

## ELECTRONIC FILING

Almost 2 million Pennsylvania taxpayers chose one of these electronic filing options last year:



## INTERNET



## TAX PREPARER/ COMPUTER SOFTWARE



*Select the one that is right for  
you and file electronically!*

# PA-40IN

# PA-40IN 2003

## INSTRUCTIONS BOOKLET NO FORMS INCLUDED

### TAX RATE

The tax rate for 2003 is 2.8 percent (0.028), and is also printed on the enclosed **Form PA-V** insert. **Use 2.8 percent to calculate your tax liability on Line 12 of your PA-40.**

### ELECTRONIC FILING

The Department offers three easy ways to file your tax return electronically: over the telephone with **TeleFile**; over the Internet with **pa.direct.file**; and through tax preparers or computer software with **PA/IRS e-file**. **TeleFile** and **pa.direct.file**, available free of charge, no longer require a special account number. If you filed last year, your SSN and ZIP code are all you need to file over the telephone. Your Social Security Number (SSN) and last year's tax liability, PA driver's license or identification card number are all you need to file over the Internet.

Visit the new Revenue e-Services Center at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) to file your tax return, make payments, check the status of your return and refund, update your address and pay by credit card. See page 3 for more information.

### MILITARY PAY

Active duty military pay is not taxable for Pennsylvania purposes if earned by a Pennsylvania resident serving on full-time active duty or federal active duty for training outside the state. However, other income is still taxable. Submit a copy of the military orders that assign the out-of-state active duty with your tax return. See page 31 for more information.

### COMBAT ZONE AND HAZARDOUS DUTY SERVICE

Pennsylvanians serving in combat zones or qualified hazardous duty areas are given the same additional time to file their state income tax returns and make payments as allowed for federal income tax purposes. The deadline is automatically extended for 180 days from the last day of service or the last day of continuous hospitalization for injury incurred in one of these areas. When filing returns, mark "**COMBAT ZONE**" at the top of the return and include a copy of the military orders. See page 31 for more information.

### TAX BACK/TAX FORGIVENESS

Depending on your income and family size, you may qualify for a reduction in your tax liability with the state's TAX BACK/Tax Forgiveness program. Simply file your PA Personal Income Tax return and include **Schedule SP**. See page 28 to see if you qualify.

### PA/FEDERAL DIFFERENCES

Pennsylvania does not follow federal tax law. See page 9 for differences between Pennsylvania and IRS rules, including new 2003 provisions.

## ELECTRONIC FILING OPTIONS

File your Personal Income Tax return electronically using one of three methods offered by the PA Department of Revenue. **TeleFile** and **pa.direct.file**, available free of charge, no longer require a special account number.

**SAFE:** Regardless of the option you choose, the Department protects your information with the latest security safeguards.

**EASY:** The systems perform math calculations for you.

**FAST:** The Department processes refunds in three to four weeks instead of six to eight weeks for a paper return.

**DIRECT DEPOSIT:** You can have your refund deposited directly into your checking or savings account. Direct deposit is not available with a paper PA tax return.

**CONFIRMATION:** Upon filing with **pa.direct.file** or **TeleFile**, the Department immediately gives you a **Confirmation Number** as proof that you filed. When filing **PA/IRS e-file**, the Department sends an acknowledgement directly to you, your tax professional or Electronic Return Originator (ERO).

**REMEMBER:** When you use one of the electronic filing options, do not send a paper copy of your tax return. Keep a hard copy of your return or worksheet for your records.



## TELEPHONE

If you filed a tax return last year, your Social Security Number (SSN) and ZIP code are all you need to file over the telephone. To find out if you can use **TeleFile**, visit the Department's Web site or order a **2003 PA Fast File booklet** from one of the **Forms Ordering Services** on page 3.



## INTERNET

Complete your Personal Income Tax return over the Internet and transmit the return directly to the Department. With **pa.direct.file** you can report most types of income and claim dependent children for Tax Forgiveness. If you filed a tax return last year, your SSN and last year's tax liability, PA driver's license or identification card number are all you need. Visit the Department's e-Services Center at **www.revenue.state.pa.us** to file.



## TAX PREPARER OR APPROVED SOFTWARE

PA/IRS e-file allows you to file federal and state income tax returns together or separately. It is available through tax preparers or computer software. If you meet certain qualifications, you can also obtain free software to file your tax returns. **PA/IRS e-file** allows direct deposit of your refund, and the option to pay your PA tax due by electronic funds withdrawal or with a credit card. For more detailed information, visit the Department's Web site at **www.revenue.state.pa.us**.

## MAILING ADDRESSES

(For more information, see page 20.)

If you do not have the Department-provided envelope, send your return to the address that applies to you.

If you have an amount on Line 27:

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

If you have an amount on Line 28:

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

If Lines 27 and 28 are zero:

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



## Taxpayer Service and Information Center

Call (717) 787-8201 for PA Personal Income Tax help during normal business hours, 7:30 a.m. to 5 p.m.

## Services for Taxpayers with Special Hearing and/or

**Speaking Needs: 1-800-447-3020** (TT only)

## Automated 24-hour FACT & Information Line

**1-888-PATAXES (728-2937)** Touch-tone telephone service is required. 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/Rent Rebate claim.

## Online Customer Service Center

If you have Internet access, find the answer to your question by using the Department's Online Customer Service Center. Use the *Find an Answer* feature to search the database of commonly asked questions, and if you cannot find your answer instantly, submit your question to a customer service representative. Visit the Department's Web site at **www.revenue.state.pa.us** to use this new service.

## Free Income Tax Preparation Assistance

You can receive free assistance in preparing uncomplicated, non-business federal, state and local income tax returns through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Contact the Department's nearest district office for information, or call the Internal Revenue Service's toll-free number (1-800-829-1040) for the location of assistance sites. Taxpayers with modest incomes and senior citizens are urged to take advantage of these services.

## Language Services

Non-English-speaking taxpayers can receive assistance from the Department through an interpretation service. Assistance is available in 140 languages, including Spanish, Italian, German and most common languages, other than English, spoken in PA households.

## Español

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 2003. La asistencia esta disponible en 140 idiomas incluyendo español, italiano y alemán, además de inglés, los idiomas más comunes en los hogares del estado.

## E-Services Center at **www.revenue.state.pa.us**

The e-Services Center is the one location for all of the Department's electronic filing services. Through this Web site you can: file returns using **pa.direct.file**; make payments, including estimated payments; check the status of your return and refund; update your address; calculate penalty and interest; and pay tax due by credit card for PA Personal Income Taxes.

## Pennsylvania Personal Income Tax (PIT) Guide

The information in this booklet is sufficient for most taxpayers. Because Pennsylvania does not follow federal filing rules, the Department expanded the **PA PIT Guide** that explains Pennsylvania income tax, describes differences from federal rules and includes income and expense charts and worksheets that assist taxpayers and tax professionals. You can only obtain the complete **PA PIT Guide** from the Department's Web site.

## FORMS ORDERING SERVICES

To obtain PA Personal Income Tax forms and schedules, visit a Revenue district office, your library or post office, or use one of the following services.

**Automated 24-hour FACT & Information Line** (including most forms by fax): **1-888-PATAXES (728-2937)**.

In the Harrisburg area, call **717-772-9739**.

**NOTE:** Not all forms are available by fax.

## Automated 24-hour Forms Ordering Message

**Service: 1-800-362-2050.** This line serves taxpayers without touch-tone phone service.

**Internet: [www.revenue.state.pa.us](http://www.revenue.state.pa.us)**

Pennsylvania income tax forms, schedules, brochures, electronic filing options and other information are available on the Department's Web site.

**E-mail Requests: [ra-forms@state.pa.us](mailto:ra-forms@state.pa.us)**

**Written Requests: PA Department of Revenue  
Tax Forms Service Unit  
711 Gibson Blvd.  
Harrisburg, PA 17104-3200**

## Federal Tax Assistance

- Federal tax account or technical information and problem solving are available by calling: 1-800-829-1040.
- Recorded Tele-Tax Service on 150 federal tax topics or 2003 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).

## PA DEPARTMENT OF REVENUE DISTRICT OFFICES

**NOTE:** A district office's location may change. Please call to verify the address before visiting a district office.  
Office hours are 8:30 a.m. to 5 p.m.

### **Altoona**

(Blair, Centre, Fulton,  
Huntingdon and Mifflin)  
Ste. 204  
Cricket Field Plz.  
615 Howard Ave.  
Altoona, PA 16601-4867  
**(814) 946-7310**

### **Bethlehem**

(Lehigh and Northampton)  
44 E. Broad St.  
Bethlehem, PA 18018-5998  
**(610) 861-2000**

### **Bradford**

(Cameron, Elk, Forest,  
McKean, Potter and Warren)  
Ste. 2  
600 Chestnut St.  
Bradford, PA 16701-2292  
**(814) 368-7113**

### **Doylestown**

(Bucks)  
Ste. 104  
600 Louis Dr.  
Warminster, PA 18974-2847  
**(215) 443-2990**

### **Erie**

(Crawford and Erie)  
448 W. 11th St.  
Erie, PA 16501-1501  
**(814) 871-4491**

### **Greensburg**

(Westmoreland)  
Second Fl.  
15 W. Third St.  
Greensburg, PA 15601-3003  
**(724) 832-5386**

### **Harrisburg**

(Cumberland, Dauphin  
and Perry)  
Lobby  
Strawberry Sq.  
Harrisburg, PA 17128-0101  
**(717) 783-1405**

### **Indiana**

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

### **Johnstown**

(Bedford, Cambria, Clearfield and  
Somerset)  
Third Fl.  
345 Main St.  
Johnstown, PA 15901-1641  
**(814) 533-2495**

### **Lancaster**

(Lancaster and Lebanon)  
Ste. 201  
315 W. James St.  
Lancaster, PA 17603-2979  
**(717) 299-7581**

### **New Castle**

(Beaver, Butler, Lawrence,  
Mercer and Venango)  
103 S. Mercer St.  
New Castle, PA 16101-3849  
**(724) 656-3203**

### **Newtown Square**

(Chester and Delaware)  
Ste. 1  
90 S. Newtown Street Rd.  
(Route 252)  
Newtown Square, PA 19073-4090  
**(610) 353-4051**

### **Norristown**

(Montgomery)  
Second Fl.  
Stoney Creek Office Center  
151 W. Marshall St.  
Norristown, PA 19401-4739  
**(610) 270-1780**

### **Philadelphia**

(Philadelphia)  
Rm. 201  
State Office Bldg.  
1400 W. Spring Garden St.  
Philadelphia, PA 19130-4007  
**(215) 560-2056**

### **Pittsburgh**

(Allegheny)  
Rm. 104  
State Office Bldg.  
300 Liberty Ave.  
Pittsburgh, PA 15222-1210  
**(412) 565-7540**

### **Pottsville**

(Carbon and Schuylkill)  
115 S. Centre St.  
Pottsville, PA 17901-3047  
**(570) 621-3175**

### **Reading**

(Berks)  
Ste. 239  
625 Cherry St.  
Reading, PA 19602-1186  
**(610) 378-4401**

### **Scranton**

(Lackawanna, Monroe, Pike,  
Susquehanna and Wayne)  
Rm. 305  
Samters Bldg.  
101 Penn Ave.  
Scranton, PA 18503-1970  
**(570) 963-4585**

### **Sunbury**

(Columbia, Juniata, Montour,  
Northumberland, Snyder  
and Union)  
535 Chestnut St.  
Sunbury, PA 17801-2834  
**(570) 988-5520**

### **Washington**

(Fayette, Greene and  
Washington)  
Ste. 145 UL  
Millcraft Center  
90 W. Chestnut St.  
Washington, PA 15301-4549  
**(724) 223-4550**

### **Wilkes-Barre**

(Luzerne and Wyoming)  
Ste. 201  
Thomas C. Thomas Bldg.  
100 E. Union St.  
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 N. Duke St.  
York, PA 17401-1110  
**(717) 845-6661**

For forms and additional information, visit the Department's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us)

### **Temporary Department District Offices**

Each year the Department establishes temporary offices to help taxpayers. To see the list of office locations, visit the Department's Web site, or call the district office nearest you.



## 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 from an out-of-state location are 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 **Form PA-1, Individual Use Tax Return**. You can obtain this form from any Department of Revenue district office, from the Department's Web site or from one of the **Forms Ordering Services** on page 3.

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.

## TAXPAYERS' RIGHTS ADVOCATE

The Pennsylvania Department of Revenue has a Taxpayers' Rights Advocate who assists taxpayers with PA Personal Income Tax and PA Inheritance Tax problems and concerns that have not been resolved through normal administrative procedures. It is the Advocate's responsibility to ensure that the Department provides equitable treatment with dignity and respect. For more information concerning taxpayers' rights, request the Department's brochure **REV-527, Taxpayers' Bill of Rights**, from one of the **Forms Ordering Services** on page 3.

To contact the Taxpayers' Rights Advocate:

- Send e-mail to: **pataxadvocate@state.pa.us**
- Call: **717-772-9347**
- Write: PA Department of Revenue  
Taxpayers' Rights Advocate  
Strawberry Square  
Harrisburg, PA 17128

## BEFORE YOU BEGIN



Throughout this booklet you will see this symbol. This means that the **2003 PA PIT Guide** has additional detailed information concerning that topic. You can access this source from the Department's Web site at **www.revenue.state.pa.us**. The **2003 PA PIT Guide** also includes examples of completed PA tax returns, income and expense charts, and worksheets.

If you do not have internet access, you can call the 24-hour **Automated Forms Ordering Message Service** at 1-800-362-2050 and request the topic by providing the booklet name, page number and the topic name. **EXAMPLE:** To get detailed information on Lottery winnings, request: **PA-40, page 17, Gambling and Lottery Winnings**. Please allow two to three weeks for delivery.

### Filing Due Date

You must file before midnight, Thursday, April 15, 2004. The U.S. Postal Service postmark date on your envelope is proof of timely filing. You must report all taxable income received or accrued from Jan. 1, 2003, through Dec. 31, 2003.

If you cannot file by the due date, request an extension of time to file. Read the instructions on page 31. If you do not file your return by the due date, the Department imposes late filing penalties and interest charges.

### Who Must File a PA Tax Return?

If you are a PA resident, non-PA resident or a part-year PA resident, you must file a 2003 PA tax return if:

- You received total PA gross taxable income in excess of \$35 during 2003, 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.

If you are the executor, administrator, or other person responsible for the affairs of a decedent, you must file a PA tax return if the decedent met the above requirements.


## Supporting Schedules

PA tax laws generally do not follow federal rules, so you may not be able to use a federal schedule. You may have to submit a PA schedule for income or expenses even when you do not have to submit a schedule with your federal tax return. Read the instructions to determine when you must submit a Pennsylvania schedule, or when you can use a federal schedule. The Department exchanges information with the IRS. Failure to provide a schedule that the Department requires will delay the processing of your PA tax return.

## Assembling your PA-40

Arrange your documents in this order when submitting your 2003 PA tax return:

- Original **PA-40**. Do not send a photocopy of your **PA-40**.
- **PA Schedule W-2S**, photocopies of your Form(s) W-2 on an 8-1/2 X 11-inch sheet of paper (be sure the information is legible), or your actual Form(s) W-2.
- **PA Schedule MC**. You must submit photocopies of your Form(s) 1099R and other statements only when you have taxable distributions from a retirement plan or pension plan (see page 11) or the statements that show PA tax withheld.  
**NOTE:** Do not include copies of other Form(s) 1099 (such as 1099-DIV, 1099-INT, etc.), unless the forms show PA income tax withheld.
- **PA Schedule OC**, and the required supporting documents if claiming any of the business credits that PA law allows.
- **PA Schedule(s) RK-1, PA Schedule(s) NRK-1**. If you did not receive the **PA Schedules**, then submit Federal Schedule(s) K-1. See **PA S Corporation and Partnership Members** on page 14.
- All required Pennsylvania schedules and forms, including any additional sheets you prepared.
- All other required documents, including federal schedules (where the instructions allow the use of federal schedules), that explain the information you entered.
- Your **Form PA-V** and payment.

 **IMPORTANT:** Do not staple your check or money order to your **Form PA-V** or your **PA-40**.

## Entering Information

### Social Security Number(s)

Carefully write your SSN, and your spouse's SSN if married, in the boxes provided on your **PA-40**. You must enter your SSN, even if using your label. Please double-check your SSN.

## Privacy Notification

By law (42 U.S.C. §405(c)(2)(C)(i); 61 Pa. Code §117.16), the Pennsylvania Department of Revenue has the authority to use the SSN to administer the Pennsylvania Personal Income Tax and other Commonwealth of Pennsylvania tax laws. The Department uses the SSN to identify individual taxpayers and verify their incomes. The Department also uses the SSN to administer a number of tax-offset and child-support programs that federal and Pennsylvania laws require. The Commonwealth may also use the SSN in exchange of tax information agreements with federal and local taxing authorities. Pennsylvania law prohibits the Commonwealth from disclosing information that individuals provide on income tax returns, including the SSN(s), except for official purposes.

## Complete your PA-40 following these instructions:

Use your label if it is correct. If your label is not correct, or if you do not have a label, print your name and address. Print your P.O. box number only if the post office does not deliver your mail to your home. Otherwise, print your street address. If applicable, print your apartment number, suite number, room number, rural route, floor, etc. on the first line and your street address on line 2. **REMINDER:** Military personnel stationed abroad should use their APO or FPO address.

- Print in black ink. **DO NOT** use red or blue pen or pencil.
- Use UPPER CASE (CAPITAL) letters.
- Print one number or letter in each box.
- Leave a blank box between whole words. **DO NOT** leave a blank box or use a punctuation mark if your name, address, or city has Mc, Van, O, etc.
- Print your name(s).
- Print your correct address - print your P.O. box number only if the post office does not deliver your mail to your home.
- Print your apartment number, suite number, room number, rural route, floor, etc. on the first line and your street address on the second line.
- Fill in all appropriate ovals completely.
- **DO NOT** use correction fluid.

## GENERAL INSTRUCTIONS

### Keep Your Records

The Department has the statutory authority to verify and audit all of the amounts you report on your return and accompanying schedules. Maintain your books and records for at least four (4) years after filing, as evidence of the information you reported on your PA return.

### Daytime Telephone Number

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

### School Code and School District Name

You must enter the five-digit code and name of the school district where you lived on Dec. 31, 2003, even if you moved after Dec. 31, 2003. Do not enter the school district where you work. Using an incorrect code may affect your school district's funding. The lists of school district names and codes are on pages 34 and 35.

**NOTE:** If you were not a PA resident on Dec. 31, 2003, enter 99999.

### Extension of Time to File Your 2003 PA-40

Fill in this oval if you have an extension to file your 2003 PA Personal Income Tax return. Read the instructions on page 31.

### Amended Return

Fill in this oval only when you are amending your 2003 PA tax return. Please read the instructions on page 32.

### PA-40

If you choose not to use an electronic filing option, use the **PA-40**. Please read the instructions.

### Residency Status

If you are not sure that you were a resident of Pennsylvania during 2003, or that you are subject to PA Personal Income Tax for part of 2003, request the brochure **REV-611, Residency for PA Personal Income Tax Purposes**. The Department's Web site has links to instructions for nonresidents and part-year residents of Pennsylvania.

### (R) Resident

If you were a resident of Pennsylvania for all of 2003, fill in this oval. If you were a resident of Pennsylvania for all of 2003, you must report all income (losses) regardless of the source from which you earned, received or realized the income (loss).

### (N) Nonresident

If you were a nonresident of Pennsylvania for all of 2003, fill in this oval. PA law taxes nonresidents on the income earned, received, or realized from PA sources during 2003.

### (P) Part-Year Resident

If you lived in Pennsylvania for only part of 2003, fill in this oval. PA law taxes part-year residents on all income from all sources while a PA resident. You must also report all the income (loss) earned, received, and realized from PA

sources after (before) you permanently moved from (to) Pennsylvania.

### Students

The Department offers a special brochure for PA resident college students attending school outside Pennsylvania and for nonresident college students attending schools within this Commonwealth. Request **REV-758, PA Personal Income Taxes for College Students**.

### Filing Status

You do not have to file a PA tax return if you do not individually meet the requirements described under **Who Must File a PA Tax Return?** on page 5. If you do not live in Pennsylvania and do not have any PA-sourced income (loss), you do not have to file a tax return, even if married to someone who must file a PA tax return. If you are a PA resident who does not have any income (loss) that you must report on a PA tax return, you do not have to file in Pennsylvania, even if married to a person who must file a PA tax return.

Fill in the oval that described your status on Dec. 31, 2003.

### (S) Single

You must file as single if on Dec. 31, 2003:

1. You were not married; or
2. You divorced or became a widow or widower during 2003.

### (J) Married, Filing Jointly

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

1. Your taxable years end on the same date; and
2. Neither of you is individually claiming one or more of the credits on **PA Schedule OC**, see page 30; and
3. Your spouse is still living; and
4. Neither of you is individually liable for the payment of child or spousal support, or another liability to the PA Department of Public Welfare.

### Joint Income - Joint Returns

Married taxpayers can 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, securities, and real estate. Spouses usually equally 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, 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:

1. Your taxable years end on different dates; or
2. Either of you is claiming one or more of the credits on **PA Schedule OC**; or

3. Either of you is individually liable for the payment of spousal/child support, or another liability to the PA Department of Public Welfare; or
4. One of you is a PA resident and the other is not. However, you can file jointly if you both elect to file as PA residents and meet all other requirements for filing jointly. See Married, Filing Jointly on page 7.

#### (F) Final Return

Use this filing status if you lived in Pennsylvania during 2003, but permanently moved away and will not have any PA taxable income (or loss) in 2003. You will not receive a 2004 booklet. Provide the reason, such as you moved to another state. **REMEMBER:** Even after you move from Pennsylvania, you must report any PA taxable income you earned, received, or realized from PA sources.

#### (D) Deceased

Use this status if the taxpayer died in 2003. Enter the date of death. The Department will not send a 2004 tax booklet in the name of the decedent.

The surviving spouse, the executor, or other person responsible for the affairs of the decedent, uses this filing status to complete, sign, and file a separate **PA-40** for the decedent. The **PA-40** must report all the decedent's 2003 income, payments, and credits. The person signing the decedent's return must indicate his or her relationship to the decedent - surviving spouse, the executor, or person responsible for the affairs of the decedent.

#### Surviving Spouse

If the decedent was married, the surviving spouse should file a separate **PA-40**, and use the single (S) filing status. If the decedent made PA estimated payments, the surviving spouse may request **Form REV-459B, Consent to Transfer, Adjust, or Correct PA Estimated Personal Income Tax Account**, to reconcile the estimated payments to the separate PA tax returns. Request this form from the Department's Web site, or one of the **Forms Ordering Services** on page 3.

#### Taxpayer Passed Away After the Close of 2003

If a taxpayer passed away after Dec. 31, 2003, but before filing his or her 2003 PA tax return, the surviving spouse, executor, or other person responsible for the affairs of the decedent has the option to file the 2003 **PA-40** as:

- **Single**, for a single taxpayer. The Department will mail a 2004 PA tax booklet in the name of the decedent. The responsible person will then have to file a 2004 PA tax return for the decedent using the **Deceased (D)** filing status and report any income that the decedent, earned, received, or realized in 2004.
- **Married, Filing Jointly** for a married taxpayer. The Department will send a 2004 tax booklet in the names of the decedent and surviving spouse. On the 2004 **PA-40**, the surviving spouse or other responsible person must file a separate **PA-40** tax return for the decedent as **Deceased**, reporting any income that the decedent, earned, received, or realized in 2004.
- **Married, Filing Separately** for a married taxpayer. The Department will send a 2004 PA tax booklet in the name of the decedent and a separate 2004 PA tax booklet to the surviving spouse. On the 2004 **PA-40**,

the surviving spouse or other responsible person must file a signed separate **PA-40** for the decedent as **Deceased**, reporting any income that the decedent, earned, received, or realized in 2004.

#### Identification Label Change

Fill in this oval if any of the information on your label is wrong, or if you did not file a PA Personal Income Tax return last year.

#### Farmers

Fill in this oval if you derived at least two-thirds of your 2003 gross income from farming.

### PA INCOME TAX CLASSES

Regardless of how you file your federal tax return, you report your income (losses) in the PA income classes in which you directly earned, received, or realized the income (loss). Read the instructions for each income class.

Compensation – page 10

Interest – page 12

Dividends – page 13


Net Income (Loss) from the Operation of a Business, Profession, or Farm – page 14

Net Gain (Loss) from the Sale, Exchange, or Disposition of Property – page 14

Net Income (loss) from Rents, Royalties, Patents, or Copyrights – page 15




Income from Estates or Trusts – page 16

Gambling and Lottery Winnings – page 17


 **FILING TIP:** Generally for PA purposes, other or miscellaneous income is either compensation or business income. Read the instructions for Line 1a, Gross Compensation (on page 10), and for Line 4, Net Income, or Loss from the Operation of a Business, Profession, or Farm (on page 14).

#### TAXABLE INCOME FOR PA PIT PURPOSES:


The **PA-40 Line number** on which to report the income follows each item, and *Classify* means report the income in the appropriate PA income class based on all facts and circumstances.

- Employer provided fringe benefits, unless excludable (*Line 1a*)
- Sick pay and disability benefits that represent regular wages, such as sick leave pay (*Line 1a*)
- Allowances and reimbursements in excess of allowable employee business expenses (*Line 1a*)
- The value of property received as payment for services (*Line 1a*)
-  A discharge of indebtedness, unless specifically excludable from taxable income (*Classify*)
-  Damage awards and settlements to the extent that the payments represent back wages or another uncollected entitlement to PA taxable income (*Classify*)
-  Delay damages received in connection with a court judgment or settlement to the extent that the payments represent back wages (*Line 1a*)
- Honoraria (*Line 1a*)

- Compensation as fees for performing services as an executor or a director of a corporation (*Line 1a*)
- Income for performing services as an executor or director in the normal operation of your business or profession (*Line 4*)
- Severance pay (*Line 1a*)
- Incentive payments received for terminating employment before reaching normal retirement age (*Line 1a*)
- Awards and gifts given in recognition for, or given as a transfer of cash or property, in payment for past, present, or future service as an inducement to perform future services (*Line 1a*)
- Income for performing services as an executor or administrator of an estate (*Line 1a*)

 Covenants not to compete, or for refraining from the performance of services (*Classify*)


- Jury fees (*Line 1a*)
- Expert witness fees (*Line 1a*)

 Other income described in the PA income classes (*Classify*)

- Cash reimbursements for personal expenses, such as commuting and day care (*Line 1a*)



#### **INCOME NOT TAXABLE FOR PA PIT PURPOSES:**

- Social Security benefits and Railroad Retirement benefits

 Commonly recognized pension, old age, or retirement benefits paid after becoming eligible to retire, and retiring

- United Mine Workers Pension
- Military pension benefits
- Civil Service Annuity
- Public assistance and unemployment compensation
- Payments received under workers' compensation acts, occupational disease acts, or similar legislation; including Heart and Lung Pension
- Payments for injuries received while working, and damages received, whether by suit or otherwise, for personal injuries
- Sick pay and disability benefits, including payments by third party insurers for sickness or disability

**NOTE:** If your employer includes your payments for sickness, disability, and/or on-the-job injuries in box 16 of your Form W-2, provide a statement from your employer verifying the amount of these payments.

- Employer-paid group term life insurance premiums
-  Damage awards and settlements from physical injury or sickness - pain and suffering, emotional distress
- Child support
- Alimony
-  Inheritances, death benefits, and income in respect of a decedent (IRD) as defined for Federal Income Tax purposes
- Active-duty pay received from the U.S. Government for service outside Pennsylvania as a member of the Armed Forces (see page 31)
- Awards and gifts made from detached or disinterested generosity
- 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

#### **DIFFERENCES BETWEEN PA PIT AND IRS RULES**

##### **Jobs and Growth Tax Relief Reconciliation Act of 2003**

These federal changes do not apply to your Pennsylvania Personal Income Tax because PA PIT law does not have similar provisions.

##### **Depreciation**

**Bonus depreciation.** PA PIT law does not follow the federal allowances for additional depreciation expenses. You may not use either of the bonus depreciation elections enacted for federal purposes in 2002 and 2003. Increase your PA income by the difference between the bonus depreciation and the depreciation you take for PA PIT purposes, based on the generally accepted depreciation method you consistently use for your business or farm.

**Other depreciation expense differences.** You must adjust your federal expense for the difference between your federal depreciation and your depreciation for PA PIT purposes, based on the generally accepted method you consistently use. Pennsylvania allows ACRS, MACRS, and IRC sections 179 and 168(k) only to the extent allowable under the version of the Internal Revenue Code in effect at the time the property was placed in service or under section 179 of the Internal Revenue Code of 1986, whichever is earlier, but not any other accelerated method. Pennsylvania taxpayers may not use the enhanced small business expensing under the Jobs and Growth Tax Relief Reconciliation Act of 2003. The maximum deduction using IRC section 179 is \$25,000.

## PA-40 LINE INSTRUCTIONS



When you will see this symbol, visit the Department's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) and link to the **PA PIT Guide** for additional information on that topic.

Print numbers within the boxes in black ink. If you do not have an amount to enter on a line, leave the line blank. Printing zeroes or dashes will delay the processing of your PA tax return.

### Rounding Numbers

Round all amounts on your return and all schedules to the nearest whole dollar. Eliminate any amount less than \$0.50. Increase any amount that is \$0.50 or more to the next highest dollar. If rounding creates a \$1 liability, do not submit a payment.

### 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), and gambling and lottery winnings (Line 8) are gross taxable income classes. You may not deduct any expenses (such as travel or programs) to compute income in these classes.



### LINE 1a GROSS COMPENSATION

**Overview:** PA taxable compensation includes, but is not limited to: salaries; wages; tips; gratuities; commissions; bonuses; incentive payments; vacation and holiday pay; certain early distributions from retirement plans; and termination pay. The amount your employer reports in box 16 of your Form W-2 shows your PA taxable compensation. If you receive a Form 1099 or other statement, your PA taxable compensation is the gross amount that you received for performing services.

The amount in box 16 of your Form W-2 may be different from the amount in box 1. If you participate in an eligible employer-sponsored retirement plan, your PA compensation will be higher than your federal wages. PA law requires your employer to follow PA PIT rules to determine box 16. If you have any questions, contact your employer.

### W-2 Wage and Tax Statement

For reporting PA taxable compensation, you have these options:

1. Complete **PA Schedule W-2S, Wage Statement Summary**, see the instructions on page 20; or
2. Submit photocopies of each Form W-2 on 8-1/2 X 11-inch paper. You may photocopy more than one Form W-2 on each sheet, but the form must be legible; or
3. Submit your actual Form(s) W-2.

Report your PA compensation and withholding from each 2003 Form W-2 from each employer. Enter your PA taxable compensation from box 16 of your 2003 Form(s) W-2. Enter the state or PA wages from any other statements. Do not use

box 1, Federal Wages. Report your PA income tax withheld from box 17 of each Form W-2 on Line 13 of your **PA-40**.

### When to Submit Form(s) W-2

Submit a legible photocopy of each Form W-2 (keep the original for your records) and a written explanation if:

1. The PA compensation you enter on Line 1a of your **PA-40** is not the same as box 16 on your Form W-2.
2. Your employer gave you a handwritten Form W-2.
3. Your employer reported an incorrect amount on your Form W-2. You must also submit a written statement from your employer.
4. Your employer withheld PA income tax from your wages at a rate that is more than 2.8 percent (0.028).

**NOTE:** If in 2003 you were a resident of one of the **Reciprocal Compensation Agreement States** see below, you may submit either a legible photocopy of your Form W-2 or your actual 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 legible photocopies. Keep your original documents.

### Reciprocal Compensation Agreement States

Pennsylvania has agreements with Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. Generally, under these agreements, one state will not tax a resident of the other state on 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. File early so you will have your refund before the due date for paying your PA tax liability.



**IMPORTANT:** If you earn at least \$8,000 in the other state, under PA law you must make estimated payments. Please read the information on page 31. If this is your situation, you are liable for Estimated Underpayment Penalty on Line 26. Please read the instructions for Line 26 on page 18.

If you are a resident of a reciprocal agreement 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 13. Submit a legible photocopy of your Form W-2, a signed copy of the resident income tax return that you filed/will file with your resident state (without the supporting forms and schedules), and a statement explaining that you are a resident of a reciprocal agreement state.

### Reimbursable Expenses/Cash Reimbursements for Personal Expenses

PA allowable employee expenses are not always the same as allowable federal business expenses. Read the



instructions on page 21. You must be able to substantiate travel expenses as to time, place, and business purpose.

Report all reimbursements and allowances paid by your employer as compensation unless you meet **all three** of the following requirements:

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.

If you receive a fixed-mileage allowance or a per-diem living expense allowance that does not exceed applicable federal limits, you meet these requirements. Do not report these expenses on **PA Schedule UE**.

### **Retirement, Pensions, and Deferred Compensation Eligible Employer-Sponsored Retirement Plan**

Pennsylvania does not impose the Personal Income Tax on commonly recognized retirement income from eligible employer-sponsored retirement plans. Eligible employer-sponsored retirement plans can, but do not necessarily, include employer-sponsored deferred compensation plans; pension or profit-sharing plans; 401(k) plans; and employee welfare plans. Eligible nonemployer-sponsored retirement plans can, but do not necessarily, include individual retirement accounts (IRAs) and Roth IRAs.


### **Contributions**

The contributions you make to your employer's sponsored retirement plan are PA taxable compensation, even if your contributions are not taxable for federal purposes. Ask your employer or plan administrator if your employer's retirement plan is an eligible plan for Pennsylvania Personal Income Tax 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-41, PA Fiduciary Income Tax return**.

### **Individual Retirement Account 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 59-1/2 are taxable even if you receive substantially equal payments, and you do not pay the federal 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 because 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.

### **Distributions**

If you withdrew from your retirement or pension fund, and received a Form 1099R, you may have PA taxable compensation if:

1. Your retirement plan is not an eligible Pennsylvania retirement plan; or
2. If you have not reached the retirement age or years of service requirements under such eligible Pennsylvania retirement plan.


### **Federal Form 1099R**

The **PA PIT Guide** contains a table which cross-references the information on the Form 1099R with its corresponding PA PIT treatment. PA PIT law does not follow federal law concerning early retirement options for Individual Retirement Accounts, IRC section 401 plans, 403 plans, and other federally qualified plans. To determine if the amount you received is taxable in Pennsylvania, review boxes 1 through 3 (the amount you received or your distributions) and the PA PIT treatment of box 7 (the codes that

will help determine the taxability of your distribution). The Federal Codes contained in box 7 of Form 1099R include:

### Code 1 & 2 Early Distribution

This distribution is taxable for PA purposes, **unless**: (1) your pension or retirement plan was an eligible plan for PA PIT purposes, and (2) you retired after meeting the age conditions of the plan or years of service conditions of the plan. If your plan was not an eligible plan, or if you have not attained the age or years of service required under the plan to retire, you must determine the PA taxable amount of your distribution. You must use the cost recovery method. This means that you previously paid PA income tax on your contributions to the plan. Therefore, Pennsylvania will not tax your distributions until you have received (recovered) an amount equal to your previously taxed contributions. Consult your plan administrator as to your previously taxed contributions to the eligible Pennsylvania retirement plan.

 **IMPORTANT:** If you are not sure whether your plan was an eligible retirement plan under PA PIT law, ask your plan administrator.

### Code 3 or 4 Death/Disability Distribution

This is a distribution due to death and/or disability. A distribution due to death is not taxable for PA purposes. A distribution due to disability generally is not taxable for PA purposes.

### Code 7 Normal Distribution

This distribution from an eligible Pennsylvania retirement plan is not taxable if you met the plan requirements (the age and/or years of service required by the plan) for retirement, and retired after meeting those requirements.

### Code G or H Rollover


This is a rollover from one qualified fund to another and is not taxable for PA purposes. See **IRA Distributions** below.

### Boxes 8 or 9b

Distributions listed in these boxes are distributions from an insurance policy or annuity purchased for your retirement. Such distributions are not taxable if: (1) your insurance policy or annuity was from an eligible plan for PA PIT purposes; and (2) you retired after meeting the age or years of service conditions of such eligible plan. If you do not meet these requirements, the taxation of your distributions must be determined under the cost recovery method. This distribution is taxable as a gain on **PA Schedule D**, not compensation on Line 1a.

### **IRA Distributions (60 day rollover rule)**

If you received a distribution from an IRA (before age 59-1/2 and retiring) and rolled the entire distribution (100 percent) into a Roth IRA directly, or within 60 days, the distribution is not taxable income for PA purposes. If you did not roll the entire distribution into another IRA, you must report PA taxable income to the extent the distribution exceeds your previously taxed contributions.

 **IMPORTANT:** If you are 59-1/2 years of age, but did not retire, you must report your IRA distributions on a cost recovery basis until you retire. If you retired, but did not

reach age 59-1/2, you must report your distributions on a cost recovery basis until you reach age 59-1/2.


### **Annuities**

See Annuities on page 15.

## **LINE 1b. UNREIMBURSED EMPLOYEE BUSINESS EXPENSES**

Review the instructions for allowable employee business expenses beginning on page 21. Determine if you are allowed to deduct expenses from your PA taxable compensation. Follow the instructions. PA law does not follow federal law for allowable employee business expenses. **EXAMPLE:** You may deduct 100 percent of your PA allowable expenses on the **PA Schedule UE**.

If claiming expenses on **PA Schedule UE**, briefly describe your occupation or job in the space provided. If your spouse also has expenses, describe his or her occupation or job on a separate **PA Schedule UE**.

 **IMPORTANT:** The Department has the legal authority to request evidence that your expenses are allowable for PA purposes.

## **LINE 1c. NET COMPENSATION**

Subtract Line 1b from Line 1a.

## **EDUCATION SAVINGS ACCOUNTS Qualified IRC Section 529 Plans (Private or Another State)**

Withdrawals from private programs and programs of other states are taxable income for PA PIT purposes, even when used for education. You report the income on **PA Schedule A** as interest income, on **PA Schedule B** as dividend income, or on **PA Schedule D** as a gain. The class of income depends on the organization of the program. Review the contract and other information, and determine the proper PA income class. You use cost recovery accounting to report your income. This means that you do not report any interest income, dividend income, or a gain until you first recover your previously PA-taxed contributions to the program, or contributions made to the plan when you lived in another state.

### **Pennsylvania Tuition Account Program (TAP)**

If you use the proceeds from a PA TAP account for qualified education expenses, the income your contributions earned while in the TAP is not taxable for PA PIT purposes. However, when you or your beneficiary do not use the proceeds for qualified education expenses, or when you terminate the plan early, you report the income on **PA Schedule A** as interest income, on **PA Schedule B** as dividend income, or on **PA Schedule D** as a gain, depending upon which PA TAP option you selected. Use cost recovery accounting, as described above, to determine your PA taxable income.

## **LINE 2. INTEREST INCOME**

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. Include interest income from personal savings and checking accounts, insurance contracts, obligations of

other states (not Pennsylvania), and investments. If your interest income is more than \$2,500, complete and submit **PA Schedule A**. See the instructions on page 24.

Do not report interest income from direct obligations of the U.S. Government, the Commonwealth of Pennsylvania, and political subdivisions of Pennsylvania. For a list of exempt obligations, obtain **Form REV-1643, Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes**, from one of the **Forms Ordering Services** on page 3.

#### **How to Classify Interest Income**

You must classify interest, regardless of how you report the income for federal purposes. Report personal interest on Line 2. Otherwise, include interest:

- From business accounts, working capital interest, and accounts receivable in determining profit (loss) on a PA business schedule;
- From installment sales on **PA Schedule D-1**; and
- From rental security deposits in determining income (loss) on **PA Schedule E**.

#### **Money Market Funds, Mutual Funds, and Other Investment Companies - Distributions**

Include these distributions as dividend income on Line 3.

#### **Forfeited Interest Penalty**

You may offset the 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 the related interest income, you may report the excess as a loss on **PA Schedule D**.

### **LINE 3. DIVIDEND INCOME**

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 **PA Schedule B**. See instructions for this schedule on page 24.

#### **How to Classify Dividend Income**

You must classify dividend income, regardless of how you report the income for federal purposes. Report personal dividends on Line 3. Otherwise, include dividend income from business accounts and working capital dividend income in determining profit (loss) on your PA business schedule.


#### **Capital Gains Distributions**

Report capital gains distributions from your mutual funds and regulated investment companies as PA taxable dividend income, even though you report such distributions as capital gains on Federal Schedule D.

#### **PA Resident Shareholders in Another State's S Corporation that is not also a PA S Corporation**

If you are a shareholder in another state's Subchapter S corporation, and that corporation did not elect PA S status, include the cash or property you actually received out of the corporation's earnings and profits as dividend income on Line 3. If you received distributions in excess of the corporation's earnings and profits, report these distributions

on **PA Schedule D**. Do not report the amount of your distributable income, and do not submit the Federal Schedule K-1. A shareholder may not claim a credit for income tax paid to another state by an S corporation that did not elect PA S status.

 **FILING TIP:** You must include nontaxable interest and dividends as Eligibility Income on **PA Schedule SP**.

### **REPORTING NET INCOME, GAINS, AND LOSSES ON LINES 4, 5, AND 6 ONLY**

Under PA law, losses may only be reported on Lines 4, 5, and 6. If entering a loss, fill in the oval next to the line.

#### **REMEMBER:**

- 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.
- Spouses, whether filing jointly or separately, may not use each other's expenses to reduce income or offset each other's income and losses.

If you are married, you and your spouse may file a joint **PA-40** for convenience only. PA PIT law does not provide any advantage when filing a joint return. PA PIT law does not allow spouses to offset income and losses with each other, even when both have activity in the same income class. You must follow these rules:

1. If each realizes a net profit, gain, or income, add the net income amounts together and report that total on the appropriate line.
2. If each realizes a net loss, add the net losses and report that total on the appropriate line. Fill in the oval next to that line.
3. If one spouse has a net profit, income, or gain and the other spouse has a net loss, report only the net income on the appropriate line.

#### **EXAMPLES:**

**Line 4.** 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 received \$35,000 on his **PA Schedule RK-1**. They jointly owned a small retail store and realized a loss of \$8,000. They report \$32,000 on Line 4 from Mary's net income of \$1,000 (\$5,000 less her half of the \$8,000 loss), plus Ben's net income of \$31,000 (\$35,000 less his half of the \$8,000 loss).

**Line 5.** 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 that 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.

**Line 6.** They jointly owned a rental property and realized a loss of \$2,000. Mary was a partner in a rental partnership and her share of the partnership's loss was \$1,000. Ben's PA S corporation realized a loss from its rental operations. 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.

**PA Taxable Income.** On their jointly filed **2003 PA-40**, they report total taxable income of \$38,000: Line 4 of \$32,000 and Line 5 of \$6,000, not taking into consideration their Line 6 loss of \$7,000.

## PA AND FEDERAL SCHEDULES

Submit a schedule for each amount on Lines 4 through 7. Submit PA schedules, unless it is noted in the instructions that you can use federal schedules for PA PIT purposes. Read the instructions for each income class carefully.

**CAUTION:** If you do not provide required schedules, the Department may delay processing your tax return.

## PA S CORPORATION AND PARTNERSHIP MEMBERS

**PA Schedules RK-1 and NRK-1.** A resident that is a shareholder of a PA S corporation or a partner in a partnership should receive a **PA Schedule RK-1**. A non-PA resident PA S corporation shareholder or a partner should receive a **PA Schedule NRK-1**. These schedules show your share of income (loss) for each PA income class. If you received any guaranteed payments, you add those payments to your share of income (loss) as shown on your Pennsylvania schedules. The PA S corporation or partnership deducts all allowable expenses and other allowable adjustments. If your PA S corporation or partnership requires that you incur direct business expenses, and the expenses are allowable unreimbursed expenses for PA purposes, you must itemize them on a separate statement. You cannot deduct any personal expenses or expenses that you incur for your own convenience.

**PA Resident Shareholder and/or Partner.** You must report your share of income whether distributed or not as shown on the **PA Schedule RK-1** that your PA S corporation or partnership provided. You must submit a copy of each **PA Schedule RK-1**. If the partnership does not provide a **PA Schedule RK-1**, you still must report and classify the income (loss) from the Federal Schedule K-1 according to the instructions for each PA income class.

**Non-PA Resident Shareholder and/or Partner.** If the entity in which you are a member has PA source income (loss), you must report your share of your classified PA taxable income whether distributed or not as provided on the **PA Schedule NRK-1** that your PA S corporation or partnership provides. You must submit a copy of each **PA Schedule NRK-1**. If the partnership does not provide a **PA Schedule NRK-1**, you still must report and classify the income (loss) from your Federal Schedule K-1 according to the instructions for each PA income class.

## LINE 4. NET INCOME (LOSS) FROM THE OPERATION OF A BUSINESS, PROFESSION, OR FARM

- Report all income (losses) from business, farm, partnership, and PA S corporation schedules.
- You may offset your own income against your own loss or losses from other business activities.
- If reporting a total net loss, fill in the oval next to Line 4 on your **PA-40**.

For PA purposes, determine net income (loss) under accepted principles and practices of the accounting profession. Report your net income (loss) from an unincorporated business or profession on **PA Schedule C**. File a **PA Schedule C** or a **PA Schedule F** using your separate books and records for PA purposes. You may be able to submit a **PA Schedule C-EZ**, if you file a Federal Schedule C-EZ.

**NOTE:** These PA schedules are not in this booklet. You can obtain the schedule(s) you need from one of the **Forms Ordering Services** on page 3.

If you do not maintain separate books and records for Pennsylvania, you may submit your federal schedule with your **PA-40**, only if you do not have to adjust your federal amounts to comply with the specific differences between federal law and PA law.


Generally, you must adjust your federal amounts for PA PIT purposes. These adjustments can increase or decrease your PA taxable income (loss). You must maintain appropriate records of such adjustments. Submit a **PA Schedule C-F**, and make the income and/or expense adjustments that PA PIT law requires. Please read the instructions on page 25. If you use **PA Schedule C-F**, do not submit your federal schedule.

If you submit a Federal Schedule C or F, you must itemize and show your adjustments for PA purposes.

To obtain detailed information about federal and Pennsylvania differences and adjustments, visit the Department's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us).

## LINE 5. NET GAIN OR LOSS FROM THE SALE, EXCHANGE, OR DISPOSITION OF PROPERTY

Report your gain (loss) from each sale, exchange, or disposition of any kind of intangible property and any real or tangible property. Report your share of the gains (losses) from a PA S corporation or partnership in which you are a member. Report your total net gains (losses) on **PA Schedule D**.

 **IMPORTANT:** PA law does not distinguish between long-term and short-term gain (losses) or have provisions relating to casualty losses, sales to related parties, and nonrecognition of gains (losses) under IRC section 1031 (like-kind exchanges). PA PIT law does not allow the installment sale method of reporting for the sale of intangible property, such as stock.

You may offset your own net gains against your own losses in determining this line. If married and you both have income (losses) in this class, see **REPORTING INCOME, GAINS, AND LOSSES ON LINES 4, 5, AND 6** on page 13. If you realize an overall net loss, fill in the oval next to Line 5 on your **PA-40**.

On **PA Schedule D**, report gains (losses) from selling:

- Land and buildings
- Properties held for investment, including rental properties
- 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 in a transaction that is not an ordinary or recurring business transaction
- Obligations of other states and countries

Also, include on **PA Schedule D** the following:

- Amounts from **PA Schedules D-1, D-71, D (P/S), RK-1, and NRK-1**.
- Amounts from a retirement annuity. See **Annuities** below.
- Proceeds from an insurance company demutualization.
- Sales of inherited property. The basis of inherited property is its fair market value at the date of death.
- A distribution from a C corporation (other than a dividend) that exceeds your adjusted basis in that corporation. Please see the instructions for Line 4 of **PA Schedule D** on page 26.
- A distribution from a Pennsylvania Tuition Account Program (TAP). Please see page 12.
- A distribution from an education savings program (whether private or another state), whether used for education or not. Please see page 12.
- A distribution from a Medical Savings Account - you report the same amount that is taxable for Federal Income Tax purposes.
- A nonqualifying sale of your principal residence - obtain **Form PA-19, Sale of a Principal Residence**.
- A distribution from a partnership or PA S corporation (other than dividends) that represents a return of your investment in that entity. You must determine if such a distribution results in a taxable gain by completing and submitting the **PA Schedule D (P/S)**. Request this schedule from one of the **Forms Ordering Services** on page 3.

### Loss on the Disposition of Property

PA law recognizes a loss only on a transaction entered into for profit, and only in the year in which an identifiable event closed and completed the transaction and fixed the amount of the loss so there is no possibility of any eventual recovery. Do not report a loss on the sale of property that you did not acquire for profit, such as a personal car, furniture, or a qualifying sale of your principal residence.

### Capital Gain Distributions

Report capital gain distributions received from mutual funds and other regulated investment companies as PA taxable dividend income, even though you report such distributions as capital gains on Federal Schedule D.

### Annuities

If you invested 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, use the cost-recovery method to report the taxable gain.

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

Do not report the gain (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; and
- 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

Report the gain (loss) realized on the sale, exchange, or disposition of the above obligations, if the original issue date was on or after February 1, 1994. Report all such gains and use any losses to offset other gains.



**IMPORTANT:** You must report all such gains and can use any losses to offset other gains.

### Sale of Your Principal Residence

If you sold your principal residence in 2003 and meet the requirements for the 100-percent gain exclusion, do not report the sale on your **PA-40**. This exclusion is not identical to the federal exclusion. Generally, if during the five years preceding the sale of your home, you owned it for at least two years, and used it as your principal residence for at least two years, you are eligible for this exclusion.

For a complete explanation of this exclusion, request the brochure **REV-625, Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes**, and **Form PA-19, Sale of a Principal Residence**.

**CAUTION:** If you sold your principal residence, but you do not qualify for the exclusion, report your gain on **PA Schedule D**. If you realized a loss, enter zero on **PA Schedule D**.

### LINE 6. NET INCOME (LOSS) FROM RENTS, ROYALTIES, PATENTS, OR COPYRIGHTS

Rental income includes the amounts you receive for the use of, or the right to use, your real or personal property.


Royalty income includes the amounts you receive for the extraction of coal, oil, gas, or other minerals in place, and the amounts that you receive for the use of your patents, copyrights, secret processes, formulas, goodwill, trademarks, trade brands, franchises, and similar property.

Gross rents and royalties include all items of gross receipts as described above 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.

Report the total income (loss) from all **PA Schedules E** and all **PA Schedules RK-1** or **NRK-1**. Generally, you must use **PA Schedule E**. You may use Federal Schedule E, if using only Part I, and you must make the following adjustments:

- Report passive rental/royalty loss in full, rather than carry it over to future years.
- Add any capital gains/distributions.
- Do not take any depreciation expense on Sales Tax that you elected to currently expense for PA PIT purposes.
- Optional: Deduct Sales Tax on acquired property as an expense currently rather than add it to the basis of the property as required for federal purposes.

 **IMPORTANT:** If you currently expense such Sales Tax, the basis of that property will differ from the federal basis, and you must adjust your depreciation expense accordingly. You cannot expense Sales Tax and still take depreciation on the Sales Tax. If you do not expense Sales Tax, you may add such Sales Tax to the cost basis of the property and depreciate the aggregate cost plus Sales Tax.

- You must separately show your share of any rental or royalty gain (loss) that you realize as a partner, a shareholder of a PA S corporation, or other entity.

You may only offset your own net income and losses in determining the amount to report on this line. If married and you both have income (losses) in this class, see **REPORTING INCOME, GAINS AND LOSSES ON LINES 4, 5, AND 6** on page 13. If you realize a total net loss, fill in the oval next to Line 6 on your **PA-40**.

**CAUTION:** Generally, PA follows IRC section 280A 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 a loss. If you rent or lease your property to realize a profit, read the description of **Rental Income (Loss) on Line 6 or Net Profit (Loss) on Line 4** below to determine if you have a business activity that you should report on **PA Schedule C**.

#### **Rental and Royalty Receipts and Allowable Expenses**

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.

See the **PA Schedule E** instructions on page 27 for the allowable expenses. You may not deduct expenses for your own labor, capital investment, or capital improvements. You recover costs associated with capital improvements through depreciation deductions. You may not deduct personal expenses or that part of any expense that is personal.

#### **Rental Income (Loss) on Line 6 or Net Profit (Loss) on Line 4**

Rental activity may be a business activity. You report your net profit (loss) on a **PA Schedule C**, when:

1. You offer the use of your property on a commercial basis to others in a marketplace; and

2. You provide significant services (see below) to the lessee primarily for the lessee's convenience, and not customarily provided in connection with renting property; and
3. At least one of the following three (3) conditions applies:
  - (a) The average period of customer use is 30 days or less; or
    - i. Your property is customarily made available for use only during defined business hours; or
    - ii. You incur significant operating expenses in making the property available for lease; or
    - iii. The leasing activity is incidental to a real estate sales business; and
  - (b) You offer the use of your property intending to realize a profit; or
  - (c) The leasing of your property is a regular and continuous activity.

#### **Significant Services**

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.

#### **Rental Income (Loss) on Line 6 or Net Gain (Loss) on Line 5**

##### **Lease with an Option to Buy**

A lease with an option to buy may be a purchase contract under accepted accounting principles and practices. If it is, the payments you received under the contract are payments of the purchase price and are not includable as rental income. Report such income on **PA Schedule D**.


##### **Selling Mineral Interests, Patents, or Copyrights**

If you gave up all rights to mineral interests, patents, or copyrights, the amounts you received are considered payments for the sale or exchange of property. Report such income on **PA Schedule D**.

#### **LINE 7. ESTATE OR TRUST INCOME**

As a beneficiary of an estate or trust, you report the total PA taxable income that the estate or trust must distribute, pay, or credit to its beneficiaries on **PA Schedule J**. You cannot report a loss as a beneficiary for PA purposes.

**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 included interest and/or dividend income on your Federal Schedule B, report that income 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 such a trust, report the income/loss that you constructively received in each PA income class in

which you earned, received, or realized the income/loss. Do not report the amounts on **PA Schedule J**. If submitting supporting schedules and statements showing the name of the trust, write **REVOCABLE** clearly on the schedule.

#### **Grantor Trust**

A grantor trust generally files a **PA-41**. The beneficiaries of the trust, including the grantor, if he/she receives income from the trust, report the income as beneficiaries on their **PA Schedules J**. However, the person (settlor) who established the revocable trust (including grantor trusts that are revocable) does not file a **PA-41** if, under the governing instrument, he/she retains authority to:


1. Completely revoke the trust without the declaration of new uses or the consent of any other party; and
2. Revest in himself/herself the legal title to the corpus of the trust, without the consent of any other party.

In this case, the settlor reports the income/loss in the appropriate income class or classes on his/her **PA-40**.

#### **LINE 8. GAMBLING AND LOTTERY WINNINGS**

PA law taxes residents on all gambling and lottery winnings from any source, except prizes from playing the PA Lottery. As a PA resident, you must include lottery winnings from other states and countries. PA law does not tax nonresidents on winnings from gambling and lottery activities within Pennsylvania.

You may only deduct losses from gambling and lottery against winnings. Do not deduct any expenses, such as travel, meals, lodging, etc. that you incurred to take part in gambling and lottery activities. Submit an itemized statement explaining your gambling and lottery winnings.

 **IMPORTANT:** Prizes of the PA Lottery are not taxable, and you may not deduct the cost of PA Lottery tickets from other PA taxable gambling and lottery winnings.

#### **Powerball**

If you are a PA resident and purchase a Powerball ticket in another state, any prize you win is PA taxable gambling and lottery winnings. If you purchase a Powerball ticket in Pennsylvania, whether a PA resident or not, prizes of the Powerball game are not taxable.

#### **LINE 9. TOTAL PA TAXABLE INCOME**

Add only the positive income amounts from Lines 1c through 8. Do not add, subtract, or take into consideration losses.

**IMPORTANT:** You cannot use a loss that you report in one income class on your **PA-40** to reduce income in any other class.

#### **LINE 10. 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.

**CAUTION:** Do not report any medical insurance premiums or itemized medical expenses from Federal Schedule A on this line.


#### **LINE 11. ADJUSTED PA TAXABLE INCOME**

Subtract Line 10 from Line 9.

#### **LINE 12. PA TAX LIABILITY**


Multiply Line 11 by 2.8 percent (0.028).

## **PAYMENTS AND CREDITS**


 When you see this symbol, visit the Department's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) and link to the **PA PIT Guide** for additional information on that topic.

#### **LINE 13. TOTAL PA TAX WITHHELD**

Enter your total PA tax withheld from your **PA Schedule W-2S** or from box 17 of your Form(s) W-2.

 **IMPORTANT:** If your PA tax withheld is more than the annual 2003 PA PIT rate, you must submit your Form W-2, or a legible photocopy, and a written explanation why your employer withheld at a rate higher than 2.8 percent (0.028). The Department may also request an explanation from your employer.


#### **Estimated Payments and Credits**

 **FILING TIP:** Call the Department's **FACT and Information Line at 1-888-PATAxes (1-888-728-2937)** or visit the e-Services Center on the Department's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) and verify your 2003 PA estimated payments and credit before completing Lines 14, 15, and 16. If filing separately with a joint estimated account, the Department may delay one return until the other processes. If your estimated payments are not properly posted to your accounts, request and file **Form REV-459B, Consent to Transfer, Adjust, or Correct PA Estimated**

**Personal Income Tax Account.** Follow the instructions. Both spouses must sign this form. The Department will apply your estimated payments according to your written request.


#### **LINE 14. CREDIT FROM YOUR 2002 PA INCOME TAX RETURN.**

Enter your credit from your 2002 **PA-40**.

 **IMPORTANT:** Do not claim the credit if you originally requested a credit to your 2003 PA estimated account, but later requested a refund, or if you received a refund from the Department.

#### **LINE 15. 2003 ESTIMATED INSTALLMENT PAYMENTS**

Enter your total 2003 estimated payments. Include your spouse's 2003 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.

**LINE 16. 2003 EXTENSION PAYMENT**

Enter the payment you made with your 2003 extension request.

**LINE 17. NONRESIDENT TAX WITHHELD – Nonresident Shareholders of PA S Corporations and Nonresident Partners ONLY**

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

**LINE 18. TOTAL ESTIMATED PAYMENTS AND CREDITS**

Add only Lines 14, 15, 16, and 17.

**TAX BACK/Tax Forgiveness Credit**

Transfer the amounts for these lines from the **PA Schedule SP** that you submit with your PA tax return:

**LINE 19A FILING STATUS** from Part A

**LINE 19B. DEPENDENT CHILDREN** from Part B, Line 2

**LINE 20. TOTAL ELIGIBILITY INCOME** from Part C, Line 11

**LINE 21. TAX BACK/TAX FORGIVENESS CREDIT** from Part D, Line 16

**LINE 22. RESIDENT CREDIT**

Enter your total allowable PA PIT credit for personal income tax that you paid to another state(s) or country. You must:

- Submit a **PA Schedule G** and a signed photocopy of each tax return that you filed in another state or country.
- If a shareholder or partner, you must also submit your **PA Schedule(s) RK-1**. Your PA S corporation or partnership submits the **PA Schedule G** and other state's return with its **PA-20S/PA-65 Information Return**.

**PA Resident Shareholders in Another State's S Corporation**

PA law does not permit a Resident Credit if you are a shareholder in another state's Subchapter S corporation if that corporation is not also a PA S corporation. See page 13.

**LINE 23. TOTAL OTHER CREDITS**

Enter the total of the allowable credits you can claim on **PA Schedule OC**. See page 30.

**LINE 24. TOTAL PAYMENTS AND CREDITS**


Add Lines 13, 18, 21, 22, and 23.

**LINE 25. TAX DUE**

If Line 12 is more than Line 24, enter the tax you owe. You must pay the tax due, in full, on or before April 15, 2004. See the instructions for Payment Options on Page 19.

**PAYMENT OPTIONS****LINE 26. PENALTIES AND INTEREST**


Enter all the penalties and interest you owe from underpaying your estimated taxes, filing your return late and/or failing to pay your return by the due date.

 **IMPORTANT:** If you do not owe any penalty or interest, do not complete Line 26 – leave it blank.

**Estimated Underpayment Interest Penalty.**


PA law requires that taxpayers make estimated PA PIT payments if they earn, receive, or realize more than

\$8,000 of PA taxable income that was not subject to Pennsylvania tax withholding by an employer. If you have that amount of taxable income, and did not timely prepay at least ninety percent of your tax liability by the due dates as described in the instructions for making estimated payments in **Form REV-413I**, you are liable for estimated underpayment penalty. PA law does provide specific exceptions (safe harbors) to this penalty. You calculate this penalty at the applicable interest rates on **Form REV-1630, Underpayment of Estimated Tax by Individuals**. Read the instructions on **Form REV-1630** to determine if you owe this penalty.

 **IMPORTANT:** Request **Form REV-1630** for each specific tax year for which you owe penalty. Use one of the **Forms Ordering Services** on page 3 or visit the Department's Web site.

**NOTE:** It is possible that you could owe this penalty even if you do not owe any 2003 PA tax on your **PA-40**.

**Late Filing and Underpayment Penalty and Interest.** If you pay your tax after the due date, you must also pay applicable penalty and interest, see page 32. You can obtain the applicable interest rates for filing in 2003 by visiting the Department's Web site and downloading **Form REV-1611 INTEREST RATE AND CALCULATION METHOD FOR ALL TAXES DUE AFTER JANUARY 1, 1982**. Include the applicable penalty and interest on Line 26. The Department will apply your payment to tax, interest, and penalty as prescribed by PA law.


 **FILING TIP - LINE 26:** You can calculate any penalty and interest that you owe by visiting the Department's e-Services Center at [www.revenue.state.pa.us](http://www.revenue.state.pa.us).

**LINE 27. TOTAL PAYMENT**

Add Lines 25 and 26. This is the amount due with your **2003 PA-40**. The Department does not require a payment for \$1 or less.


**LINE 28. OVERPAYMENT**

Add Line 12 and any amount on Line 26. If Line 24 is more than this total, enter the difference as your overpayment. The Department does not authorize a refund or credit for less than \$1 or less.

 **IMPORTANT:** If you overpaid your 2003 PA income tax, but owe estimated underpayment penalty, subtract your estimated underpayment penalty from your overpayment when completing Line 28.

**Refund Offsets**

- **PA PIT Liability.** The Department will apply your overpayment to any outstanding PA Personal Income Tax liability from a previous tax year.
- **Delinquent Spousal/Child Support.** Federal law requires Pennsylvania to establish a child-support offset program. The Department of Revenue, in cooperation with the Department of Public Welfare (DPW), intercepts PA income tax refunds of taxpayers that are delinquent in spousal/child support, and provides the offsets to the PA Child Support Enforcement System (PACSES).

 **IMPORTANT:** A married person who is liable for spousal/child support must file a separate PA tax return (Married, Filing Separately). If a married person who is liable for support files jointly with his or her

spouse, the Department will delay the refund until the taxpayers authorize the Department to pay over the refund to DPW, or the spouses file separate returns. If the taxpayers do not reply to the Department's notice, the Department will process the return as Married, Filing Jointly.

**Treasury Offset Program for Delinquent PA Income Taxes.** The Internal Revenue Service (IRS) will intercept Federal Income Tax refunds for delinquent PA income tax liabilities. The Department of Revenue will notify delinquent taxpayers about its intention to intercept their federal refund and allow them 60 days to pay their liabilities.

### **LINES 29 THROUGH 35. APPLICATION OF OVERPAYMENT**

If you do not enter amounts on Lines 29 through 35, or the total of these lines does not equal Line 28, you will receive a refund check. If you overpaid, you may apply all or part of your overpayment as follows:

**LINE 29.** Enter the amount of Line 28 that you want as a **refund check**.

**LINE 30.** Enter the amount of Line 28 that you want as a credit to your **2004 PA Estimated Tax Account**.

### **DONATIONS**

**LINE 31.** Enter the amount of Line 28 that you want to donate to the **Wild Resource Conservation Fund**.

**LINE 32.** Enter the amount of Line 28 that you want to donate to the **U. S. Olympic Committee**.

**LINE 33.** Enter the amount of Line 28 that you want to donate to the **Governor Robert P. Casey Memorial Organ and Tissue Donation Awareness Trust Fund**.

**LINE 34.** Enter the amount of Line 28 that you want to donate to the **Korea/Vietnam Memorial Inc.**

**LINE 35.** Enter the amount of Line 28 that you want to donate to the **Breast and Cervical Cancer Research Fund**.

The total of Lines 29 through 35 must equal Line 28. For additional information about these funds, see page 33.

### **Review Your Return**

Before you sign your return, did you:

- Enter your Social Security Number(s)?
- Verify that your name(s) and address are correct?
- 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 required supporting forms and schedules?
- Make a copy of your PA tax return for your records?

### **Your Signature(s) and Date**

Read the oath before you sign and date your return. Spouses filing jointly must both sign and date the return.

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**.

### **Preparer/Company Name and Telephone Number**

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

### **How to Pay**

You must submit your payment on or before midnight, Thursday, April 15, 2004. Select your payment option.

### **PAYMENT OPTIONS**

#### **Form PA-V**

Use your personalized **Form PA-V** with your payment if you owe tax with your 2003 PA tax return. Do not use this voucher for any other purpose. Follow the instructions below.

**REMEMBER:** You also have the option to pay using a credit card, see page 20.

1. Social Security Number(s)
  - Print your SSN and your spouse's SSN on your **Form PA-V**.
2. Name(s)
  - Verify that your name is correct. If your name is wrong, do not use the form.
  - If your spouse's name is on the **Form PA-V**, but you owe the tax on your separate PA tax return, do not use the form.
3. Address
  - If the address on your **Form PA-V** is not correct, but your name is correct, you may use your **Form PA-V**. The Department will obtain your correct address from your PA tax return.
4. Payment
  - Carefully enter the amount of your payment.
  - Make the check or money order payable to: **PA DEPT OF REVENUE**.
  - Please write your SSN, daytime telephone number, and **2003 PA-V** on your check or money order. The Department will need your SSN if your check becomes separated from your **Form PA-V**.
5. Mailing your payment
  - Carefully detach your **Form PA-V** from the insert.
  - Do not staple your check or money order to the **Form PA-V**.
  - Place your **Form PA-V** and payment in the envelope with your **PA-40**.
  - If you filed using **PA/IRS e-file, TeleFile, or pa.direct.file**, mail only your **Form PA-V** and payment.
  - Use the correct label from the envelope provided.

#### **Without a correct Form PA-V**

- Write your SSN, daytime telephone number, and **2003 PA-V** on your check or money order.
- Use the correct label from the envelope the Department provided.

If you do not have a preprinted envelope, mail your payment to:

**PA Dept of Revenue  
Payment Enclosed  
1 Revenue Place  
Harrisburg, PA 17129-0001**

#### **Credit Card**

You can pay your 2003 PA tax due with a major credit card. The service provider charges a 2.5 percent convenience fee, based on the tax due, for processing the transaction. The minimum fee is \$1. American Express, Discover, MasterCard and Visa are accepted. Select one of these options to pay using your credit card:

1. **Internet.** Go to the Department's e-Services Center at [www.revenue.state.pa.us](http://www.revenue.state.pa.us).
2. **Telephone.** Call **1-800-2PAYTAX (1-800-272-9829)**.

#### **MAILING INSTRUCTIONS**

The U.S. Postal Service will return envelopes without sufficient postage. If your **PA-40** is more than five pages or in an oversized envelope, you may need additional postage. Check with your local Post Office. Please write your complete return address in the upper left corner of the envelope. Using the envelope the Department provided in the booklet, follow these instructions for mailing your PA tax return:

1. Remove the labels from the envelope flap.
2. Choose the correct label that applies to your return.
3. Affix only the correct label on the front of the envelope. If you do not have a Department-provided envelope, send your return to:

If you owe tax

(You have an amount on Line 27)

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

If you overpaid


(You have an amount on Line 28)

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

If you neither owe nor overpaid

(You have zeros on Lines 27 and 28)

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

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

#### **SCHEDULE INSTRUCTIONS**

For all schedules, enter the complete name and SSN of the taxpayer reporting the income or claiming the expenses. If filing a schedule jointly, enter the complete name and SSN of the taxpayer listed first. Each taxpayer must submit

a separate schedule for each separately owned business, profession, or farm.

**You and your spouse may file these schedules jointly for PA PIT purpose:**

**PA Schedules A, B, and J** - these schedules do not show any losses or expenses that spouses may incorrectly offset against each other's income

**PA Schedule SP** – whether married filing jointly or separately, both spouses submit the same information

**You and your spouse must file these schedules separately, each reporting only your own income, expenses, and net income (losses):**

**PA Schedule UE** – a separate schedule for each employer or job

**PA Schedules C, C-EZ, F, and C-F** – separate schedules for each commercial activity, unless both own the business or farm jointly

**PA Schedules D, D-1, D-71, D (P/S)** – separate schedules for each taxpayer, unless otherwise permitted

**PA Schedule E** – follow the instructions on the schedule


**PA Schedules G and OC** – separate schedules for each taxpayer

#### **Reproducing PA Returns and Schedules**

You can make photocopies of the schedules in this booklet, or prepare your own facsimile schedules. **Do not** submit a photocopy of your **PA-40** return.

#### **PA SCHEDULE W-2S (LINE 1A)**

Use this schedule to report your PA taxable compensation from your Form(s) W-2. In most instances, you do not have to send your Form(s) W-2 with your **PA-40**. However, the Department has the statutory authority to require your actual forms, including Form(s) W-2.

 **IMPORTANT:** You must submit a legible photocopy of the Form W-2 with a written explanation if:

- Your employer withheld PA income tax at more than 2.8 percent (0.028).
- You believe that a PA amount on your Form W-2 is incorrect.
- You were a resident of a reciprocal compensation agreement state and your employer withheld PA income tax.
- You earned income in another state, or your employer withheld income tax for another state.
- Your employer gave you a handwritten Form W-2.

#### **PA SCHEDULE MC (LINE 1a)**

Use this schedule to report PA taxable distributions from pension and retirement plans, executor fees, jury duty pay, and other miscellaneous compensation. **IMPORTANT:** You must submit a copy of Form 1099R and other statements.




**CAUTION:** Do not use this schedule if the form shows that the payer withheld PA Personal Income Tax from your miscellaneous compensation.

### PA SCHEDULE UE (LINE 1b)

Allowable employee business expenses for PA purposes are similar, but not the same as, expenses for federal purposes.

#### Allowable Pennsylvania Employee Business Expenses Must Be:

1. **Ordinary**, customary, and accepted in the industry or occupation in which you work; **and**
2. **Actually** 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.

 **IMPORTANT:** You may deduct 100 percent of your PA allowable unreimbursed employee business expenses. PA law does not have federal expense and percentage accounting limitations and thresholds.

**NOTE:** The Department has the legal authority to require evidence that the expenses you claim on a **PA Schedule UE** are allowable for PA purposes.

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**.

If your employer does not reimburse you, you may reduce your 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.

**EXAMPLE:** Dave earned compensation of \$30,000. He incurred allowable vehicle and travel employee business expenses of \$3,000, and was reimbursed \$3,500. He must complete a **PA Schedule UE**. He includes the excess \$500 as compensation. His total net taxable compensation is \$30,500.

Sole proprietors, partners, shareholders, or other self-employed individuals should 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**.

#### Pennsylvania Does Not Allow The Following Business 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
- Childcare 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 A
- Moving expenses, except when allowed in Part E
- Educational expenses, except as allowed in Part F
- Capital expenditures

 **FILING TIP:** You must file a separate **PA Schedule UE** for each employer. Spouses may not report joint expenses on a **PA Schedule UE**, even if filing jointly.

#### General Instructions

Enter the name and SSN of the taxpayer claiming the expenses. Enter all the employer information, and briefly describe the job or position for which you incurred the expenses you are claiming.

#### 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.

#### PA Schedule UE - Side 1

Side 1 of this schedule is for the most common expenses claimed on PA income tax returns.

#### Part A. Direct Employee Business Expenses

You pay these expenses directly or through a withholding arrangement with your employer. These expenses are necessary to perform or maintain your job. Itemize the nature and amount of the expenses you are claiming in Part A.

1. **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.
2. **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.


3. **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 has a useful life of more than one year, you must depreciate or amortize the cost in Part G.

4. **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.

5. **Total Direct Employee Business Expenses.** Add Lines 1 through 4.

### Part B. Business Travel Expenses

6. **Vehicle Expenses: Standard Mileage Rate.** Enter the amount from your Federal Form 2106 or Federal Form 2106-EZ. Otherwise, enter your business miles and the federal mileage allowance. Then, calculate your allowable business mileage expense.

 **IMPORTANT:** Commuting costs to and from any job are not allowable for PA purposes.

**CAUTION:** If you cannot or do not file a Federal Form 2106 or Form 2106-EZ, follow the federal rules for determining your allowable expenses. If using one of the Federal Forms 2106, you must report expenses from Line 4 in Part C of **PA Schedule UE**.


**Vehicle Expenses: Actual.** You may always claim your allowable actual expenses for PA purposes. Start with your federal form and adjust for PA purposes.

7. Enter your actual expenses from your Form 2106.
8. Add back the **Inclusion Amount**. This rule does not apply for PA purposes.
9. Depreciation. You may use any generally accepted depreciation method except either of the bonus depreciation elections enacted for federal purposes in 2002 and 2003. See **DIFFERENCES BETWEEN PA PIT AND IRS RULES** on page 9. If using a different method for PA purposes, enter the method you used and the adjusted expense here.

10. Actual Travel and Mileage Expenses. Add Lines 7, 8, and 9.

### Other Business Travel Expenses

Enter the actual amount of these expenses that you incurred, or the amount from your Form 2106 or Form 2106-EZ.

 **IMPORTANT:** Business meals, entertainment, and away-from-home overnight expenses are 100 percent allowable. Pennsylvania does not follow the federal limitations on allowable expenses.


11. Parking Fees, Tolls, and Transportation
12. Away-from-Home Overnight
13. Meals and Entertainment Expenses

14. **Total Business Travel Expenses.** Add Lines 6 or 10, and Lines 11, 12, and 13.


### Part C. Miscellaneous Expenses

Include the expenses that you report on your Federal Form 2106 in the space provided. You may copy this schedule or make your own schedules in this format, if you need more space to itemize your miscellaneous expenses. You must itemize and describe in detail these expenses. 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 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 have a similar provision. 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**.

15. **Total Miscellaneous Expenses.** Enter the total of the miscellaneous expenses you listed.

 **FILING TIP:** If you do not have expenses for your office or work area (Part D), moving (Part E), education (Part F), or depreciation (Part G), complete Side 1, and include your allowable unreimbursed employee business expenses in Line 1b of your **PA-40**.

### Total Allowable PA Employee Business Expenses

**Lines A through G.** Enter the amounts of your allowable expenses from each Part of **PA Schedule UE** that you completed.

**H. Total Expenses.** Add the expenses you are claiming from each Part of **PA Schedule UE**.

**CAUTION:** 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**.

**I. 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.

### J. Net Expense or Reimbursement.

- If Line H is more than Line I, include your unreimbursed expenses in Line 1b of your **PA-40**.
- If Line I is more than Line H, include your excess reimbursements on Line 1a of your **PA-40**.

### PA Schedule UE - Side 2

#### Part D. 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 D1, D2, and D3 in order to claim office or work area expenses.

#### Actual Office or Work Area Expenses.

Lines a to h. Enter the actual expenses you incurred if you are claiming office or work area expenses on this schedule.

Line i. Add Lines a through h.

Line j. Calculate the percentage of your property that you use for business.

Line k. **Apportioned Expenses.** Multiply Line i by Line j.

Line l. **Total Office Supplies.** Enter the actual cost of supplies that you use exclusively for business purposes.


16. **Total Office or Work Area Expenses.** Add Lines k and l.

#### Part E. 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 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 allowable.

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

**Distance Test.** Your new workplace must be at least 35 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 38 miles from your old residence. Measure the distance using the shortest of the most commonly traveled routes. Complete Lines E1, E2, and E3 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 F. Education Expenses

The federal and PA rules for educational expenses are similar, but not exactly the same. For PA purposes, costs for education expenses that you pay or incur are allowable only if:

- 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 do not intend to enter 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 computer courses.

You must answer question F1. If you answer YES, continue. If you answer NO, you may not claim any education expenses. You must answer questions F2 and F3. If you answer NO to both questions, continue. If you answer YES to either question, you may not claim any education expenses.

Enter the name of the college, university, or educational institution you attend, and your specific course of study. Your education must meet the requirements described above.

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

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

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

**CAUTION:** You may not deduct costs of travel as educational expenses by claiming that the travel itself constitutes a form of education. You may not deduct commuting expenses.

23. **Total Education Expenses.** Add Lines 20, 21, and 22.

#### Part G. Depreciation Expenses

Do not report depreciation for vehicles and office or work areas in this Part. See the appropriate Parts 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.

PA PIT law allows generally accepted depreciation methods and current expensing. You may not use either of the bonus depreciation elections enacted for federal purposes in 2002

and 2003. See **DIFFERENCES BETWEEN PA PIT AND IRS RULES** on page 9.

Once you have elected a depreciation method, you must consistently use it and may not change it without permission from the PA Department of Revenue. For each asset, enter the depreciation method elected and the expense.

24. **Total Depreciation Expenses.** Enter the total of columns E and F.

#### PA SCHEDULE A (LINE 2)

If your total PA taxable interest income is \$2,500 or less, you must report your income on Line 2 of the **PA-40**, but you do not have to complete and submit a schedule.

If your PA taxable interest income is more than \$2,500, the Department allows you these options:

1. Enter the amount from your federal schedule on **PA Schedule A**, if your federal and PA taxable interest are the same amount;
2. Submit a copy of your Federal Schedule B instead of submitting **PA Schedule A**; or
3. Complete **PA Schedule A**, with the name, and PA taxable interest of the payer from each Form 1099 or other statement.

**NOTE:** Submit either your federal schedule or **PA Schedule A**, but not both.


#### PA taxable income includes interest from:

- 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 obligations of the U.S. Government
- Obligations of other states or countries
- Mutual savings banks and cooperative banks, even if reported as dividends

#### PA taxable income does not include interest from:

- 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
- Income from an estate or trust, even if reported on a Federal Schedule K-1 - report such income on **PA Schedule J**

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

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

#### PA SCHEDULE B (LINE 3)

If your total PA taxable dividend income is \$2,500 or less, you must report your income on Line 3 of the **PA-40**, but you do not have to complete and submit a schedule.

If your PA taxable dividend income is more than \$2,500, the Department allows you these options:

1. Enter the amount from your federal schedule on **PA Schedule B**, when your federal and PA taxable dividends are the same amount;
2. Submit a copy of your federal schedule instead of submitting **PA Schedule B**; or
3. Complete **PA Schedule B**, with the name of the payer, and the PA taxable dividend from each Form 1099 or other statement.

**NOTE:** Submit either your federal schedule or **PA Schedule B**, but not both.

#### Capital Gain Distributions

Such distributions are taxable as dividend income for Pennsylvania. Do not report capital gain distributions on **PA Schedule D**.

#### Stock Dividend Reinvestment Plans

Under such a plan, you elect dividends in the form of stock, rather than cash or other property. You must include the stock's fair market value as dividend income as of the date paid.


PA taxable income does not include dividend income from:

- Dividends distributed by a corporation to its stockholders as stock, if the distribution is not personal income for federal purposes.
- Distributions designated as return of capital by utility companies and other corporations that reduce the basis of your stock in the corporation.

**NOTE:** Once such distributions reduce your basis to zero, further distributions are **Taxable Distributions from C Corporations** on **PA Schedule D**, see page 26.

- Dividends from deposits or withdrawals from accounts paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions. Report these payments as PA taxable interest income on Line 2 of your **PA-40**.
- Ordinary dividends paid by a mutual fund or a registered investment company that the fund/company statement designates as being exempt-interest dividends. Use the percentage of the total dividend income that is from exempt PA and exempt federal obligations.
- Income from an estate or trust, even if reported on a Federal Schedule K-1. Report such income on **PA Schedule J**.
- Dividends from PA tax-exempt obligations. Request **Form REV-1643, Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes** for a list of exempt obligations.

- Dividends distributed under a charitable gift annuity are not taxable. However, after you recovered the amount you donated, you must report further distributions as taxable gains on **PA Schedule D**.

 **IMPORTANT:** You must include PA tax-exempt dividend income in Eligibility Income for TAX BACK/Tax Forgiveness purposes.

 **PA SCHEDULE C-F RECONCILIATION (LINE 4)**

Read the instructions and enter all the required information. Use this schedule to account for differences between PA and IRS rules that adjust your reportable professional, business, or farming income for PA PIT purposes.

**Identification Information**

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

1. Gross income from your Federal Schedule C, Line 17, or Federal Schedule F, Line 11.
2. Total expenses from your Federal Schedule C, Line 28 plus Line 30, or Federal Schedule F, Line 35.
3. Net profit (loss) from your Federal Schedule C, Line 31, or Federal Schedule F, Line 36.

On Lines 4 through 16, adjust your federal profit (loss) for differences between PA PIT and Federal Income Tax laws. Enter the differences between the federal and the PA allowable amounts.

**IMPORTANT:** The income and expense items listed on the **PA Schedule C-F** are the common adjustments that business persons and farmers make. This list is not all-inclusive.

**CAUTION:** PA law does not allow the federal elections that permit you to defer income to another taxable year or to report income that you will receive in a future year.

4. **Advance receipts.** PA PIT law does not permit a business, profession, or farm to defer income from advanced receipts for goods and services. You must report such income on this line.
5. **Working capital interest and dividend income.** This includes investments to generate funding for business operations. You must report such interest and dividend income on this line. If you reported such interest and dividend income on **PA Schedule A** or **B**, reduce your PA taxable interest and dividend income amounts accordingly.
6. **Gains from the sales of business assets.** A sale in the ordinary course of operating a business or farm is a **PA Schedule C** or **PA Schedule F** transaction, regardless of the federal reporting requirements. A sale or abandonment of a business or segment thereof is a **PA Schedule D** transaction. Include the gain from such transactions here. If you reported such gains on **PA Schedule D**, adjust your **PA Schedule D** accordingly.

**NOTE:** For Lines 5 and 6, when you invest and/or sell property for business purposes, include otherwise PA-exempt interest, dividends, and gains on the applicable line. Income from exempt-PA investments, such as direct U. S. and Pennsylvania obligations, does not

retain its PA-nontaxable character when used in business or farm operations.

7. **Gains from like-kind exchanges.** PA PIT law does not contain this provision, and you must report any gain realized from such a transaction when the asset was employed in the operation of the business or farm. See the **PA PIT Guide** if you consistently use the GAAP method.
8. **Gains on involuntary conversions, such as IRC section 1033.** PA PIT law does not contain this provision. Report any gain realized from such transactions when the assets were employed in the operation of the business or farm.
9. **Gains from sales of business property where PA basis is different than federal basis.** Since PA PIT law does not follow federal rules, basis is usually different for PA PIT purposes. You must rely on your books and records to determine the gains using your PA basis, and adjust your PA business or farm income.  
**REMEMBER:** A sale or abandonment of a business or segment thereof is a **PA Schedule D** transaction. If you reported such a sale as a business transaction, and not on **PA Schedule D**, adjust your **PA Schedule C** or **PA Schedule F** and **PA Schedule D** accordingly.
10. **Income taxes.** PA PIT law does not permit a deduction for any taxes based on gross or net income, including federal income taxes, the one-half of the self-employment taxes that the IRS allows, estate and inheritance taxes, legacy, succession, or gift taxes, and income taxes paid to other states or foreign countries. Assessments for betterments and improvements are not allowable. If you paid such taxes and received an expense deduction for federal purposes, you must increase your PA income. You can deduct a business privilege tax or gross receipts tax (if not already deducted on your federal schedule) when the taxing authority imposes such tax (a) whether the business realized income or not, or (b) based only a portion of the tax on income. The Philadelphia Business Privilege Tax and/or Gross Receipts Tax are allowable.
11. **Bonus depreciation.** See **DIFFERENCES BETWEEN PA PIT AND IRS RULES** on page 9.
12. **Other depreciation expense differences.** See **DIFFERENCES BETWEEN PA PIT AND IRS RULES** on page 9.
13. **Income from cancellation of debt (COD).** PA PIT law treats COD differently from federal rules. See the **PA PIT Guide** for the Pennsylvania rules.
14. **Increases in income associated with IRC Section 481(a) spread adjustments.** Because PA law imposes the Personal Income Tax annually, you cannot report income over a number of tax years, even if doing so under a federal election. You may reduce your PA taxable income in future years by the income that you could not defer to those years under PA PIT law.
15. **Federal-exempt income from obligations of other states and organizations.** Include federal-exempt interest income and dividend income, and gains. PA law does not exclude income from the obligations of other states.

16. **Other Increases for PA PIT purposes.** Itemize other items of income that you must report for PA PIT purposes, when you did not report such income for Federal Income Tax purposes. Itemize those expenses that you deducted for Federal Income Tax purposes that PA PIT law does not permit. Submit your own statement if you need more space.
17. **Total Adjusted PA Income.** Add Lines 3 through 16.
18. **Decreases for PA PIT purposes.** Itemize those adjustments to income and/or expenses that PA PIT law permits that you had to report/could not deduct in determining your federal income (loss). These adjustments include losses from like-kind exchanges, involuntary conversions, and sales of business property. PA PIT law does not follow federal limitations on PA allowable expenses. You may deduct 100 percent of all allowable expenses, including business travel and entertainment. You may also adjust your federal depreciation expenses for the difference between the bonus depreciation in a previous year that you could not take for Pennsylvania and the higher current PA allowable depreciation expense, as well as other depreciation differences. Enter the difference between the federal and the PA allowable amounts. For additional allowable expenses, see the **PA PIT Guide**.
19. **PA Taxable Income (Loss) from the Operation of a Business, Profession, or Farm.** Subtract Line 18 from Line 17, and include the result on Line 4 of your **PA-40**.



#### PA SCHEDULE D (LINE 5)

Report all sales, exchanges, and dispositions of property using PA PIT rules, and your PA PIT basis, in the year in which the transaction occurred. If a federal election allows a deferral to a different tax year or a deemed sale, you may not use that election for PA purposes.

Unless the specific instructions require a different Pennsylvania schedule, report each sale, exchange, or disposition of property on **PA Schedule D**. Spouses should complete separate **PA Schedules D**. If selling jointly owned property, spouses complete a separate **PA Schedule D** for that property.

1. Columns (a) through (f)
  - (a) List and describe the property sold or otherwise disposed of for cash or for other property.
  - (b) Enter the month, day, and year acquired. If you acquired properties over a time, you may enter **VARIOUS**.
  - (c) Enter the month, day, and year sold.
  - (d) Enter the gross sales price or fair market value of cash and property 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). Enter either the gain or the loss or zero in Column (f).

II If your property was other than income-producing property (a personal automobile or furniture), then:

- If the adjusted basis is less than or equal to Column (d), enter the gain or zero in Column (f).
- If the adjusted basis is greater than Column (d), you do not have a loss, enter zero in Column (f). You cannot report a loss on the sale of personal property.



**IMPORTANT:** You may only deduct losses from transactions you entered into for profit. Indicate a loss by filling in the oval.

2. **Net Gain (Loss).** Total Column (f) and enter the net amount. You may offset gains (losses) for Line 2.
3. **Gain from Installment Sales.** Enter your taxable gain from each **PA Schedule D-1, Form REV-1689**, and **Computation of Installment Sale Income**.

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

- Reporting gains from the sale of intangible personal property, such as stocks, bonds, ownership interests; or
- Transactions where the object is the lending of money or the rendering of services.

4. **Taxable Distributions from C Corporations.** As a shareholder in a C corporation, you must report as taxable gain the excess of the fair market value of a distribution (other than a dividend) in excess of current or accumulated earnings and profits over your adjusted basis of your stock. 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 Corp distributes from its capital account \$100,000 to Karen, the only stockholder. Her adjusted basis in her stock is \$75,000. The distribution is not from the C corporation's earnings and profits, so it is not a taxable dividend. Karen must reduce her basis from \$75,000 to zero. She reports \$100,000 on the Enter total distribution line, and \$75,000 on the Minus adjusted basis line. She reports the remaining \$25,000 as a gain on Line 4 of her **PA Schedule D**.
5. **Net Gain (Loss) from the Sale of Property acquired before June 1, 1971.** Determine your gain (loss) on the sale of 06/01/71 property, on **Form REV-1742, PA Schedule D-71**.
6. **Net Partnership Gain (Loss).** Report the taxable gain or loss from your **PA Schedules RK-1 or NRK-1**.
7. **Net PA S Corporation Gain (Loss).** Report the taxable gain (loss) from your **PA Schedules RK-1 or NRK-1**.
8. **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 the brochure **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.

9. **Taxable Distributions from Partnerships.** Report any gain you realize from other partnership distributions that exceed your ownership basis in the partnership. You must obtain, complete, and submit **PA Schedule D (P/S)**. See the **PA PIT Guide** for the information for using this schedule.
10. **Taxable Distributions from PA S Corporations.** Report any gain you realize from other PA S corporation distributions that exceed your ownership basis in the PA S corporation. You must obtain, complete, and submit **PA Schedule D (P/S)**.
11. **Total PA Taxable Gain (Loss).** Add Lines 2 through 10. You may offset your taxable gains and losses. Include your net gain (loss) on Line 5 of your **PA-40**.



### PA SCHEDULE E (LINE 6)

Unless otherwise noted, PA rules generally do not follow the federal rules for determining the net income (loss) realized from the rental of property.

**Part A. Property Description.** For rental real estate, enter the street address, city or town, and state. For other tangible personal rental property, enter the type of property. Enter the source of the royalty, patent, copyright, or similar property income.

**Part B.** Enter amounts under the corresponding initial of the property from Part A. Indicate the ownership of the property by filling in the appropriate oval. (T) = Primary taxpayer shown first on the **PA-40**; (S) = Spouse; (J) = Joint ownership

#### Income

1. **Rent received.** Enter the gross rent from the rental of real estate or other tangible personal property. Include income received for renting a room or other space. If you received services or property as rent, report the fair market value of such services or property as rental income.

If you were in the real estate sales business, do not use **PA Schedule E**. You must report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business on a **PA Schedule C**. Include on **PA Schedule E**, Line 1, only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation.

2. **Royalties received.** Enter the gross royalties from oil, gas, or mineral properties and other property.

#### Expenses

Enter your rental and royalty expenses for each property. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agent's commissions, and depreciation. See **DIFFERENCES BETWEEN PA PIT AND IRS RULES** on page 9. Do not deduct the value of your own labor or

amounts paid for capital investments or capital improvements other than through depreciation.

**Renting Part of Your Home.** If you rent out only part of your home or other property, deduct only those expenses (or percentages of expenses) that apply to the rented part.

#### 3. Advertising

4. **Automobile and travel.** Deduct ordinary and necessary auto and travel expenses related to your rental activities, including 100% of meal expenses incurred while traveling away from home. Pennsylvania differs from federal treatment on the meals and entertainment expense. You generally can either deduct your actual expenses or take the standard federal mileage rate.

#### 5. Cleaning and maintenance

#### 6. Commissions

#### 7. Insurance

#### 8. Legal and professional fees

#### 9. Management fees

10. **Mortgage interest.** If you have a mortgage on your rental property, enter the amount of interest you paid for the current year to banks or other financial institutions.

11. **Other interest.** Generally, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Pennsylvania does not follow federal rules regarding prepaid interest.

12. **Repairs.** Deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized. You cannot deduct such expenses in full in the year paid or incurred.

#### 13. Supplies

14. **Taxes.** Deduct taxes directly related to the rental activity. Deduct the proportionate share of real estate taxes. You may not deduct taxes based on income. You may deduct gross receipts and business privilege taxes.

15. **Utilities.** Deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income. However, the base rate (including taxes and other charges) for telephone service for the first telephone line into your residence is a personal expense and is not deductible.

16. **Depreciation expense.** See **DIFFERENCES BETWEEN PA PIT AND IRS RULES** on page 9. You may use any other generally accepted depreciation method, but you must use it consistently.

17. **Other expenses.** Please itemize.

18. **Total Expenses.** Add Lines 3 through 17.

19. **Income.** Subtract Line 18 from Line 1 or 2.

20. **Loss.** Subtract Line 1 or 2 from Line 18, and fill in the oval.

**NOTE:** PA generally follows the IRC section 280A when you rent or lease your property, such as a vacation home, and do not intend to realize a profit. You may only deduct

your rental expenses up to your rental income, and you may not use a loss to reduce other rental income. If you rent or lease your property to realize a profit, but do not operate the rental property as a business activity, you may offset losses against other rental or royalty income.

21. **Net Income (Loss).** Add the net income (loss) amounts from Lines 19 and 20 for each property. If a net loss, please fill in the oval.

**NOTE:** Pennsylvania does not follow federal At-Risk Rules or Passive Activity Loss Rules.

22. **Rent or Royalty Income (Loss) from PA S Corporations**

23. **Rent or Royalty Income (Loss) from Partnerships**  
For Lines 22 and 23, enter the rent and royalty income (loss) amounts from your **PA Schedule(s) RK-1 or NRK-1**. If you received a Federal Schedule K-1, go to the Department's Web site and link to the **2003 PA PIT Guide** for instructions.

24. **Net Rent and Royalty Income (Loss).** Add Lines 21, 22, and 23. Include the total on Line 6 of your **PA-40**.

### PA SCHEDULE J (LINE 7)

As a beneficiary of an estate or trust, you should receive a **PA Schedule L**. Report the total income that you received or that the estate or trust credited to you. For PA PIT purposes, an estate or trust cannot distribute a loss or offset income and losses in different PA income classes when determining the income to distribute to its beneficiaries.

Enter the name, identification number, and amount of PA taxable income from each **PA Schedule L**. If you only receive a Federal Schedule K-1, enter the total amount of positive income reported, whether the income is your income, your spouse's income, or your joint income.

**CAUTION:** The federal amount may not be correct for PA purposes. You should contact the fiduciary of the estate or trust to verify the correct PA income.



### PA SCHEDULE SP (LINE 21)

#### What is TAX BACK/Tax Forgiveness?

TAX BACK/Tax Forgiveness is a credit that allows eligible taxpayers to reduce all or part of their PA tax liability. TAX BACK/Tax Forgiveness:

- Gives state tax back to some taxpayers; and
- Forgives some taxpayers of their liabilities even if they have not paid their PA Personal Income Tax.

#### Who is Eligible for TAX BACK/Tax Forgiveness?

You, and your spouse, are eligible if:

1. You are subject to PA Personal Income Tax. You and/or your spouse are liable for PA tax on your income (or would be liable if you earned, received, or realized PA taxable income); and
2. You are not a dependent on another person's federal tax return, and
3. You meet the eligibility requirements.

#### Dependent Child

A dependent child with taxable income in excess of \$35 must file a PA tax return. If that child's parents qualify for TAX BACK/Tax Forgiveness, that child is also eligible for this

credit. The child must file a **PA-40** and a **PA Schedule SP**. The child must also include any child support paid to his/her parent in his/her Eligibility Income.

#### Student Claimant

A full-time student who is a dependent on his or her parents' Federal Income Tax return cannot claim this credit, regardless of his/her income, unless his/her parents are eligible for TAX BACK/Tax Forgiveness. In this case, the student claimant must file his/her own **PA-40** and **PA Schedule SP**.

#### How Do I Claim TAX BACK/Tax Forgiveness?

To claim TAX BACK/Tax Forgiveness, complete and submit a **PA Schedule SP**. On **PA Schedule SP** you:

1. Determine your PA taxable income. If married, whether filing jointly or separately, determine your spouse's taxable income.
2. Determine your Filing Status in Part A.
3. Determine if you may claim any dependent children in Part B.
4. Determine your Eligibility Income. If married, whether filing jointly or separately, determine your spouse's Eligibility Income in Part C.
5. Calculate your TAX BACK/Tax Forgiveness Credit, using the applicable Eligibility Income Table, in Part D.

If you are unmarried, complete ALL the information for yourself in the Your column. If you are married, complete all the information in the Your and Spouse columns, even if filing separately.

**IMPORTANT:** There is no advantage to filing separately. Married claimants must always report their Joint Eligibility Income.

#### Claiming Dependents on Separate PA Schedules SP

It is possible that you and your spouse file jointly for federal purposes, but must file separately for PA purposes. If you qualify for TAX BACK/Tax Forgiveness, you must each complete **PA Schedule SP** as if filing jointly. You each must report the same information including dependents and your joint eligibility income. You must fill in the Married and Filing Separate oval in Part A of each **PA Schedule SP**. You must each submit a copy of the **PA Schedule SP** with your PA tax return.

#### Part A. Filing Status

##### Unmarried or Separated

Fill in the correct oval if during 2003 you were:

- Single; or
- Separated and living apart at all times during the last six months of 2003; or
- Separated pursuant to a written separation agreement.

##### Married

Fill in this oval whether filing separately or jointly. Married means that during 2003 you were:

- Married and lived together; or
- Separated and lived apart, but for less than the last six months of 2003; or
- Separated, but not by a written separation agreement.

Also, fill in the correct oval for your specific filing conditions.

If you and your spouse choose to file separate **PA-40** returns, you must use your Joint Eligibility Income and Eligibility Income Table 2.



**CAUTION:** If married, you both must meet the eligibility requirements. A married spouse cannot claim TAX BACK/Tax Forgiveness independently of his or her spouse. Married claimants are not dependents of one another for TAX BACK/Tax Forgiveness purposes, even when one spouse does not have any Eligibility Income.

### One Spouse is a Dependent on a Federal Income Tax Return

Married taxpayers that otherwise meet the income requirements for claiming TAX BACK/Tax Forgiveness must file separately, if one spouse is claimed as a dependent on another person's Federal Income Tax return. **EXAMPLE:** A husband is a dependent on his parent's Federal Income Tax return. The wife is not a dependent. As a dependent, the husband is not eligible for TAX BACK/Tax Forgiveness. The eligible wife may complete **PA Schedule SP**. The wife may not claim her husband as a dependent, but must include his Eligibility Income when calculating Total Eligibility Income on her **PA Schedule SP**.

### Deceased


Fill in this oval if you are filing for a person who died during 2003. You must annualize the decedent's income before determining if he or she is eligible for TAX BACK/Tax Forgiveness. The Department will accept a reasonable calculation of the decedent's annual Eligibility Income.

### Part B. Dependent Children

A dependent is a child, including a disabled child, that you claimed on your 2003 Federal Income Tax return. If you cannot claim a child on your federal return, you cannot claim that child on **PA Schedule SP**. If unmarried for **PA Schedule SP** purposes, and your (former) spouse claims a child as a dependent on his or her 2003 Federal Income Tax return and **PA Schedule SP**, you cannot claim that child on your **PA Schedule SP**. You may not claim an adult, except a qualified disabled adult, even if you may do so for Federal Income Tax purposes.

Complete Lines 1 and 2.

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

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

**CAUTION:** If claiming an adult child, an adopted child, a foster child, or a child with a different last name than yours, the Department may ask for a copy of page 1 of your 2003 Federal Income Tax return.


### Part C. Eligibility Income

1. **PA Taxable Income.** Enter your total PA Taxable Income amount from your **PA-40**.

**Nontaxable Income.** On Lines 2 through 10, you must include income that you do not report as taxable on your PA return, but PA law requires you to report for TAX BACK/Tax Forgiveness purposes. If you do not have an amount to report on Lines 2-10, enter zero.

2. **Nontaxable interest, dividend, and gain income.** Include income and gains from investments in direct obligations of the federal government, Pennsylvania, and political subdivisions of Pennsylvania. Include the nontaxable portion of gain from the sale of any property. 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 prizes from all games of the PA Lottery.
6. **Nonresident income.** Part-year residents and nonresidents must complete this line, and enter the total of all income earned, received, and realized while residing outside Pennsylvania. This includes income that would be taxable if earned and received in Pennsylvania, and nontaxable PA income that you would report on this schedule if you were a PA resident.
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 and hazardous duty 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. Also, include the value of tuition reductions offered as part of your employer's benefit plan.
10. **Cash received for personal use from outside your home.** If a spouse or former spouse that does not live in your household pays support to you, include that support in your Eligibility Income. Also, include any payments received from other persons outside your household, including nontaxable cash or property received for personal use, such as cash received from a parent to buy clothing, or gifts from grown children. Do not include monies paid pursuant to a cost-sharing arrangement. Include in Line 10 the following kinds of nontaxable income when determining your Eligibility Income:
  - Support you receive from a spouse or former spouse who does not live in your household.
  - Nontaxable payments to your employer's cafeteria plan for hospitalization, sickness, disability, or death, supplemental unemployment, or strike benefits.
  - Payments received as a foster parent for providing in-home care for foster children.
11. **Total Eligibility Income.** Add Lines 1 through 10, and enter the total. Eligibility Income is the total amount

 **FILING TIP:** If claiming a foster child in Part B, you must include the payments you received as a foster parent. However, if the Foster Care Program did not place the child in your home, or you did not receive any payments for providing foster care, submit a written explanation that you do not have any income to report as a foster parent. Include an explanation of the child's relationship to you.

- The value of the personal use of employer-owned or leased property.
- The value of government education grants.

## 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	\$15,500	\$15,750	\$16,000	\$16,250	\$16,500	\$16,750	\$17,000	\$17,250	\$17,500	\$17,750
2	\$24,500	\$24,750	\$25,000	\$25,250	\$25,500	\$25,750	\$26,000	\$26,250	\$26,500	\$26,750
3	\$33,500	\$33,750	\$34,000	\$34,250	\$34,500	\$34,750	\$35,000	\$35,250	\$35,500	\$35,750
4	\$42,500	\$42,750	\$43,000	\$43,250	\$43,500	\$43,750	\$44,000	\$44,250	\$44,500	\$44,750
5	\$51,500	\$51,750	\$52,000	\$52,250	\$52,500	\$52,750	\$53,000	\$53,250	\$53,500	\$53,750
6	\$60,500	\$60,750	\$61,000	\$61,250	\$61,500	\$61,750	\$62,000	\$62,250	\$62,500	\$62,750
7	\$69,500	\$69,750	\$70,000	\$70,250	\$70,500	\$70,750	\$71,000	\$71,250	\$71,500	\$71,750
8	\$78,500	\$78,750	\$79,000	\$79,250	\$79,500	\$79,750	\$80,000	\$80,250	\$80,500	\$80,750
9	\$87,500	\$87,750	\$88,000	\$88,250	\$88,500	\$88,750	\$89,000	\$89,250	\$89,500	\$89,750
Then your Percentage of TAX BACK/Tax Forgiveness and the Decimal Equivalent is:										
	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%
	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	\$22,000	\$22,250	\$22,500	\$22,750	\$23,000	\$23,250	\$23,500	\$23,750	\$24,000	\$24,250
2	\$31,000	\$31,250	\$31,500	\$31,750	\$32,000	\$32,250	\$32,500	\$32,750	\$33,000	\$33,250
3	\$40,000	\$40,250	\$40,500	\$40,750	\$41,000	\$41,250	\$41,500	\$41,750	\$42,000	\$42,250
4	\$49,000	\$49,250	\$49,500	\$49,750	\$50,000	\$50,250	\$50,500	\$50,750	\$51,000	\$51,250
5	\$58,000	\$58,250	\$58,500	\$58,750	\$59,000	\$59,250	\$59,500	\$59,750	\$60,000	\$60,250
6	\$67,000	\$67,250	\$67,500	\$67,750	\$68,000	\$68,250	\$68,500	\$68,750	\$69,000	\$69,250
7	\$76,000	\$76,250	\$76,500	\$76,750	\$77,000	\$77,250	\$77,500	\$77,750	\$78,000	\$78,250
8	\$85,000	\$85,250	\$85,500	\$85,750	\$86,000	\$86,250	\$86,500	\$86,750	\$87,000	\$87,250
9	\$94,000	\$94,250	\$94,500	\$94,750	\$95,000	\$95,250	\$95,500	\$95,750	\$96,000	\$96,250
Then your Percentage of TAX BACK/Tax Forgiveness and the Decimal Equivalent is:										
	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%
	1.0	.90	.80	.70	.60	.50	.40	.30	.20	.10

of your PA taxable and nontaxable income that you use to determine your percentage of TAX BACK/Tax Forgiveness.

### Part D. Calculating Your TAX BACK/Tax Forgiveness

12. **PA Tax Liability.** Enter the amount of your tax due from your **PA-40**, Line 12.
13. **Less Resident Credit.** Enter your credit from your **PA-40**, Line 22.
14. **Net PA Tax Liability.** Subtract Line 13 from Line 12.
15. **Percentage of TAX BACK/Tax Forgiveness.** Find your percentage using your dependents from Part B, Line 2, and your Eligibility Income from Part C, Line 11, and the appropriate Eligibility Income Table above. Enter the percentage as a decimal on Line 15.
16. **TAX BACK/Tax Forgiveness Credit.** Multiply Line 14 by the decimal on Line 15, and enter on your **PA-40**, Line 21.



### PA Schedule G (Line 22)

The instructions for **PA Schedule G** are on the schedule. You must submit a signed copy of the income tax return you filed with the other state or country.



### PA Schedule OC (Line 23)

Submit the required supporting document for each credit you are claiming. If you are a shareholder of a PA S corporation or a partner, enter your share of each credit from your **PA Schedule RK-1** or **PA Schedule NRK-1**.

#### 1. Employment Incentive Payments Credit

If you employ welfare recipients, you may be eligible for this credit. Submit a completed **PA Schedule W** with all supporting required documents.



## 2. Jobs Creation Tax Credit

Enter the amount of credit that the PA Department of Community and Economic Development approved on the certification sent to you.

## 3. Research and Development Tax Credit

Enter the amount from the PA Department of Revenue certification that you received.

## 4. Total Allowable Credits


Add Lines 1 through 3. Enter the total here and on Line 23 of your **PA-40**.

# APPENDIX

## 2004 PA Estimated Personal Income Tax Requirements

If you expect to earn, receive, or realize \$8,000 of PA taxable income that is not subject to withholding by a Pennsylvania employer in 2004, you must make 2004 estimated tax payments. If you made 2003 estimated payments, the Department will send you 2004 forms. If you do not receive your forms by April 15, 2004, contact the Department district office nearest you, or one of the **Forms Ordering Services** on page 3, and request **Forms PA-40ESR**, replacement coupons.

Taxpayers paying PA estimated taxes for the first time in 2004 must request **Form PA-40ESR**, with the **Form REV-413I** (instructions) and **Form REV-414I** (worksheet).

 **IMPORTANT:** If you are a PA resident working in a reciprocal agreement state and your employer is not withholding PA tax, you must make PA estimated tax payments.


## Military Pay - Members of the Armed Forces

PA residents report military pay as taxable compensation on Line 1a, unless earning the military pay while on federal active duty or federal active duty for training outside Pennsylvania. Do not include qualifying active duty military pay in PA taxable compensation. Submit legible copies of your Form(s) W-2, and your military orders assigning you to federal active duty outside Pennsylvania. While your Form W-2 may state "active duty," it does not show where you performed your military service.

For a PA resident, compensation pay for military service performed inside Pennsylvania, even if on federal active duty or federal active duty for training, is taxable.

For more information, request the brochure **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, the National Oceanic and Atmospheric Administration, or the U.S. Foreign Service outside Pennsylvania is not on federal active duty as a member of the Armed Forces. His or her compensation is taxable for PA purposes.

## Combat Zone and Hazardous Duty Service

Pennsylvanians serving in combat zones or qualified hazardous duty areas designated by the President of the United States are given the same additional time to file their state income tax returns and make payments as

allowed for federal income tax purposes. The deadline is automatically extended to 180 days from the last day of service or the last day of continuous hospitalization for injury incurred in one of these areas. Print **COMBAT ZONE** at the top of your return and military orders. Mail to:

**Regarding: COMBAT ZONE**  
**PA Department of Revenue**  
**Bureau of Individual Taxes**  
**Department 280600**  
**Harrisburg, PA 17128-0600**

If you are filing your return electronically, you must still fax or mail copies of your orders. Print **COMBAT ZONE** at the top of your orders. Fax your orders to (717) 772-4193 or mail your orders to:

**Regarding: COMBAT ZONE**  
**PA Department of Revenue**  
**Electronic Filing Section**  
**Department 280507**  
**Harrisburg, PA 17128-0507**

## Extension of Time to File

The Department will grant a four-month or six-month extension of time for filing a PA PIT return. Unless a taxpayer is outside the United States, the Department will not grant an extension for more than six months. An extension of time for filing will not extend the time for paying the tax. Follow these procedures when applying for an extension of time to file:

1. If you owe income tax on your PA tax return, you must:
  - Pay by check with a timely **Form REV-276, Application for Extension of Time to File**, or
  - Pay by credit card over the Internet by going to the Revenue e-Services center at **www.revenue.state.pa.us**. You do not need to mail a **Form REV-276**, or
  - Pay by telephone. Call toll-free **1-888-PATAXES** to obtain the telephone number of the Department's service provider. You do not need to mail a **Form REV-276**.
2. If you have an approved extension for filing your Federal Income Tax return, and you do not owe PA income tax on your 2003 **PA-40**, the Department will grant you the same extension for filing your PA PIT return. You do not have to submit a **PA Form REV-276**, Federal Form 4868, or Form 2688 before the due date.
3. If you do not have an extension for filing your Federal Income Tax return, request an extension on

**Form REV-276**, and file it in sufficient time for the Department to consider and act upon it prior to the return due date.

If submitting a **Form REV-276**, with or without a payment, mail it to:

**PA Department of Revenue  
Bureau of Individual Taxes  
Dept. 280504  
Harrisburg, PA 17128-0504**

#### When filing your PA tax return:

- Fill in the extension request oval at the top of your **PA-40**.
- If you did not file a **PA Form REV-276**, submit a copy of the Federal Form 4868 or Form 2688, with your PA tax return.
- If you electronically filed your federal extension, submit a statement with an explanation and the confirmation number you received.
- If you submitted **Form REV-276**, or electronically filed your PA extension and payment, you do not have to submit the extension paperwork with your PA tax return.

The Department will impose:

- An underpayment penalty if you do not pay at least 90% of your 2003 tax due by April 15, 2004; and the remaining balance with your PA return by the extended due date; and
- Interest on the amount you do not pay by April 15, 2004.

#### Amended Returns

Do not submit a photocopy of your original return. Use a **PA-40** from the same tax year you are amending. **EXAMPLE:** To amend for 2002, use a 2002 **PA-40**.

If you filed your 2003 PA tax return in 2004, and need to amend that return, you may use **PA/IRS e-file** to amend your 2003 **PA-40**. You can amend using **PA/IRS e-file** during the electronic filing season in 2004, even if you filed your original 2003 return on paper, by **TeleFile**, or by **pa.direct.file**. If you do not want to amend using **PA/IRS e-file**, use a 2003 **PA-40**.

For filing an amended return on a **PA-40**, completely fill in the amended return oval, and 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, and enclose a statement explaining the reasons you are filing amended information. Submit only 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 on Line 12.
5. Calculate your total payments and credits. If you paid tax with your original return, add that payment to your total payments and credits on Line 24.
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 the brochure **REV-630, Amending PA-40 Returns**.

#### Refunds from Amended Returns

You can file an amended PA return and request a refund if you over-reported income or did not claim allowable credits or deductions. You must file your amended PA return within three years from the original due date.

Under PA law, a taxpayer must file a refund petition within three years following the date of payment. For a refund of tax shown on a timely filed PA tax return, the Department may not accept an amended return unless the taxpayer files the amendment within three years of the due date.



**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. Under PA law, you must submit a **Form REV-65, Refund Petition**, no 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. File an amended PA return and pay the additional tax, plus penalty and interest.

#### Penalty and Interest

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

PA law imposes a 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.

##### 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 five 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 additional penalty. This penalty is 25 percent of the tax due on your unreported income.

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



**CAUTION:** If any part of any underpayment of the tax is due to fraud, PA law imposes a penalty of 50 percent of the underpayment.

**IMPORTANT:** If you filed late or did not pay your Pennsylvania income tax on time, calculate your penalty and interest and report the additional charges on Line 26. See the **FILING TIP - LINE 26** on page 18. Additional penalty and interest can accumulate even if you have not received a notice from the Department.

#### 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

- Contains information indicating the liability is significantly incorrect; or
- Indicates that the taxpayer is filing in a manner to delay or impede the administration of the PA tax law.

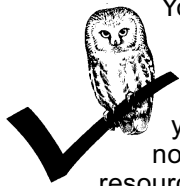
PA law imposes a penalty on any person required to furnish an information return that does not file a required information return or files a false or fraudulent information return. The penalty is \$50 for each information return.

#### 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 15, 2004 to the date of payment at the annual interest rate that the U.S. Secretary of the Treasury establishes as of January 1 of each calendar year.

## DONATIONS

### WILD RESOURCE CONSERVATION FUND



You have the chance to "Do Something Wild" and help protect Pennsylvania's nongame wildlife and native wild plants by making a contribution of all or a portion of your Pennsylvania tax refund. This special non-profit fund helps Pennsylvania'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, PO Box 8764, Harrisburg, PA 17105-8764.

### U. S. OLYMPIC COMMITTEE

Your support is vital for U.S. athletes to compete with the world's best at the Olympic, Paralympic, and Pan American Games. By contributing all or a portion of your Pennsylvania tax refund, you will help provide many athletes with the coaching, equipment, travel, and medical assistance necessary to field the best U.S. teams possible. America doesn't send its athletes to the Olympic Games, Americans do.



You can also send a direct contribution. Make your check or money order payable to: U. S. Olympic Committee, Development Office, One Olympic Plaza, Colorado Springs, CO 80909-5760.

### GOVERNOR ROBERT P. CASEY MEMORIAL ORGAN AND TISSUE DONATION 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 Pennsylvania tax refund. 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: Governor Robert P. Casey Memorial Organ and Tissue Donation Awareness Trust Fund, PO Box 90, Harrisburg, PA 17108-0090.

### 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 Pennsylvania 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 order payable to: Korea/Vietnam Memorial, Inc., 2761 Distillery Rd, Fogelsville, PA 18051-2122.

### 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 Pennsylvania 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, Bureau of Administrative and Financial Services, P.O. Box 90, Harrisburg, PA 17108-0090.



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



# PA SCHOOL DISTRICTS & CODES BY COUNTY

SCHOOL DISTRICT	CODE
<b>INDIANA</b>	
Apollo-Ridge	03060
Armstrong	03085
Blairsville-Saltsburg	32110
Harmony	17350
Homer Center	32330
Indiana Area	32370
Marion Center Area	32520
Penns Manor Area	32630
Punxsutawney Area	33800
Purchase Line	32730
United	32800
<b>JEFFERSON</b>	
Brockway Area	33070
Brookville Area	33080
Clarion-Limestone Area	16170
Dubois Area	17200
Punxsutawney Area	33800
<b>JUNIATA</b>	
Greenwood	50300
Juniata County	34360
<b>LACKAWANNA</b>	
Abington Heights	35030
Carbondale Area	35130
Dunmore	35220
Forest City Regional	58300
Lackawanna Trail	66500
Lakeland	35460
Mid Valley	35550
North Pocono	35650
Old Forge	35660
Riverside	35700
Scranton City	35740
Valley View	35840
<b>LANCASTER</b>	
Cocalico	36130
Columbia Borough	36150
Conestoga Valley	36170
Donegal	36220
Eastern Lancaster County	36230
Elizabethtown Area	36240
Ephrata Area	36260
Hempfield	36310
Lampeter-Strasburg	36360
Lancaster	36400
Manheim Central	36440
Manheim Township	36450
Octorara Area	15650
Penn Manor	36520
Pequea Valley	36530
Solanco	36700
Warwick	36900
<b>LAWRENCE</b>	
Blackhawk	04160
Ellwood City Area	37200
Laurel	37400
Mohawk Area	37500
Neshannock Township	37520
New Castle Area	37530
Shenango Area	37620
Union Area	37700
Wilmington Area	37800
<b>LEBANON</b>	
Annville-Cleona	38030
Cornwall-Lebanon	38130
Catasauqua Area	38230
Eastern Lebanon County	38230
Lebanon	38460
Northern Lebanon	38500
Palmyra Area	38530
<b>LEHIGH</b>	
Allentown City	39030
Bethlehem Area	48100
Catasauqua Area	39130
East Penn	39230
Northern Lehigh	39450
Northwestern Lehigh	39460
Parkland	39510
Salisbury Township	39560
Southern Lehigh	39570
Whitehall-Coplay	39780
<b>LUZERNE</b>	
Berwick Area	19110
Crestwood	40140

SCHOOL DISTRICT	CODE
Dallas	40160
Greater Nanticoke Area	40260
Hanover Area	40300
Hazleton Area	40330
Lake-Lehman	40390
Northwest Area	40600
Pittston Area	40660
Wilkes-Barre Area	40885
Wyoming Area	40920
Wyoming Valley West	40930
<b>LYCOMING</b>	
Canton Area	08100
East Lycoming	41200
Jersey Shore Area	41400
Loyalsock Township	41420
Montgomery Area	41500
Montoursville Area	41510
Muncy	41530
South Williamsport Area	41610
Southern Tioga	59700
Wellsboro Area	59850
Williamsport Area	41720
<b>MCKEAN</b>	
Bradford Area	42080
Kane Area	42230
Oswayo Valley	53750
Otto-Eldred	42600
Port Allegany	42630
Smethport Area	42750
<b>MERCER</b>	
Commodore Perry	43130
Crawford Central	20135
Farrell Area	43250
Greenville Area	43280
Grove City Area	43290
Hermitage	43330
Jamestown Area	43360
Lakeview	43390
Mercer Area	43500
Reynolds	43530
Sharon City	43560
Sharpsville Area	43570
West Middlesex Area	43750
Wilmington Area	37800
<b>MIFFLIN</b>	
Mifflin County	44460
Mount Union Area	31600
<b>MONROE</b>	
East Stroudsburg Area	45200
Pleasant Valley	45520
Pocono Mountain	45540
Stroudsburg Area	45600
<b>MONTGOMERY</b>	
Abington	46030
Boyetown Area	06075
Bryn Athyn Borough	46050
Cheltenham Township	46130
Colonial	46160
Hatboro-Horsham	46360
Jenkintown	46380
Lower Merion	46450
Lower Moreland Township	46460
Methacton	46530
Norristown Area	46560
North Penn	46570
Perkiomen Valley	46610
Pottsgrove	46630
Pottstown	46640
Souderton Area	46710
Springfield Township	46720
Spring-Ford Area	46730
Upper Dublin	46830
Upper Merion Area	46840
Upper Moreland Township	46850
Upper Perkiomen	46860
Wissahickon	46930
<b>MONTOUR</b>	
Danville Area	47180
Warrior Run	49800
<b>NORTHAMPTON</b>	
Bangor Area	48080
Bethlehem Area	48100
Catasauqua Area	39130

SCHOOL DISTRICT	CODE
Easton Area	48330
Nazareth Area	48480
Northampton Area	48490
Northern Lehigh	39450
Pen Argyl Area	48560
Saucon Valley	48600
Wilson Area	48660
<b>NORTHUMBERLAND</b>	
Danville Area	47180
Line Mountain	49350
Milton Area	49500
Mount Carmel Area	49510
Shamokin Area	49650
Shikellamy	49660
Southern Columbia Area	19750
Warrior Run	49800
<b>PERRY</b>	
Fannett-Metal	28200
Greenwood	50300
Newport	50400
Susquenita	50600
West Perry	50800
<b>PHILADELPHIA</b>	
Philadelphia City	51500
<b>PIKE</b>	
Delaware Valley	52200
East Stroudsburg Area	45200
Wallenpaupack Area	64830
<b>POTTER</b>	
Austin Area	53030
Coudersport Area	53130
Galetaon Area	53280
Keystone Central	18360
Northern Potter	53550
Oswayo Valley	53750
Port Allegany	42630
<b>SCHUYLKILL</b>	
Blue Mountain	54080
Hazleton Area	40330
Mahanoy Area	54450
Minersville Area	54470
North Schuylkill	54500
Panther Valley	13660
Pine Grove Area	54600
Pottsville Area	54610
Saint Clair Area	54680
Shenandoah Valley	54720
Schuylkill Haven Area	54730
Tamaqua Area	54760
Tri-Valley	54780
Williams Valley Area	54880
<b>SNYDER</b>	
Mid-West	55500
Selinsgrove Area	55710
<b>SOMERSET</b>	
Berlin Brothersvalley	56100
Conemaugh Township Area	56180
Meyersdale Area	56520
North Star	56550
Rockwood Area	56630
Salisbury-Elk Lick	56700
Shade-Central City	56720
Shanksville-Stonycreek	56740
Somerset Area	56770
Turkeyfoot Valley Area	56840
Windber Area	56910
<b>SULLIVAN</b>	
Sullivan County	57630
<b>SUSQUEHANNA</b>	
Blue Ridge	58100
Elk Lake	58250
Forest City Regional	58300
Montrose Area	58450
Mountain View	58460
Susquehanna Community	58650
<b>TIOGA</b>	
Canton Area	08100
Galetaon Area	53280
Northern Tioga	59600
Bethlehem Area	59700
Wellsboro Area	59850

SCHOOL DISTRICT	CODE
<b>UNION</b>	
Lewisburg Area	60400
Mifflinburg Area	60500
Milton Area	49500
Warrior Run	49800
<b>VENANGO</b>	
Allegheny Clarion Valley	16030
Cranberry Area	61130
Forest Area	27200
Franklin Area	61220
Oil City Area	61620
Penncrest	20470
Titusville Area	61720
Valley Grove	61860
<b>WARREN</b>	
Corry Area	25145
Titusville Area	61720
Warren County	62830
<b>WASHINGTON</b>	
Avella Area	63050
Bentworth	63090
Bethlehem-Center	63100
Brownsville Area	26080
Burgettstown Area	63120
California Area	63150
Canon-McMillan	63170
Charlertown	63180
Chartiers-Houston	63190
Fort Cherry	63240
McGuffey	63390
Peters Township	63650
Ringgold	63700
Trinity Area	63800
Washington	63880
<b>WAYNE</b>	
Forest City Regional	58300
North Pocono	35650
Susquehanna Community	58650
Wallenpaupack Area	64830
Wayne Highlands	64870
Western Wayne	64890
<b>WESTMORELAND</b>	
Belle Vernon Area	65060
Blairsville-Saltsburg	32110
Burrell	65070
Derry Area	65160
Franklin Regional	65260
Greater Latrobe	65310
Greensburg Salem	65320
Hempfield Area	65380
Jeannette City	65410
Kiski Area	65440
Leechburg Area	03450
Ligonier Valley	65490
Monessen City	65580
Mount Pleasant Area	65590
New Kensington-Arnold	65630
Norwin	65650
Penn-Trafford	65710
Southmoreland Area	65750
Yough	65890
<b>WYOMING</b>	
Elk Lake	58250
Lackawanna Trail	66500
Lake-Lehman	40390
Tunkhannock Area	66750
Wyalusing Area	08900
Wyoming Area	40920
<b>YORK</b>	
Central York	67130
Dallastown Area	67160
Dover Area	67180
Eastern York	67220
Hanover Public	67280
Northeastern	67440
Northern York County	67460
Red Lion Area	67550
South Eastern	67620
South Western	67640
Southern York County	67650
Spring Grove Area	67670
West Shore	21900
West York Area	67850
York City	67900
York Suburban	67940



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