married**, whether filing separately or together, means during 2000 you were:

- Married and lived together; or
- Separated and lived apart, but for less than the last six months of 2000; or
- Separated, but not by a written separation agreement.

If **married**, you may claim Tax Forgiveness if both of you, and your combined eligibility income, meet the eligibility requirements. **Married** claimants are not dependents of one another for federal tax purposes or PA Tax Forgiveness purposes, even when one spouse does not have any Eligibility Income. **CAUTION:** If you and your spouse choose to file separate PA-40 returns, you **must** use your Joint Eligibility Income and Eligibility Income Table 2.

### General Instructions for PA Schedule SP

You must complete and enclose PA Schedule SP. If unmarried, complete ALL the information for yourself in the Your Column. If married, complete all the information in the Your and Spouse Columns, even if filing separately. Then enter the Joint Total to calculate your Tax Forgiveness.

### Joint or Separate Returns

**IMPORTANT:** *There is no Tax Forgiveness advantage to filing separately. If one of you is a dependent of another person, then you each **must** file separate returns. If you are married and your spouse is also eligible, your spouse may file a separate PA-40 and PA Schedule SP.*

### Deceased

Fill in this oval if you are filing for a person who died during 2000. **IMPORTANT:** *You must annualize the decedent's income before determining if he or she is eligible for Tax Forgiveness.*

### Who is a Dependent for Tax Forgiveness?

A dependent is a child that you claimed on your Federal Income Tax return. If you cannot claim a child on your federal tax return, you cannot claim that child for Tax Forgiveness purposes. Only the person who claims a child on his or her federal tax return may claim the child on a PA Schedule SP. Dependent adults are not dependents for Tax Forgiveness.

## SPECIFIC INSTRUCTIONS FOR PA SCHEDULE SP

### Part A. Type Filer for Tax Forgiveness

Fill in the appropriate oval.

### Part B. Dependent Children



**FILING TIP:** If you do not have any dependents, go to Part C.

Complete Lines 1 and 2.

1. Provide all the requested information for each child listed.
2. Enter here the number of dependent children you are claiming for Tax Forgiveness purposes.

**CAUTION:** If claiming a foster child, the Department may ask for a copy of page 1 of your 2000 federal tax return, or you may enclose page 1 of your Federal Form 1040 or 1040A with your PA-40, identifying your dependents for Federal Income Tax purposes.

### Part C. Eligibility Income

If you do not have any income to report on a line, leave the line blank. Read each description carefully.

#### 1. PA Taxable Income

Enter your total PA Taxable Income amount from your PA-40 or PA-40EZ.

#### 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 through a mutual fund or other regulated investment company. If originally issued before February 1, 1994, enter any gains realized from sales of these obligations. Include the nontaxable portion of gain from the sale of any property. Also include nontaxable income received as a beneficiary of an estate or trust.

#### 3. Alimony

Enter the amount of federally taxable alimony that you receive.

#### 4. Insurance proceeds and inheritances

This amount includes the total proceeds received from life or other insurance policies. Also include 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 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

This amount represents the difference between the total military income you earned and the amount you report on your PA tax return. Do not include combat zone pay.

#### 8. Gain excluded from the sale of a residence

Enter your nontaxable gain.

#### 9. Nontaxable educational assistance

Include the total value of all nontaxable scholarships, fellowships, and stipends you received.

#### 10. Cash receipts, for personal purposes, from outside your home

Include any payments received from persons outside your household. This includes nontaxable cash or property received for personal use. Include direct contributions, such as cash received from a parent to buy clothing, gifts from grown children, and personal support from a former spouse, from spouses, children, parents, and others who do not live in your household. Do not include monies paid pursuant to a cost-sharing arrangement.

#### 11. Total Eligibility Income

Add Lines 1 through 10. Eligibility Income is the total amount of your PA taxable and nontaxable income. Eligibility Income is the amount you use to determine your percentage of Tax Forgiveness.

**Part D. Calculating Your Tax Forgiveness**

**12. PA Tax Liability**

Enter the amount of your tax due from your PA-40 or PA-40EZ.

**13. Less Resident Credit**

Enter your credit from Line 23 of your PA-40.

**14. Net PA Tax Liability**

Subtract Line 13 from Line 12.

**15. Percentage of Tax Forgiveness**

Find your percentage of Tax Forgiveness using your dependents from Part B, Line 2, your Eligibility Income from Part C, Line 11, and the appropriate Eligibility Income Table. Enter the percentage as a decimal on Line 15.

**16. Tax Forgiveness Credit**

Multiply Line 14 by the decimal on Line 15. Enter this amount on your PA-40 or PA-40EZ.

**PA Schedule I**

This schedule is available through the Forms Ordering Services on page 2. You can use PA Schedule I to report the same amounts that you report for federal purposes, and you do not have to submit any other PA or federal schedule. CAUTION: You may not use PA Schedule I if you are a PA S corporation shareholder or a partner.

You may want to obtain and read the instructions for PA Schedule I. Use it for your convenience and reduce the amount of paper that you must send to the Department.

**ELIGIBILITY INCOME TABLE 1. Unmarried and Deceased Taxpayers**

If your Eligibility Income from PA Schedule SP, Line 11, does not exceed:										
YOU →	\$6,500	\$6,750	\$7,000	\$7,250	\$7,500	\$7,750	\$8,000	\$8,250	\$8,500	\$8,750
<b>▼ DEPENDENT CHILDREN</b>										
1	\$14,000	\$14,250	\$14,500	\$14,750	\$15,000	\$15,250	\$15,500	\$15,750	\$16,000	\$16,250
2	\$21,500	\$21,750	\$22,000	\$22,250	\$22,500	\$22,750	\$23,000	\$23,250	\$23,500	\$23,750
3	\$29,000	\$29,250	\$29,500	\$29,750	\$30,000	\$30,250	\$30,500	\$30,750	\$31,000	\$31,250
4	\$36,500	\$36,750	\$37,000	\$37,250	\$37,500	\$37,750	\$38,000	\$38,250	\$38,500	\$38,750
5	\$44,000	\$44,250	\$44,500	\$44,750	\$45,000	\$45,250	\$45,500	\$45,750	\$46,000	\$46,250
6	\$51,500	\$51,750	\$52,000	\$52,250	\$52,500	\$52,750	\$53,000	\$53,250	\$53,500	\$53,750
7	\$59,000	\$59,250	\$59,500	\$59,750	\$60,000	\$60,250	\$60,500	\$60,750	\$61,000	\$61,250
8	\$66,500	\$66,750	\$67,000	\$67,250	\$67,500	\$67,750	\$68,000	\$68,250	\$68,500	\$68,750
9	\$74,000	\$74,250	\$74,500	\$74,750	\$75,000	\$75,250	\$75,500	\$75,750	\$76,000	\$76,250
<b>Then your Percentage of Tax Forgiveness and the Decimal Equivalent is:</b>										
	<b>100%</b>	<b>90%</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%</b>
	1.0	.90	.80	.70	.60	.50	.40	.30	.20	.10

**ELIGIBILITY INCOME TABLE 2. Married Taxpayers**

If your Eligibility Income from PA Schedule SP, Line 11, does not exceed:										
YOU & SPOUSE →	\$13,000	\$13,250	\$13,500	\$13,750	\$14,000	\$14,250	\$14,500	\$14,750	\$15,000	\$15,250
<b>▼ DEPENDENT CHILDREN</b>										
1	\$20,500	\$20,750	\$21,000	\$21,250	\$21,500	\$21,750	\$22,000	\$22,250	\$22,500	\$22,750
2	\$28,000	\$28,250	\$28,500	\$28,750	\$29,000	\$29,250	\$29,500	\$29,750	\$30,000	\$30,250
3	\$35,500	\$35,750	\$36,000	\$36,250	\$36,500	\$36,750	\$37,000	\$37,250	\$37,500	\$37,750
4	\$43,000	\$43,250	\$43,500	\$43,750	\$44,000	\$44,250	\$44,500	\$44,750	\$45,000	\$45,250
5	\$50,500	\$50,750	\$51,000	\$51,250	\$51,500	\$51,750	\$52,000	\$52,250	\$52,500	\$52,750
6	\$58,000	\$58,250	\$58,500	\$58,750	\$59,000	\$59,250	\$59,500	\$59,750	\$60,000	\$60,250
7	\$65,500	\$65,750	\$66,000	\$66,250	\$66,500	\$66,750	\$67,000	\$67,250	\$67,500	\$67,750
8	\$73,000	\$73,250	\$73,500	\$73,750	\$74,000	\$74,250	\$74,500	\$74,750	\$75,000	\$75,250
9	\$80,500	\$80,750	\$81,000	\$81,250	\$81,500	\$81,750	\$82,000	\$82,250	\$82,500	\$82,750
<b>Then your Percentage of Tax Forgiveness and the Decimal Equivalent is:</b>										
	<b>100%</b>	<b>90%</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%</b>
	1.0	.90	.80	.70	.60	.50	.40	.30	.20	.10

NOTE. Tables include the \$7,500 allowance for every dependent.

**How Pennsylvania Taxes Nonresidents**

**Nonresidents.** Pennsylvania taxes you on the income you earn from working in Pennsylvania, realize from PA sources, and receive as a beneficiary of a PA estate or trust.

**Part-Year Residents.** You report all income from all sources for the time you were a PA resident. Then follow the instructions for nonresidents to report the income that you earned, received, and realized for the time you were a nonresident. Read the instructions for each PA income class below.

**Apportioning Income and Loss on PA Schedule NRH**

**NOTE:** You may obtain PA Schedule NRH from any of the Forms Ordering services listed on page 2.

As a nonresident, you must apportion income that you earn both within and outside Pennsylvania. You apportion your PA taxable compensation when your employer does not separately report your PA wages on your Form W-2. You apportion income or loss from operating a business within and outside Pennsylvania, if you do not maintain books and records that clearly and separately allocate your PA source receipts, expenses, liabilities, etc.

**Allocating Income and Loss**

As a nonresident, you allocate income and loss from a business when your books and records clearly and separately report your PA source receipts, expenses, liabilities, etc. You report income or loss from real property located within Pennsylvania. You report gain or loss on the sale, exchange or disposition of tangible personal property that is in Pennsylvania. You report income or loss from rental property, royalties, patents, or copyrights in Pennsylvania.

**Nonresident Partners and Shareholders of PA S Corporations**

Your partnership or PA S corporation apportions and allocates its income or loss for PA purposes. You report your share, whether distributed or not, in the same class in which the partnership or PA S corporation realized the income or loss. You must enclose a copy of each PA Schedule NRK-1 that you receive. **IMPORTANT:** *If the partnership only provides a Federal Schedule K-1, you must classify the income or loss according to the instructions for each PA income class.*

**Compensation**

You pay PA income tax on compensation for services you perform in Pennsylvania, unless you are a resident of a reciprocal agreement state. Your employer is responsible for reporting and withholding the PA tax from the exact amount of your PA taxable compensation. If your employer does not report, or incorrectly reports, your PA taxable compensation, you must use PA Schedule NRH to apportion your compensation and any allowable employee business expenses.

**Interest and Dividend Income**

You **do not pay** PA income tax on ordinary interest (such as interest from personal savings and checking accounts) and dividends. **CAUTION:** You pay PA income tax when interest and dividend income is directly related to activity within a taxable income class. **EXAMPLES:** You include interest from an installment sale of real

property on PA Schedule D-1. You report interest from accounts receivable, from a business checking account, and from short-term investments to generate working capital when determining your net profit or loss from business activity in Pennsylvania. You report interest on security deposits when determining net rental income or loss.

**Net Income or Loss from the Operation of a Business, Profession, or Farm**

You pay PA income tax on the profit, or report a loss from the operation of a business or farm in Pennsylvania. You must report your allocated or apportioned PA source income or loss. Include on Line 4 your total net profit, or net loss, from all PA Schedules C, PA Schedules F, and PA Schedules NRK-1. Also include the net profit or loss from PA Schedule C-F Reconciliation and any federal schedules that you are using for PA purposes.

**Operation Wholly Within Pennsylvania**

Report your net profit and net loss from each business activity that is wholly within Pennsylvania. A business operation is wholly within Pennsylvania if during the entire taxable year you or your representative:

- Maintained or operated a commercial establishment, office, shop, store, warehouse, farm, factory, agency, etc., within Pennsylvania where you systematically and regularly conducted or managed your business; and
- Did not maintain and operate a commercial establishment outside Pennsylvania where you systematically and regularly conducted or managed your business.

**IMPORTANT:** *Do not take into account business activity when your representative operated as an independent contractor.*

**Operation Wholly Outside Pennsylvania**

Do not report any net profit or net loss from business activity that is wholly outside Pennsylvania. A business operation is wholly outside Pennsylvania, if during the entire taxable year you or your representative:

- Did not transact, in the ordinary course of operations, any business in Pennsylvania, or only transacted business in Pennsylvania on a sporadic or temporary basis; or
- In the ordinary course of operations, the only business you transacted with any permanency or continuity was either or both of the following:
  - i. Soliciting orders or selling property or services when such orders were sent outside Pennsylvania for approval or rejection and, if approved, were filled by shipment or delivery of goods or services from a point outside Pennsylvania; or
  - ii. Soliciting orders in Pennsylvania in the name of, or for the benefit of, a prospective customer when the orders resulting from such solicitation enabled your customer to fill orders of the type described above.

**Operation Partly Within Pennsylvania**

If your business is not wholly within or outside Pennsylvania, as described above, you allocate your PA business activity by separate accounting if:

- Your business operations within and outside Pennsylvania constituted independent profit centers. This means that there were no transfers of finished goods, raw materials, supplies, services, or operational assets between business operations, each was free to buy outside, and, because of geographical location, neither was in competition with the other; and
- You kept your books to properly disclose the amounts of revenues, costs, expenses, and liabilities attributable to PA operations.

If you cannot allocate your business operations, you must apportion using PA Schedule NRH.

**Net Income or Loss from the Sale, Exchange, or Disposition of Property**

You pay PA income tax on the gain, or report the loss, from the sale of real or tangible personal property located in Pennsylvania. You do not pay PA income tax on a gain, or report a loss, from the disposition of intangible property.

**Allocating Gains and Losses**

Whether your property is within or outside Pennsylvania generally determines the source of your revenue, costs, expenses, and liabilities from the sale, exchange, or other disposition of real or tangible personal property. If your real or tangible property was within Pennsylvania, you must report the gain or loss you realized from its disposition on PA Schedule D, unless the property was:

- Stock, trade goods, assets, or other property which you would normally hold for sale to customers and include in your inventory if on hand at the end of your taxable year; or
- An asset that served an operational function in the ordinary course of operating your business.

You include the sale, exchange, or disposition of such property in determining net profit or loss from the operation of a business, profession, or farm.

**Net Income or Loss from Rents, Royalties, Patents, and Copyrights**

You pay PA income tax on the net income, or report the loss, from the use of property located in Pennsylvania. You must allocate net rental, royalty, patent, or copyright income from property within Pennsylvania.

**Allocating Rents and Royalties to Pennsylvania**

You allocate the rents you received from real estate and tangible personal property (that you do not employ in the operation of a business) only if the property was within Pennsylvania. You allocate your costs, expenses, and liabilities for producing and collecting such rents only if the property was within Pennsylvania. If you used the property within **and** outside Pennsylvania, you allocate by multiplying the net rental income or loss by a fraction. The numerator is the number of days your property was in Pennsylvania, and the denominator is the total number of days in the rental period.

You allocate the royalties you received from the extraction of minerals, and the related costs, expenses, and liabilities when the property was within Pennsylvania, and the royalties were not from operating a business. You allocate the royalties you received from patents and copyrights, and the related costs, expenses, and liabilities when, and to the extent that:

- The payer employed the patent or copyrighted material in production, fabrication, manufacture, or other processing in Pennsylvania; and/or
- The payer produced the patented products in Pennsylvania, or the printing or publication by the payer originated in Pennsylvania.

If you received royalties in the normal and routine operation of your business, you report such operations and income on Line 4 of your PA-40.

**Estate or Trust Income**

You pay PA income tax as a beneficiary on the income from an estate or trust, only to the extent the income represents taxable PA source income. You enter on PA Schedule J the taxable amount from the PA Schedule L that you received from the estate or trust.

**Gambling and Lottery Winnings**

You do not pay PA income tax on any gambling and lottery winnings from PA sources.

**How Pennsylvania Taxes Part-Year Residents**

If you were a part-year resident of Pennsylvania, you are subject to PA income tax on ALL the income that you earned, received, realized, and was credited to you for that part of the year you were a PA resident. For that part of the year you were not a PA resident, you are also subject to PA income tax on your income from PA sources, as described above.

### 2001 PA Estimated Personal Income Tax Requirements

If you expect more than \$8,000 of PA taxable income in 2001 that will not be subject to employer withholding, you must file a declaration of PA Estimated Tax and make installment payments. **EXAMPLE:** You paid \$224 or more on your 2000 PA tax return. You expect the same PA taxable income in 2001. You should make 2001 estimated tax payments. **IMPORTANT:** *If you are a PA resident working in a reciprocal compensation agreement state (page 5), and your employer is not withholding PA tax, you must make PA estimated tax payments.*

If you made 2000 estimated payments, the Department will send you 2001 forms. If you must file estimated payments based on the above rules and you do not receive your forms by April 16, 2001, contact the nearest Department district office. Request forms PA-40ESR, with the REV-413I, instructions, and REV-414I, worksheet. Also request these forms if paying PA estimated taxes for the first time in 2001.

### Members of the Armed Forces

PA residents report military pay as taxable compensation, **unless** earning the military pay while on federal active duty or federal active duty for training **outside** Pennsylvania. Income received by a PA resident for all military service performed inside Pennsylvania, even if on federal active duty or federal active duty for training, is fully taxable. For more information, request form REV-612, **Military Pay for Pennsylvania Personal Income Tax Purposes**, Military personnel stationed abroad should use their APO or FPO address. **IMPORTANT:** *A PA resident in the U.S. Public Health Service or in the U.S. Foreign Service outside Pennsylvania is not on federal active duty and his or her compensation is taxable for PA purposes.*

### Extension of Time to File

Pennsylvania allows an **automatic** four-month extension if you have an extension of time to file for federal purposes. Fill in the extension request oval at the top of your PA-40. You do not need to send a federal extension or a PA extension form, **unless you owe tax**. Submit the extension form when you file. An extension of time to file your PA return **does not** extend the time to pay your PA tax. **CAUTION:** If you expect to owe PA tax, you must submit form REV-276, **Application for Extension of Time to File**. You must pay the tax you reasonably expect to owe. An extension cannot exceed six (6) months, unless you are outside the United States.

If submitting an extension request, you **must** send your application **and** payment in sufficient time, before the due date, so the Department may consider and act upon it. You will not receive a letter that the Department accepted your extension. However, you may receive correspondence if the Department has a question concerning your request. **IMPORTANT:** *With your extension, you must pay the full amount you reasonably expect to owe.*

Mail your request for an extension, with or without a payment, to the PA Department of Revenue, Bureau of Individual Taxes, Payment Enclosed, Dept. 280504, Harrisburg, PA 17128-0504.

The Department will assess underpayment penalty if:

- By April 16, 2001, you did not pay at least 90% of your 2000 tax due; and
- You do not pay the remaining balance with a timely filed return.

The Department will charge interest on the amount you do not pay by April 16, 2001.



**FILING TIP:** Report your extension payment on Line 17 of your PA-40 when you file your return.

### Amended Returns

Do not submit a complete photocopy of your original return. Use a PA return from the same tax year you are amending. **EXAMPLE:** To amend for 1999, use another 1999 PA tax return.

Completely fill in the amended return oval, or write "Amended Return", at the top of the PA tax return. Follow these steps:

1. Enter the amounts from your original return that you **are not amending**.
2. Enter your **amended amounts**. Enclose a statement explaining the reasons you are filing an amended return, and the 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 lines explaining how you want the Department to distribute your overpayment (refund/credit/donation).

The Department will take your original refund or payment into account. Be sure to sign your amended return and mail it, with all explanations and attachments, to: PA Department of Revenue, Bureau of Individual Taxes, Dept. 280502, Harrisburg, PA 17128-0502. For more information, request form REV-630, **Amending PA-40 Returns**.

### Refunds from Amended Returns

For a refund, you must file an amended PA return within three years from the original due date or the date of an approved extension. You may file an amended PA return if you overreported income, or to claim allowable credits or deductions that you originally did not report. **IMPORTANT:** *You may not file an amended PA return after the Department issued an assessment, if your amendment relates to the same taxable year and item of income, gain, deduction, or loss that the Department assessed. 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, 1999, you must submit a refund petition, form REV-65, not later than six months after the date shown on the assessment.*

### Underreported Income for Amended Returns

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 and pay the additional tax, plus penalty and interest.

### Keep Your Records

The Department has the statutory authority to verify, and audit, all amounts you report on your return and accompanying schedules. 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 return.

### Penalties for Not Filing, or for Filing a Late Return

PA law imposes a 5 percent penalty if you do not file your return on or before the due date, or the approved extended due date. The penalty is 5 percent of the unpaid tax due for each month or fraction of a month. PA law imposes this penalty unless you 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 Late Payment

If you do not pay the tax due on or before the due date, PA law imposes interest from April 16, 2001 to the date of payment. The annual interest rate is that rate established by the U.S. Secretary of the Treasury that is in effect on January 1 of each calendar year.

### Penalties for Underpayment or for Late Payment

- If you do not pay the full amount of your tax due with your return, PA law imposes a 5 percent underpayment penalty.
- If you do not report taxable income that is more than 25 percent of the taxable income shown on your return, PA law imposes an addi-

tional 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. **IMPORTANT:** *If any part of any underpayment of the tax is due to fraud, PA law allows 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

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

PA law imposes a \$50 penalty on any person required to furnish an **information return**, for each information return that they do not file, or for each false or fraudulent information return.

## BROCHURES AVAILABLE FROM THE DEPARTMENT

The Department has developed a number of brochures to provide more information about PA taxes. The brochures listed below can be ordered directly through the Department's Forms Ordering Service by dialing 1-800-362-2050, or by selecting the forms ordering option on the FACT Line at 1-888-PATAXES (728-2937). Order the brochures using the REV form number and the title. (CAQ - Commonly Asked Questions)

REV-23	Board of Appeals Practices and Procedures of the Board	REV-617	CAQ Hiring Household Workers
REV-502	FACT Line 1-888-PATAXES	REV-625	CAQ Sale of Your Principal Residence
REV-527	Taxpayers' Bill of Rights	REV-627	CAQ Construction Contracts
REV-571	CAQ So you are moving to Pennsylvania	REV-629	CAQ How Nonresidents are Taxed
REV-573	CAQ Property Tax and Rent Rebate	REV-630	CAQ Amending PA-40 Returns
REV-577	CAQ Estimated Tax Payments	REV-631	You May be Paying Too Much in Tax (Tax Forgiveness)
REV-580	CAQ Employer Withholding	REV-634	CAQ Employee Fringe Benefits and Wage/Salary Supplements
REV-581	CAQ Personal Income Tax	REV-635	CAQ S-Corporations
REV-582	CAQ Corporation Taxes	REV-636	CAQ Roth IRAs
REV-584	CAQ Inheritance Tax	REV-637	CAQ Unreimbursed Allowable Employee Business Expenses
REV-585	CAQ Sales and Use Tax	REV-671	Keystone Opportunity Zones: The Benefits of Living in a KOZ
REV-588	The Beginners Guide for Starting a Business in Pennsylvania	REV-672	Keystone Opportunity Zones: How They Affect Business Owners
REV-591	CAQ IFTA and Motor Fuel Taxes	REV-695	Keystone Opportunity Zones: How Property Owners Benefit
REV-610	Voluntary Disclosure Program Guidelines		
REV-611	CAQ Determining Residency for PA Purposes		
REV-612	CAQ Military Pay		
REV-614	CAQ Scholarships, Fellowships, and Stipends		
REV-615	CAQ Reciprocal Agreements		

Brochure information is also available on the Internet: [www.revenue.state.pa.us](http://www.revenue.state.pa.us)

**PA SCHOOL DISTRICTS AND CODES BY COUNTY**

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

Part-Year Residents who moved out of Pennsylvania during 2000 use code 9999.

**PA SCHOOL DISTRICTS AND CODES BY COUNTY**

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		
Marion Center Area	.32520	Pittston Area	.40660	Wilson Area	.48860		
Penns Manor Area	.32630	Wilkes-Barre Area	.40885			<b>VENANGO</b>	
Punxsutawney Area	.33800	Wyoming Area	.40920	<b>NORTHUMBERLAND</b>		Allegheny Clarion Valley	.16030
Purchase Line	.32730	Wyoming Valley West	.40930	Danville Area	.47180	Cranberry Area	.61130
United	.32800			Line Mountain	.49350	Forest Area	.27200
		<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		
Punxsutawney Area	.33800	Montoursville Area	.41510			<b>WARREN</b>	
		Muncy	.41530	<b>PERRY</b>		Corry Area	.25145
<b>JUNIATA</b>		South Williamsport Area	.41610	Fannett-Metal	.28200	Titusville Area	.61720
Greenwood	.50300	Southern Tioga	.59700	Greenwood	.50300	Warren County	.62830
Juniata County	.34360	Wellsboro Area	.59850	Newport	.50400		
		Williamsport Area	.41720	Susquenita	.50600	<b>WASHINGTON</b>	
				West Perry	.50800	Avella Area	.63050
<b>LACKAWANNA</b>		<b>MCKEAN</b>				Bentworth	.63090
Abington Heights	.35030	Bradford Area	.42080	<b>PHILADELPHIA</b>		Bethlehem Center	.63100
Carbondale Area	.35130	Kane Area	.42230	Philadelphia City	.51500	Brownsville Area	.26080
Dunmore	.35220	Oswayo Valley	.53750			Burgettstown Area	.63120
Forest City Regional	.58300	Otto Eldred	.42600	<b>PIKE</b>		California Area	.63150
Lackawanna Trail	.66500	Port Allegany	.42630	Delaware Valley	.52200	Canon McMillan	.63170
Lakeland	.35460	Smethport Area	.42750	East Stroudsburg Area	.45200	Charleroi	.63180
Mid Valley	.35550			Wallenpaupack Area	.64830	Chartiers Houston	.63190
North Pocono	.35650	<b>MERCER</b>				Fort Cherry	.63240
Old Forge	.35660	Commodore Perry	.43130	<b>POTTER</b>		McGuffey	.63390
Riverside	.35700	Crawford Central	.20135	Austin Area	.53030	Peters Township	.63650
Scranton City	.35740	Farrell Area	.43250	Coudersport Area	.53130	Ringgold	.63700
Valley View	.35840	Greenville Area	.43280	Galeton Area	.53280	Trinity Area	.63800
		Grove City Area	.43290	Keystone Central	.18360	Washington	.63880
<b>LANCASTER</b>		Hermitage	.43330	Northern Potter	.53550		
Cocalico	.36130	Jamestown Area	.43360	Oswayo Valley	.53750	<b>WAYNE</b>	
Columbia Borough	.36150	Lakeview	.43390	Port Allegany	.42630	Forest City Regional	.58300
Conestoga Valley	.36170	Mercer Area	.43500			North Pocono	.35650
Donegal	.36220	Reynolds	.43530	<b>SCHUYLKILL</b>		Susquehanna Community	.58650
Eastern Lancaster County	.36230	Sharon City	.43560	Blue Mountain	.54080	Wallenpaupack Area	.64830
Elizabethtown Area	.36240	Sharpshville Area	.43570	Hazleton Area	.40330	Wayne Highlands	.64870
Ephrata Area	.36260	West Middlesex Area	.43750	Mahanoy Area	.54450	Western Wayne	.64890
Hempfield	.36310	Wilmington Area	.37800	Minersville Area	.54470		
Lampeter-Strasburg	.36360			North Schuylkill	.54500	<b>WESTMORELAND</b>	
Lancaster	.36400	<b>MIFFLIN</b>		Panther Valley	.13660	Belle Vernon Area	.65060
Manheim Central	.36440	Mifflin County	.44460	Pine Grove Area	.54600	Blairsville-Saltsburg	.32110
Manheim Township	.36450	Mount Union Area	.31600	Pottsville Area	.54610	Burrell	.65070
Octorara Area	.15650			Saint Clair Area	.54680	Derry Area	.65160
Penn Manor	.36520	<b>MONROE</b>		Shenandoah Valley	.54720	Franklin Regional	.65260
Pequea Valley	.36530	East Stroudsburg Area	.45200	Schuylkill Haven Area	.54730	Greater Latrobe	.65310
Solanco	.36700	Pleasant Valley	.45520	Tamaqua Area	.54760	Greensburg Salem	.65320
Warwick	.36900	Pocono Mountain	.45540	Tri Valley	.54780	Hempfield Area	.65380
		Stroudsburg Area	.45600	Williams Valley	.54880	Jennette City	.65410
						Kiski Area	.65440
<b>LAWRENCE</b>		<b>MONTGOMERY</b>		<b>SNYDER</b>		Leechburg Area	.03450
Blackhawk	.04160	Abington	.46030	Mid-West	.55500	Ligonier Valley	.65490
Ellwood City Area	.37200	Boyetown Area	.06075	Selinsgrove	.55710	Monessen City	.65580
Laurel	.37400	Bryn Athyn Borough	.46050			Mount Pleasant Area	.65590
Mohawk Area	.37500	Cheltenham Township	.46130	<b>SOMERSET</b>		New Kensington Arnold	.65630
Neshannock Township	.37520	Colonial	.46160	Berlin Brothersvalley	.56100	Norwin	.65650
New Castle Area	.37530	Hatboro-Horsham	.46360	Conemaugh Township Area	.56180	Penn-Trafford	.65710
Shenango Area	.37620	Jenkintown	.46380	Meyersdale Area	.56520	Southmoreland	.65750
Union Area	.37700	Lower Merion	.46450	North Star	.56550	Young	.65890
Wilmington Area	.37800	Lower Moreland Township	.46460	Rockwood Area	.56630		
		Methacton	.46530	Salisbury Elk Lick	.56700	<b>WYOMING</b>	
<b>LEBANON</b>		Norristown Area	.46560	Shade-Central City	.56720	Elk Lake	.58250
Annville Cleona	.38030	North Penn	.46570	Shanksville-Stonycreek	.56740	Lackawanna Trail	.66500
Cornwall Lebanon	.38130	Perkiomen Valley	.46610	Somerset Area	.56770	Lake-Lehman	.40390
Eastern Lebanon County	.38230	Pottsgrove	.46630	Turkeyfoot Valley Area	.56840	Tunkhannock Area	.66750
Lebanon	.38460	Pottstown	.46640	Windber Area	.56910	Wyalusing Area	.08900
Northern Lebanon	.38500	Souderton Area	.46710			Wyoming Area	.40920
Palmyra Area	.38530	Springfield Township	.46720	<b>SULLIVAN</b>			
		Spring Ford Area	.46730	Sullivan County	.57630	<b>YORK</b>	
<b>LEHIGH</b>		Upper Dublin	.46830			Central York	.67130
Allentown City	.39030	Upper Merion Area	.46840	<b>SUSQUEHANNA</b>		Dallastown Area	.67160
Bethlehem Area	.48100	Upper Moreland Township	.46850	Blue Ridge	.58100	Dover Area	.67180
Catasauqua Area	.39130	Upper Perkiomen	.46860	Forest City Regional	.58300	Eastern York	.67220
East Penn	.39230	Wissahickon	.46930	Montrose Area	.58450	Hanover Public	.67280
Northern Lehigh	.39450			Mountain View	.58460	Northeastern York	.67440
Northwestern Lehigh	.39460	<b>MONTOUR</b>		Susquehanna Community	.58650	Northern York County	.67460
Parkland	.39510	Danville Area	.47180			Red Lion Area	.67550
Salisbury Township	.39560	Warrior Run	.49800	<b>TIOGA</b>		South Eastern	.67620
Southern Lehigh	.39570			Canton Area	.08100	South Western	.67640
Whitehall Coplay	.39780	<b>NORTHAMPTON</b>		Galeton Area	.53280	Southern York County	.67650
		Bangor Area	.48080	Northern Tioga	.59600	Spring Grove Area	.67670
<b>LUZERNE</b>		Bethlehem Area	.48100	Southern Tioga	.59700	West Shore	.21900
Berwick Area	.19110	Catasauqua Area	.39130	Wellsboro Area	.59850	West York Area	.67850
Crestwood	.40140					York City	.67900
						York Suburban	.67940

Part-Year Residents who moved out of Pennsylvania during 2000 use code 99999.

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