AM I A RESIDENT OF PA FOR PERSONAL INCOME TAX PURPOSES?

Individuals who are domiciled in PA or who are statutory residents of PA are subject to PA personal income tax on income, regardless of where the income was earned. Both residents and statutory residents may qualify for credits against tax paid to other states on income earned outside of PA.

Individuals who are neither domiciled in PA nor have statutory residency in PA are taxed only on income from sources within PA and cannot qualify for PA credits against taxes paid to other states.

WHERE AM I DOMICILED?

A domicile is the place at which an individual maintains his/her permanent abode and to which he/she intends to return whenever absent. A person may only have one domicile at any one time.

What is a permanent abode?

An abode is a house, apartment, or other building maintained as a dwelling place. An abode is permanent if it is maintained as a dwelling place for an indefinite period of time, whether the occupants own it or not. An abode that is occupied only during a fixed or limited period of time for a particular purpose is not a permanent abode. Barracks, bachelor officer's quarters, quarters on ships and other living accommodations provided by an employer for a definite period do not qualify as permanent abodes. Sorority houses and off-campus rentals by students enrolled in college or universities do not qualify as permanent abodes.

What if I maintain more than one permanent abode?

The domicile of an individual who maintains more than one permanent abode is determined by two factors: (1) Which is the one place where the individual has had the greatest connections for the taxable year; and (2) Which place does the individual intend to be his/her domicile?

For example, a locality with the greatest connections is where a person:
- spends the greatest amount of time
- supports a spouse and children
- purchases the necessities of life
- has doctors, lawyers and accountants
- houses pets
- has active banking accounts
- worships regularly
- participates in social, fraternal or athletic organizations
- has works of art, furniture, family portraits or heirlooms
- fulfills local tax obligations
- is employed
- owns real estate fit for year-round living
- maintains a driver's license and vehicle registration
- maintains professional licenses
- maintains union membership
- declares residency for hunting or fishing licenses, income tax returns or school tuition
- conducts business
- receives mail
- receives unemployment compensation
- records his or her address for insurance policies, deeds, mortgages, leases, passport, federal and local tax returns, etc.
- was domiciled at birth
- maintains safe deposit boxes
- owns a cemetery plot
- claims a homestead exemption
- is listed in the telephone directory
- obtains homestead exemption
- gathers for family and social events
- maintains TV and Internet connections
- registers to vote

What is a statutory residence?

A statutory residence is the place where an individual spends the most time during the year. More specialized definitions, however, apply when the person does not maintain a permanent place of residence in PA or has frequent or prolonged absences from his/her place of residence. A person is considered a statutory resident of PA unless:
- the person spends more than 181 days (midnight to midnight) of the tax year outside PA; or
- the person has no permanent abode in PA for any part of the tax year.

How do I establish a new domicile?

A person can have only one domicile at a time, and it does not change until they move to another state or country with the intention of making a new permanent home there, abandoning the previous domicile.

If a person moves to another state or country, but intends to stay there only for a fixed or limited time (no matter how long), domicile does not change. Domicile is not dependent upon continuous physical presence. It is not abandoned by absence there or by presence in a former domicile, so long as there is not firm, sincere, unconditional intention of remaining in the other jurisdiction for an indefinite and uncertain period.
For example, PA domicile does not change when a person is temporarily absent – to return to a former domicile for business, health, pleasure, or education – with intention to return to the previous domicile. A person who moves into or out of PA with the intention of resuming residence in PA is considered a PA resident for income tax purposes. The individual who continues to be subject to PA taxation on the income earned, received, or credited from PA sources while a PA resident does not tax nonresidents on ordinary interest and dividend income, even from financial institutions and corporations located in PA. PA does not tax nonresidents on the gain (or loss) realized from the sale, exchange or disposition of tangible property.

How to dependents determine domicile?

Children under 18 years old who are domiciled in PA with their parents or legal custodians. If the parents are separated, the child’s domicile is the domicile in which the child lives or that of the child’s legal custodian. Becoming an adult does not by itself sever a child’s parental or legal custodian’s domicile. The child merely acquires the power to establish a separate domicile.

College dormitories, fraternity houses, sorority houses and off-campus rentals by students enrolled in college or universities do not qualify as a separate domicile.

Compensation for services performed in PA, unless the nonresident is a resident of Indiana, Maryland, New Jersey, Ohio, Virginia or West Virginia. If you are a resident of one of these states, your PA employer should withhold and remit tax to that state.

Net income (loss) from the operation of a business, profession or farm in PA. If you derive income from sources inside and outside PA, you should maintain separate accounts and records that clearly reflect your PA business activity. Otherwise, you must file a PA Schedule NR to apportion your income.

Net income (loss) from the sale, exchange or disposition of property in PA. If you sell property in your former state before moving into PA, you are not subject to PA income tax on the gain. However, if you moved from PA to another state and then sell tangible property in PA, you must report the gain. You may qualify for an exclusion from paying tax on the gain on the sale of your principal residence in PA.

Net income (loss) from rents, royalties, patents and copyrights in PA or used in PA.

Estate or trust income, only to the extent the beneficiary’s PA-source income is taxable to nonresidents.

Gambling and lottery winnings from PA sources are subject to PA taxes.

PA does not tax nonresidents on your interest earned, received or credited for the part of the year they were residents of PA, as well as on all income earned, received or credited from PA sources for the part of the year they were nonresidents.

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