

**PA SCHEDULE G-S**

PA-40 G-S (10-12) (FI)

PA DEPARTMENT OF REVENUE

**20**

OFFICIAL USE ONLY

**Part I - Calculation of Credit for Taxes Paid to Other States or Countries**

Name of taxpayer claiming the credit		Social Security Number	
1. Name of other state or country			
2. Class of income subject to tax in the other state or country	A. Amount of income subject to tax in PA per PA-40 return	B. Amount of income subject to tax in other state or country	C. Lesser of Column A or B
a. Compensation			
b. Unreimbursed business expenses			
c. Net compensation			
d. Interest			
e. Dividends			
3. Income subject to tax in the other state or country - Add Lines 2c thru 2e for Column C			
4. a. Tax due or assessed in other state or country			
b. Tax paid in other state or country			
c. Enter the lesser of Line 4a or Line 4b			
d. Less adjustments - Enter the amount from Part II, Line 5			
e. Adjusted tax paid in other state or country			
5. Line 3 x 3.07 percent (0.0307)			
6. PA Resident Credit. Enter the lesser of Line 4e or Line 5 here and on the appropriate form. See instructions.			

**Part II - Worksheet for Adjusted Tax Paid in Other States or Countries**

1. Enter the amount from Part I, Column C, Line 3 here.	
2. Add the amounts from Part I, Column B, Lines 2c through 2e. Enter the result here.	
3. Divide the amount from Part II, Line 1 by Part II, Line 2. Enter the result here (calculate to six decimal places).	__ . ____
If the amount on Part II, Line 3 equals 1.000000, you may stop here and enter "0" on Part I, Line 4d.	
4. If the amount on Part II, Line 3 is less than 1.000000, subtract the decimal from 1.000000. Enter the result here (calculate to six decimal places).	__ . ____
5. Multiply the decimal on Part II, Line 4 by the amount on Part I, Line 4c. Enter the result here and on Part I, Line 4d.	

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A Pennsylvania resident can receive a credit for income tax, wage tax or other tax (measured by gross or net earned or unearned income) paid to another state or country when the other state or country imposes its tax on income also subject to PA personal income tax in the same taxable year. For example, a PA resident who earns wages in Delaware, and pays Delaware income tax can claim a credit (subject to the limitations described below) for the tax imposed by Delaware on his/her compensation.

PA Schedule G-S is a shorter version of the form to claim the resident credit for taxes paid to other states and countries. It is intended for use only by taxpayers who have:

- Pennsylvania taxable compensation that is also subject to tax in other states or countries. You may file more than one PA Schedule G-S if you have compensation subject to tax in more than one state.

OR

- Pennsylvania taxable interest or dividend income that is also subject to tax in other countries from foreign sources. See the instructions below for Lines 2d and 2e, Column B, for more information.

If you wish to claim a resident credit on any other classes of income subject to tax in another state or country or interest and dividend income subject to tax in another state, you must see the instructions for and complete PA Schedule G-L. No credit may be given on interest and dividend income from another state unless classified as business income in Pennsylvania. To obtain Schedule G-L, use one of the Forms Ordering Services on page 3 of the PA-40 instruction booklet.

Individual taxpayers who complete one or more PA Schedules G-S and/or PA Schedules G-L must list the information from these schedules on one of Lines 1 through 20 of PA Schedule G-R. Resident credit will not be granted unless PA Schedule G-R is completed.

Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-S and/or G-L and enter the total on Line 13 of Form PA-41, the fiduciary income tax return.

### GENERAL INSTRUCTIONS

If you can claim a resident credit as described above, your credit is the lesser amount of:

- The actual tax due to the other state or country (as may be adjusted), or
- The tax calculated using the PA classified taxable income that you earned, received or realized in the other state or country multiplied by the Pennsylvania tax rate of 3.07 percent (0.0307).

If you file PA Schedule G-S, you are required to submit some or all of the following as appropriate:

1. Copies of the income tax returns that you filed with the other states or countries.
2. A copy of each Form W-2 (if available) that shows the compensation that the other states or countries taxed (or a statement that shows how the compensation in the other states or countries was determined).
3. Copies of the federal partnership K-1s showing amounts of foreign interest and dividend income subject to tax and taxes paid to foreign countries along with a statement showing the interest and dividend income and taxes paid on a country-by-country basis.
4. Any other documentation from brokers, companies or banks showing the amount of foreign interest and dividend income subject to tax and foreign taxes paid.
5. A copy of Federal Form 1116 if you listed interest and dividend income from foreign countries as "VARIOUS." If you submit Federal Form 1116, individual pages from

broker statements are not required. However, you must submit a statement showing the interest and dividend income and taxes paid on a country-by-country basis. See the instructions for Lines 2d and 2e, Column B on Page 3.

Individual taxpayers are required to submit PA Schedule G-R in order to claim resident credit.

You may also be required at a later date to provide additional documentation to the department such as (but not limited to) checks, money orders, foreign currency transaction statements and other related documents in order to substantiate income taxes paid or the amount of tax reported to other states or countries as due and payable.

**NOTE:** If you use PA Schedule W-2S to report compensation and you claim a resident credit for taxes paid to other states or countries on compensation, you must include copies of any Forms W-2 for the compensation subject to tax in the other states or countries.

**CAUTIONS:** If you paid income tax to another country on a tax return in a foreign language, you are required to submit a translation or copy of the return, in English, with all amounts converted to U.S. dollars. You must also provide the conversion rate used. If the other country does not have a tax return system, please submit Federal Form 1116, Foreign Tax Credit, whether or not you file this form with your Form 1040 return. Submit the information return that shows your taxable income from the other country.

If claiming a resident credit from more than one state or country, you must file a separate PA Schedule G-S for each state or country (unless otherwise provided for by the limitations per the instructions for Lines 2d and 2e, Column B). Individual taxpayers must list the credits from each PA Schedule G-S in Column E on one of Lines 1 through 20 of PA Schedule G-R. Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-S and/or G-L and enter the total on Line 13 of Form PA-41, the fiduciary income tax return.

You may not claim a resident credit for foreign income on which no taxes were paid. The credit may only be claimed where the income is taxed in, and tax is paid to, another country.

You may not claim a resident credit on an individual return for taxes paid by an estate or trust. The credit for taxes paid on behalf of an estate or trust must be claimed on the fiduciary return for the estate or trust. If all the income from the estate or trust is distributed to an individual who is a beneficiary of the estate or trust, the individual may not claim the resident credit earned by the estate or trust.

Pennsylvania income tax law does not allow a resident credit for taxes paid to political subdivisions of other states. Ask your local taxing authority if you are eligible for a credit for the tax paid to a political subdivision outside Pennsylvania or the difference between the tax you paid to another state and the credit you claimed on your PA Schedule G-S.

### SPECIFIC INSTRUCTIONS

#### Part I

Enter the name of the taxpayer or spouse who is claiming the credit. Taxpayers using the "Married Filing Jointly" status may not claim the credit on a joint basis for any classes of income except interest and dividend income. Separate PA Schedules G-S and G-R must be prepared to report the income for a taxpayer and spouse for all other classes represented on PA Schedule G-S. Enter the Social Security number of the taxpayer or spouse as appropriate. Enter only the primary Social Security number for "Married Filing Jointly" status claims on interest and dividend income from foreign sources. A taxpayer and spouse with compensation and jointly received

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interest and dividend income all subject to tax in the same country must report their income and tax on a separate PA Schedule G-S for the compensation. The couple may include the interest or dividend income on a separately prepared combined PA Schedule G-S for the interest or dividend income or include one-half of the interest and dividend income on each separately prepared PA Schedules G-S.

Also see "Special Instructions for Taxpayers Reporting Amounts on PA-40 Line 10, Other Deductions" on Page 4 of these instructions.

**!** **IMPORTANT:** When using fractions or ratios to determine any amounts for this schedule, calculate out to six decimal places.

**Line 1.** Enter the name of the other state or country to which you owed/paid income tax. A separate PA Schedule G-S should be filed for each state or country in which you claim a resident credit. Do not enter Pennsylvania. Taxpayers claiming a credit for foreign taxes paid only on interest and dividend income may combine the income and taxes from various countries and write "VARIOUS" on Line 1. However, a separate statement must be included to illustrate the amounts of income and taxes paid for each country in order to receive credit for the combined amounts reported. You may not claim a credit for interest or dividend income subject to tax in another country on which no income tax was paid.

### COMPENSATION

#### Line 2a

**Column A.** If a taxpayer or spouse has compensation subject to tax in another state or country, enter the amount of gross compensation subject to tax in PA from Line 1a of the PA-40. Otherwise, leave this area blank. Report only the compensation attributable to the name at the top of the PA Schedule G-S.

**Column B.** If a taxpayer has income subject to tax in another state or country, enter the amount of gross compensation subject to tax in the other state or country from the other state or country's return. Include a copy of Form W-2 and/or other documentation supporting the position that compensation is subject to tax in the other state or country. If Form W-2 shows an amount different than the amount of compensation reported on the return as taxable to the other state or country, include a copy of the other state or country's apportionment schedule or a copy of a supplementary statement illustrating how the compensation subject to tax on the return for the other state or country was determined. If the amount of compensation shown on the W-2 is greater than the amount of compensation reported as subject to tax on the return for the other state or country, you must use the amount reported on the return.

Enter only the taxpayer's or spouse's portion of the compensation subject to tax in the other state or country. You must file a separate PA Schedule G-S and PA Schedule G-R to claim credit for the other spouse's compensation that was taxed in another state or country.

**Column C.** No entry is required.

#### Line 2b

**Column A.** If Line 2a, Column A, is completed and the taxpayer or spouse claimed unreimbursed business expenses, enter the amount of unreimbursed business expenses from Line 1b of the PA-40. Enter only the unreimbursed business expenses attributable to the name at the top of the PA Schedule G-S. Otherwise leave this line blank.

**Column B.** No entry is required.

**Column C.** No entry is required.

#### Line 2c

**Column A.** Subtract Line 2b, Column A, from Line 2a, Column A. Enter the result here.

**Column B.** Enter the amount from Line 2a, Column B.

**Column C.** Compare Line 2c, Column A, with Line 2c, Column B and enter the lesser of the two amounts here. You cannot claim more wages subject to tax in other states or countries than are subject to tax in PA. Also, you cannot claim that retirement benefits withheld or paid for by your employer are subject to tax in any state or country other than PA.

### INTEREST AND DIVIDENDS

#### Lines 2d and 2e

**Column A.** If you are claiming a resident credit for taxes paid on foreign interest and/or dividend income, enter the total amounts of interest and/or dividend income subject to tax in PA on Lines 2d and/or 2e from Lines 2 and 3 of your PA-40 return.

**Column B.** If you have interest and/or dividend income subject to tax in another country, enter the interest or dividend income subject to tax in the other countries on the respective lines. You may combine amounts of income and taxes from various countries and include it all on one PA Schedule G-S. However, you must include a separate statement to illustrate the amounts of income and taxes paid for each country in order to receive credit for the combined amounts reported. You must also calculate the allowable credit on a country-by-country basis on this statement prior to entering the amounts on the PA Schedule G-S. The statement showing the amounts of income, tax paid and credit calculated on a country-by-country basis may show the name of stock, type of income or transaction taxed in lieu of the country's name.

**NOTE:** Individual taxpayers should add Lines 2c, 2d and 2e of Column B and enter the total on PA Schedule G-R, in Column C of one of Lines 1 through 20. Losses may be offset against gains in this total, as long as offsetting is allowed in the other state or country.

**CAUTION:** If you have interest and/or dividend income classified as business or rental income and subject to tax in another state, you must use PA Schedule G-L to claim the credit on that income. Also, if you claim a credit for taxes paid to a foreign country on interest and/or dividend income, that income must be classified as interest and/or dividend income in PA to claim the income on these lines of PA Schedule G-S.

**Column C.** Compare the amounts on Lines 2d and 2e from Columns A and B. Enter the lesser of the two amounts.

**Line 3.** Add the amounts on Lines 2c through 2e for Column C and enter the result here. If you have amounts on lines 2d and/or 2e for Column C, you should not have an amount on Line 2c for Column C, unless the amounts on Lines 2d and 2e for Column C are from one country and are from the same country as the amount for line 2c for Column C.

**Line 4a.** Enter the amount of income tax reported to the other state or country as due and payable before any credits for taxes withheld, estimated tax payments or other payments are taken into account. This amount is generally the tax liability as determined on the other state's return. However, any special tax credits awarded or claimed must be used to reduce this amount.

**Line 4b.** Enter the amount of income tax paid to the other state or country in the form of estimated taxes, withholding taxes, extension payments and other payments (additional assessments of taxes). Other payments include payments that you intend to make with the filing of the return if there is a balance due after the application of estimated taxes, withholding taxes, and extension payments. If you do not make the payment of taxes due with the return or intend to make the payment, do not include the balance due on the return with this amount.

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Individual taxpayers: the amount on Line 4b of each PA Schedule G-S or G-L should be carried to PA Schedule G-R, in Column D on one of Lines 1 through 20.

**Line 4c.** Enter the lesser of Line 4a or 4b.

**Line 4d.** If a taxpayer has more compensation income subject to tax in the other state or country than in PA (Line 2c, Column B is greater than Line 2c, Column A), an adjustment to the amount of tax paid to the other state is required. Subtract Line 2c, Column A from Line 2c Column B, and divide the result by Line 2c, Column B. Multiply that ratio by the amount on Line 4c, and enter the product here.

**Line 4e.** Subtract Line 4d from Line 4c, and enter the result here.

**Line 5.** Multiply Line 3 by 3.07 percent (0.0307) and enter the result here.

**Line 6.** Individual taxpayers must enter the lesser of Line 4e or Line 5 here and in Column E on one of Lines 1 through 20 of PA Schedule G-R. Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-S and/or G-L and enter the total on Line 13 of Form PA-41, the fiduciary income tax return.

**Example:** Mary has compensation of \$400,000 in PA. Mary's employer requires her to work out of the office in Philadelphia as well as at the company's offices in Dover, Delaware. Mary incurs travel expenses and meals and entertainment expenses of \$50,000, for which her employer does not provide reimbursement. Mary pays taxes of \$10,500 on wages of \$360,000 for the time she spends in her company's Delaware office. Mary must make an adjustment to her taxes paid to Delaware of \$292 ( $[(\$360,000 - \$350,000) / \$360,000 \times \$10,500 = 292]$ ), as the amount she would report on Line 2c, Column B is more than the amount she would report on Line 2c, Column A. Mary would be entitled to a credit of \$10,208 for the taxes paid to Delaware. Mary also has investments in stocks and bonds in several international companies and receives interest and dividend income from those companies. Before she receives the interest and dividend income from those companies, they are required to withhold the taxes that would be due to the country where the companies are headquartered. All but one of the foreign countries in which she has investments in companies levies a tax. Mary can claim the credit for taxes paid on the interest and dividend income to the foreign countries on a separately prepared PA Schedule G-S. However, Mary must provide with that PA Schedule G-S a statement providing a list of the countries, amounts of interest and dividend income subject to tax in each country, the tax paid in each country and the amount of the resident credit (lesser of 3.07 percent or tax paid) for each country on a country-by-country basis. Mary may not claim a credit for taxes paid to the country in which her interest or dividend income was not taxed.

**Part II**  
**Instructions for the Worksheet for Adjusted Tax Paid in Other States or Countries**

**Line 1.** Enter the amount from Part I, Column C, Line 3 here.

**Line 2.** Add the amounts from Part I, Column B, Lines 2c through 2e. Enter the result here.

**Line 3.** Divide the amount on Line 1 by the amount on Line 2. Calculate the amount to six decimal places. If the result of dividing Line 1 by Line 2 equals 1.000000, you are not required to make an adjustment to taxes. You do not have to complete Lines 4 and 5 of this section. Stop here and enter a 0 on Part I, Line 4d.

**Line 4.** Subtract Line 3 from 1.000000. Calculate the amount to six decimal places.

**Line 5.** Multiply the amount on Part II, Line 4 by the amount on Part I, Line 4c. Enter the result here and on Part I, Line 4d.

**SPECIAL INSTRUCTIONS FOR TAXPAYERS REPORTING AMOUNTS ON PA-40 LINE 10, OTHER DEDUCTIONS**

For taxpayers with amounts reported on Line 10, Other Deductions, amounts listed in Column A for each line (Lines 2c through 2e for Column A) must be reduced by a pro-rata amount of the deduction attributable to the taxpayer (or spouse) claiming the credit.

Example: Andy and Timi Taxpayer have compensation of \$90,000 and \$94,000 respectively reported on their joint PA-40 return. They do not claim any business expenses on PA Schedule UE. The Taxpayers also report \$6,000 of joint interest income and \$10,000 of joint dividend income. In addition, Andy and Timi's work requires them to spend 95 percent of their time in the Delaware offices of their respective employers. The Taxpayers have one child and they contribute \$12,000 each to the IRC Section 529 plan for that child.

On their joint tax return, the Taxpayers report a total of \$200,000 of total PA taxable income on Line 9 of their PA-40 return and \$24,000 on Line 10. Andy and Timi's shares of the income on Line 9 are \$98,000 and \$102,000, respectively. The income by class of income also differs for Andy and Timi. Andy's share of income for each class is as follows: Compensation - \$90,000; Interest - \$3,000; and Dividends - \$5,000. Timi's share of income for each class is as follows: Compensation - \$94,000; Interest - \$3,000; and Dividends - \$5,000.

Andy and Timi would report the following amounts in Column A of their separately completed PA Schedules G-S:

	Andy	Timi
Line 2c -	\$78,980	\$82,941
Line 2d -	\$2,633	\$2,647
Line 2e -	\$4,387	\$4,412

The amounts reported on each line of Column A for Andy and Timi are reduced by subtracting from the amounts reported in each class of income on Form PA-40 Andy or Timi's share of the income from each class of income divided by their respective shares of the total income for all classes and multiplied by their respective shares of the amount on Form PA-40 Line 10. For example, Line 2c for Andy was determined by subtracting from the \$90,000 he reported as compensation \$11,020, which is \$90,000 divided by \$98,000 times \$12,000.

The amounts reported in Column B for each of their Schedules G-S would be as follows:

	Andy	Timi
Line 2c -	\$85,500	\$89,300
Line 2d -	\$0	\$0
Line 2e -	\$0	\$0

Because of the respective pro-rata reductions required for Column A, the respective amounts for Column C (the lesser of Column A or Column B) for Andy and Timi are as follows:

	Andy	Timi
Line 2c -	\$78,980	\$82,941
Line 2d -	\$0	\$0
Line 2e -	\$0	\$0

The total incomes for which credits may be claimed on separate Schedules G-S (Line 3 on the Schedules G-L) are \$78,980 for Andy and \$82,941 for Timi.