

PA-40I 1998

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

What's New for 1998 Returns?

Tax Forgiveness. Tax forgiveness reduces and often eliminates the income tax due the Commonwealth for eligible claimants. The income limits for tax forgiveness have been increased, beginning this year. See the instructions beginning on page 28.

If eligible, you file as either **Unmarried** or **Married**. The income level for an **Unmarried** claimant begins at \$6,500. The income level for **Married** claimants begins at \$13,000. **Married** taxpayers use the joint income level even if filing separately. The allowance for each eligible dependent child has been increased. The Eligibility Income Tables have changed.

Sale of a Principal Residence. Qualifying taxpayers may exclude from PA taxable income the entire gain from the sale of their principal residence, if sold after December 31, 1997. You must meet specific ownership and use requirements. If you used part of your home for another purpose, such as business or rental, you must qualify for the total exclusion. There are other circumstances when you must report your gain. See the instructions on page 20.

Taxable Employee Benefits. Beginning January 1, 1998, employers exclude from PA taxable compensation the employees' personal use of employer owned or leased property and employer provided services. When completing your PA-40, use the state (PA) amount in box 17 of your W-2 form. **♦ Caution.** Pennsylvania does not follow all federal rules for determining taxable compensation. Your employer may not exclude, and you may not deduct, your contributions to a retirement plan, even if your employer requires your participation and withholds your payments. You may not deduct contributions to any IRA or Roth IRA.

Long Form PA-40. This booklet has two copies of the 1998 PA-40. Most taxpayers who filed a 1997 PA-40EZ received a 1998 TeleFile booklet. You received this booklet because you do not qualify for telephone filing for 1998 based on your 1997 PA tax return. The Department no longer provides the PA-40EZ.

Identification Label. Inside this booklet is an insert with your label. If any of the information on your label is wrong, **do not use it.** If your label is correct, please affix it to your PA-40.

Personal Identification Number — PIN. You have a five-digit PIN above your label on the insert. If married, your spouse also has a PIN. See **PA TeleFile — Filing by Telephone.** If you can file by telephone, you will need your PIN.

PA TeleFile — Filing by Telephone. Even though you received this booklet, you may be able to file by telephone if all of the following statements are true:

- You were a PA resident for all of 1998.
- All the information on your label is correct.
- Your income is from compensation on W-2 forms, and you have less than \$2,500 of PA taxable interest and/or you have less than \$2,500 of PA taxable dividends, and you did not make PA estimated payments.
- Your only allowable employee business expenses are union dues, small tools and supplies, and work clothes and uniforms.
- Your only payment of tax is through employer withholding.

→ Important. You may also use TeleFile if you received Tax Forgiveness for 1997 and you qualify for 1998 and do not have any dependent children. If 1998 is the first year you qualify for Tax Forgiveness, you must file a PA-40.

If the above applies to you and you want to file by telephone, request a PA TeleFile Booklet. You will need the PIN from your label insert when you receive your PA TeleFile booklet.

Nonresidents and Part-Year Residents. A separate section of instructions for nonresidents and part-year residents begins on page 31.

Spouse with a Different Last Name. The PA-40 has a line for the spouse who uses a different name.

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BULK RATE
PAID
U.S. POSTAGE
OF
COMMONWEALTH
OF
PENNSYLVANIA
DEPARTMENT OF
REVENUE



Department of Revenue
Bureau of Individual Taxes
Harrisburg, PA 17129-0005



FORMS ORDERING



FACT and Information Line
Forms by fax or mail,
touch-tone
service required
1-888-PATAXES
(1-888-728-2937).



Toll-free Forms Ordering
Message Service at
1-800-362-2050 serving tax-
payers without touch-tone
phone service.



Tax Forms Service Unit
by writing:
PA Department of Revenue
Tax Forms Service Unit
711 Gibson Boulevard
Harrisburg, PA 17104-3200



Department's Internet
home page
supplies forms and
information at
<http://www.revenue.state.pa.us>



E-mail us at
parev@revenue.state.pa.us

REMINDERS FOR FILING YOUR 1998 PA-40

Electronic Data Imaging. The Department of Revenue electronically data images PA-40 returns. The Department's equipment takes a picture of your PA-40 and stores your information on our computer. Please follow these instructions for completing your PA-40.

- Fill in all appropriate ovals completely.
- Print neatly so our equipment correctly reads your information and amounts.
- If you have a correct label, please use it.

- **DO NOT USE** your label if any of the information is wrong. Do not make any corrections on the label — destroy it.
- Use capital letters.
- Print one number or letter in each box when entering your SSN, name, address, dollar amounts, and other information.
- Print in black ink, if possible.

Please print in black ink. Use capital letters



A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
1	2	3	4	5	6	7	8	9	0																

Leave a blank box between words. If your name, address or city begins with Mc, Van, O', etc., do not enter a space or a punctuation mark. If you and your spouse do not use the same last name, please enter your names separately in the space provided on your PA-40.

Z	I	M	M	E	R	M	A	N																	
S	T	E	V	E	N					K															
K	A	T	H	E	R	I	N	E		S															
N	I	L	A	N																					
P	O	B	O	X		1	2	5	6																
1	9	5	7		V	A	L	L	E	Y		V	I	E	W		R	O	A	D					
H	A	R	R	I	S	B	U	R	G			P	A		1	7	1	2	9						
2	2	2	7	5		7	1	7		-	5	5	5		-	1	3	5	2						

Fill in all the appropriate ovals on your PA-40 completely.



Remember: Use a blank box to separate words.

There are two lines to enter your complete address, if you need them. Use the postal format. First, enter your apartment number, suite, room number, rural route, box number, floor, etc. Then, enter your street address. If you only have a street address, you may enter it on either line.

Assemble your PA-40 in this order:

- PA-40.
- W-2 forms and/or other explanation of compensation earned. ✓ **Filing Tip.** If you can, please copy your W-2 forms on 8 1/2 by 11 inch paper. You may copy more than one W-2 form on each sheet. These copies pass through the imaging equipment more efficiently.
- PA or federal extension form.
- The PA schedules you are filing from your booklet.
- Other PA schedules and forms you are filing to support the amounts on your PA-40.
- Other documents that explain the information you entered.
- Federal schedules, only if you do not use or did not receive a PA schedule.

DO NOT STAPLE YOUR RETURN.

We will not tear or damage your return and attachments. Also, we can process your return faster if we do not have to pull staples.

Continued from page 2.

Reminders for Filing Your 1998 PA-40

School District, County and Municipality. Enter the name and code of the school district where you lived on December 31, 1998. Enter the name of the county and the name of the city, town, borough, township, etc., where you lived on December 31, 1998.

PA-40. Please do not file a photocopy of your PA-40. We must have an original PA-40. The imaging equipment cannot accurately read photocopies of the PA-40.

Identification Label Change. Review all the information on your label. Fill in this oval only if:

- The information you will enter this year is different from your label; or
- You did not file a 1997 PA tax return.

IF YOUR LABEL IS INCORRECT, DO NOT MAKE ANY CORRECTIONS ON YOUR LABEL — DISCARD IT.

IRS/PENNSYLVANIA E-FILE. Last year, more than 250,000 PA taxpayers filed through this program. The Department and the Internal Revenue Service again offer this convenient filing method. You may file your federal and PA-40 returns electronically, whether you pay a tax preparer or prepare your own returns. However, you must submit both returns through an IRS approved transmitter (ERT) or electronic return originator (ERO). Electronic filing provides these benefits:

- **Accuracy.** Computer programs catch mistakes before they become problems.
- **Acknowledgment.** The Department electronically notifies your ERO that we received and accepted your return.
- **Refunds.** With electronic filing, you have the option to receive your refund through direct deposit. This service is not available when filing a paper return. If you want a refund check, the Department will issue it within four (4) weeks.
- **File Now, Pay Later.** If you owe tax, you can file your PA-40 at any time before the due date. You then use your 1998 PA-V, Payment Voucher, to pay on or before April 15, 1999.

PA Schedule I for Reporting Federal Amounts on PA-40. The Department has a new schedule that allows taxpayers to report certain income without submitting either a PA or federal schedule. If you meet certain conditions, you may report on PA Schedule I the same amounts you report on your 1998 federal tax return. For more information, obtain a PA Schedule I, see Forms Ordering on page 2, and read the instructions on the schedule. You then determine if you may file PA Schedule I or must file a Pennsylvania or federal supporting schedule. You may use PA Schedule I for reporting allowable business expenses from federal Form 2106 or from federal Schedule B, C, F, and E. **► Important.** You may not use PA Schedule I for compensation and withholding. You may also use PA Schedule I to report the same amount of gambling and lottery winnings that you reported on your federal return.

♦ **Caution.** You must determine that you do not have to make certain adjustments that PA law requires and that you will not take advantage of certain allowable adjustments that may reduce your PA taxable income. You may not use PA Schedule I if you are a partner in a partnership or a PA S corporation shareholder.

Supporting Documents. ♦ **Caution.** PA tax law does not always follow federal rules. If either the IRS or Pennsylvania requires an adjustment or election that the other does not permit, you may not use PA Schedule I. Read the instructions for each line of your PA-40 and for each schedule. Then determine if you may use PA Schedule I or must submit a required supporting federal or PA schedule. The Department exchanges information with the IRS. **► Important.** The Department has the authority to request supporting schedules for amounts on your PA-40.

Unreimbursed Employee Business Expenses on PA Schedule UE. The Department will, when necessary, request verification and evidence for your expenses. Keep your records.

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

SPECIAL TELEFILE OPPORTUNITIES AND SERVICES NEAR YOU.

Between February and April, the PA Department of Revenue (along with IRS representatives) will be able to assist you with TeleFile (see the front cover), answer basic Personal Income Tax questions, and provide necessary forms at the malls listed below.

Receive a special "thank you" for using TeleFile*.

MALL	AREA	DATE
Millcreek Mall	Erie	February 16 – 18
Century III Mall	Pittsburgh	February 23 – 25
Monroeville Mall	Pittsburgh	March 01 – 03
Harrisburg East Mall	Harrisburg	March 08 – 10
Colonial Park Mall	Harrisburg	March 11 – 12
Nittany Mall	State College	March 16 – 18
Wyoming Valley Mall	Wilkes Barre	March 23 – 25
Willow Grove Mall	Willow Grove	March 29 – 30
Montgomery Mall	North Wales	March 31 – April 02
Plymouth Meeting Mall	Plymouth Meeting	April 06 – 08

* Mall locations are available for your convenience. You are not required to go to a mall location to TeleFile.

- **DO NOT** use your PA-V if you do not owe tax.
- **DO NOT** use your PA-V if any of the preprinted information is incorrect. **DESTROY IT.**
- **DO NOT** use another person's PA-V. **→Important.** The PA-V only shows one Social Security Number.
- If you and your spouse file separately, **DO NOT** use the PA-V unless it shows your SSN.
- If your SSN is not on the PA-V and you owe tax, enclose only your check with your PA-40.

Mailing Instructions are on page 23. Read the instructions for using the enclosed return mailing labels and envelope. Read the U.S. Postal Service information about additional postage.

Language Service. The Department assists non-English speaking taxpayers during the 1999 tax season through an interpretation service. Assistance is available in 140 languages, including Spanish, Italian, German, and most other common languages, spoken in PA households, other than English.

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 1999. La asistencia esta disponible en 140 idiomas incluyendo español, italiano y alemán, además de inglés, los idiomas más comunes en los hogares del estado.

Toll-free FACT and Information Line

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

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

Toll-free Assistance for Taxpayers with Special Needs (hearing and speech impaired) — 1-800-447-3020 (TDD only)

Taxpayer Service and Information Center at (717) 787-8201 offers Personal Income Tax help during normal business hours.

Temporary Offices. Each year the Department establishes temporary offices to help taxpayers. Local newspapers may list office locations or you may call the Department district office nearest you. See the listing of district offices on page 47.

Free Income Tax Preparation Service. Individuals who are elderly, on a fixed income, disabled, or housebound can receive free assistance in preparing uncomplicated, nonbusiness federal, state, and local income tax returns. Volunteers working through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs provide this assistance. Contact the Department district office nearest you for information, or call the Internal Revenue Service toll free number (1-800-829-1040) for the location of assistance sites.

Free Federal Tax Assistance from the Internal Revenue Service.

The IRS provides:

- Federal tax account or technical information: 1-800-829-1040;
- Recorded Tele-Tax Service on 150 federal tax topics or 1998 tax refund information: 1-800-829-4477;
- Federal tax forms/publications ordering: 1-800-829-FORM (3676);
- Taxpayers who are unable to solve federal tax account problems through normal contacts: Problem Resolution Program: 1-800-829-1040;
- Faster IRS refunds through Electronic Filing: 1-800-829-1040 (information only).

Taxpayers' Rights Advocate. On December 20, 1996, the passing of the Taxpayers' Bill of Rights established the Office of the Taxpayers' Rights Advocate. The Taxpayers' Rights Advocate provides assistance to taxpayers whose problems and concerns have not been resolved through normal administrative procedures. It is the Advocate's responsibility to insure the PA Department of Revenue provides equitable treatment with dignity and respect.

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

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

YOUR USE TAX RESPONSIBILITY.

An individual is responsible for reporting and paying the 6 percent PA Use Tax directly to the PA Department of Revenue for using any taxable tangible personal property and for using taxable services within Pennsylvania. An individual must pay Use Tax if such property and/or service is subject to the Sales Tax, and he or she did not pay an equivalent amount of Sales Tax to the seller. A 1 percent Local Use Tax also applies if the property/service is for use within a county that has imposed a Local Sales and Use Tax.

Use Tax is due on Internet orders, mail orders, "800" or "888" number orders, and other out-of-state purchases of taxable items when the seller does not have a license to collect PA Sales Tax or when the individual did not pay PA Sales Tax. If an individual does not pay the Sales, Use or Hotel Occupancy Tax, the Department may issue an assessment for a PA Use Tax liability, including both penalty and interest charges.

All purchases or leases of tangible personal property and certain enumerated services are taxable unless an item qualifies for exemption from tax. Generally, purchases of food from grocery stores, utilities for residential consumption, clothing for everyday wear, and medicine are exempt from Sales and Use Tax. For more specific information on taxable items, you may contact one of the Department's district offices or write to the PA Department of Revenue, Office of Chief Counsel, Dept. 281061, Harrisburg, PA 17128-1061.

If you pay sales tax in another state on an item that is also subject to the PA Sales Tax, Pennsylvania will allow you a credit up to the amount of your PA Sales Tax liability.

You report your 6 percent PA Use Tax liabilities, and the 1 percent local tax, if applicable, on a form PA-1, PA Use Tax Return. To obtain form PA-1, contact a Department district office or see Forms Ordering on page 2.

Who Must File a PA Return? You must file a 1998 paper, electronic, or telephone PA tax return if:

- You received total PA gross taxable income in excess of \$35 during 1998, 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, or PA S corporation shareholder.

⇒ **Important.** If you owe \$1.00 or less, you do not have to make a payment when you file your PA-40. The Department will not issue a refund check or credit for less than \$1.00.

Filing for a Deceased or Disabled Individual or a Minor Child. If you are responsible for the care of a person who cannot prepare his or her own return, you must complete and file a PA-40 on behalf of that person. This includes someone who died in 1998, disabled persons, and minor children. PA law does not have any exclusions or exemptions for minor children or any other person who must file a PA tax return.

Tax Rate. For the calendar year 1998 and all fiscal years beginning in 1998, the tax rate is 2.8 percent (0.028).

Taxable Income. Pennsylvania taxes individuals at the flat rate of 2.8 percent on eight separate classes of income. Read the instructions for each income line.

Losses. You cannot offset income from 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. If you realize a net loss in a PA income class, report the loss on the appropriate line and completely fill in the oval next to that line. You and your spouse may not offset your separate income with each other's losses. See the instructions for **Married, Filing Jointly** below.

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

Costs, Expenses, and Deductions. PA law does not allow personal expenses, itemized deductions, personal exemptions, or standard deductions. You may only deduct the PA allowable costs and expenses that you directly incur in earning or receiving income. ⇒ **Important.** Interest, Dividends, and Gambling and Lottery Winnings are gross taxable income classes. You may not deduct any expenses you incurred to receive income in these classes. Read the instructions for these classes of income.

Type Filer. Your filing status depends on whether you are single or married. ♦ **Caution.** If claiming Tax Forgiveness, your PA-40 filing status may differ from your PA Schedule SP.

(S) Single. You must file as single if on December 31, 1998:

1. You were not married; or
2. You did not remarry, if divorced or a widow or widower during 1998.

You must file as single if your spouse was deceased on December 31, 1998.

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

1. Your taxable years end on the same date; and
2. Neither of you is individually claiming one or more of the credits on Line 22 and/or Lines 24 through 27 on your PA-40; and
3. Your spouse was living on January 1, 1999.

✓ **Filing Tip.** You, or your spouse, do not have to file a PA-40 if you do not individually meet the requirements described in **Who Must File a PA Return?** (above). ♦ **Caution.** If you file jointly, you and your spouse are both liable for all PA tax owed, even if only one of you had taxable income. Even if either of you paid your own PA tax, through withholding or estimated payments, you are still both liable on a joint PA-40.

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

1. Your taxable years end on different dates; or
2. Either of you is individually claiming one or more of the credits on Line 22 and/or Lines 24 through 27 on your PA-40.

Married, When One Spouse is a Resident and the Other is Not a Resident. You may file jointly only if you both elect to file as PA residents and meet all the other requirements for filing jointly. See **Married, Filing Jointly** (above).

(F) Final Return. Use this filing status if you lived in Pennsylvania for all of 1998, but permanently moved away and will not have any PA taxable income or loss in 1999. You will not receive a 1999 booklet. Provide the reason, such as you moved to another state. ⇒ **Important.** You must file your 1998 PA-40 as a PA resident and report all your income from all sources, including interest and dividends.

(D) Deceased. As the executor, administrator, or other responsible person, you must file a separate PA-40 for a decedent using this filing status. You report all income that the decedent actually and constructively received during 1998. If estimated payments were made jointly, you may transfer the payments between the separate PA-40 returns. Request form REV-459B, **Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account.** ♦ **Caution.** The surviving spouse must file a separate PA-40.

Residency Status. You are a resident if you live in or move into Pennsylvania with the intention of residing here for an indefinite period, or if you maintained a permanent dwelling place in Pennsylvania. If you move into Pennsylvania, you are a resident on the first day you live here, regardless of the reason (job relocation, change in marital status, retirement, etc.) for moving here. You are a resident even if you reside in temporary housing while searching for or building a residence, if your employer provides your housing, or if you live with relatives or friends.

If you did not live in Pennsylvania for all of 1998, you must determine if you are a resident for tax purposes, a nonresident, or a part-year resident. Request the Department's pamphlet, REV-611, **Residency for PA Personal Income Tax Purposes.**

Note. Nonresident and Part-Year Resident instructions begin on page 31.

How Residents are Taxed. As a resident, you report and pay PA tax on all taxable income received from any source.

Reciprocal Exemption Agreements. Pennsylvania has reciprocal exemption agreements with Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. Under these agreements, one state will not tax

the others' residents on employee compensation that is subject to employer withholding. These agreements apply to employee compensation only. If you are a PA resident working in one of these states, or are a resident of a reciprocal agreement state working in Pennsylvania, request the Department's pamphlet, REV-615, **Reciprocal Exemption Agreements and Pennsylvania Personal Income Tax**.

Resident Members of Partnerships and PA S Corporations. As a resident partner or PA S corporation shareholder, you must report your share of income whether distributed or not. You report your share of the income, or loss, in the same classes in which the partnership or PA S corporation realized the income or loss. You must enclose a copy of each PA Schedule RK-1 you receive from your partnership or PA S corporation. ♦ **Caution.** If the partnership only provides a federal Schedule K-1, you must classify the income or loss according to the instructions for each PA income class. ➔ **Important.** If you are a shareholder in another state's Subchapter S corporation and that corporation is not a PA S corporation, you must report the cash or property you actually received as dividend income. Do not report the amount of your undistributed income. You may not claim a credit for any tax paid to the other state on this income.

When To File?

Calendar Year Taxpayer. You must report all taxable income received or accrued from January 1, 1998, through December 31, 1998. You must file before midnight, Thursday, April 15, 1999. The U.S. Postal Service postmark date on your envelope is proof of timely filing.

Fiscal Year Taxpayer. You may not file on a fiscal year basis for Pennsylvania unless you are a fiscal year filer for federal purposes. Your PA return is due on the same date as your federal tax return.

♦ **Caution.** Late filing will result in penalty and interest.

Entering Losses. If entering a loss on Lines 4, 5, or 6, fill in the oval next to the line.

Reproducing PA Returns and Schedules. Please do not file a photocopy of your 1998 PA-40 or PA-V. You may make copies for your records. Using a photocopy will delay your tax return. You may request additional PA-40 forms. You may make copies of the other schedules in this booklet.

Specific Instructions

Identification Label. If all the information is correct, place your label on the PA-40 that you file. If any information on your label is wrong or you did not file a 1997 PA tax return, **DO NOT USE YOUR LABEL OR MAKE ANY CORRECTIONS ON IT. DESTROY IT, IF IT IS INCORRECT.** See the instructions for the **Identification Label Change** oval below.

Extension Enclosed. See the instructions on page 32.

Amended Return. See the instructions on page 33.

Fiscal Year Filers. Completely fill in this oval if applicable. Enter the beginning and ending dates of your fiscal year.

Option. Do You Want a 1999 Tax Booklet? Completely fill in the correct oval. Answer **YES**, if you want a 1999 PA-40 booklet. Answer **NO**, if you do not use the Department's forms or you have a preparer who does

not use the Department's forms. Next year, you will receive a label and a personalized PA-V, only.

Residency Status. Completely fill in **only** the correct oval. If a part-year resident, enter the months during 1998 when you were a resident of Pennsylvania.

Type Filer. Completely fill in **only** the correct oval. If filing a final return, enter the reason. If filing for a decedent, enter the date of death.

Identification Label Change. If any information on your label is wrong, or you did not file a 1997 PA tax return, completely fill in this oval. Do not use your label or make any corrections on it. **Destroy It.**

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

School District Information. Enter the name of the PA school district and the school district code where you lived on December 31, 1998. The school district codes are on pages 35 and 36. Do not enter the school district where you work. The Department of Revenue provides information, using your school district code, to the PA Department of Education. Using an incorrect school district code may affect your school district's funding. If you were not a PA resident on December 31, 1998, enter 99999.

County and Municipality Information. Enter the county and the municipality where you lived on December 31, 1998.

Line Instructions for Reporting Income and Losses

Miscellaneous or Other Income. PA law does not have a miscellaneous or other income class. Enclose an explanation of the income.

Line 1a. Gross PA Taxable Compensation. Enter your total PA taxable "state wages, tips, etc." from box 17 of your 1998 W-2 forms. **DO NOT USE** box 1, "federal wages, tips, etc.". Enter the PA amounts from any other statements.

W-2 Wage and Tax Statement. You must enclose a 1998 W-2 form from each employer as evidence of your PA taxable compensation and tax withheld. If you worked for more than one employer in 1998, you should have more than one W-2 form. If the PA taxable compensation you report on Line 1a is not the same as box 17, you must enclose a separate written statement explaining the difference. If your employer reported an incorrect amount of PA wages on your W-2 form, your employer is required to provide a corrected W-2 form.

If you do not have a W-2 form or a federal substitute W-2, Form 4852, provide evidence of your PA compensation and tax withheld. Provide copies of pay stubs and a statement identifying your employer and explaining the reason you do not have a W-2 form.

Compensation means remuneration you receive for your services, whether directly or through an agent and whether in cash or in property. Report compensation paid in any form other than cash at fair market value. Compensation, whether or not reported on a W-2 form, includes:

- Commissions, bonuses, and incentive payments.
- Sick leave payments, unless excludable.
- Payments realized in the form of property.

- A discharge of indebtedness, unless specifically excludable from compensation.
- Damage awards and settlements other than in personal injury cases to the extent the payments represent back wages or other uncollected entitlement to taxable income.
- Honorariums.
- Fees received by executors and administrators, unless in the business of administering estates.
- Fees received by directors of corporations, unless for personal services.
- Severance pay received as consideration for terminating employment before reaching normal retirement age.
- Covenants not to compete or for refraining from the performance of services.
- Jury fees.
- Expert witness fees.

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

1. The expenses are PA allowable employee business expenses; and
2. You must, and do, account for these expenses to your employer; and
3. Your employer reimburses you in the exact amount of the allowable business expenses; and
4. You do not report these expenses on PA Schedule UE.

Read the instructions on page 18 for reporting your allowable employee business expenses.

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

Exclusions from Compensation. Do not report as compensation:

1. Social security benefits, public assistance, and unemployment compensation.
2. Qualifying old age or retirement benefits.
3. Payments received under workers' compensation acts, occupational disease acts, or similar legislation. This includes payments for injuries received while working and damages received, whether by suit or otherwise, for personal injuries or sickness. If your employer includes the payments you received for on-the-job injuries in your W-2 form, provide a statement from your employer verifying the amount of these payments.
4. Sick pay and disability benefits, other than regular wages. Payments made by third party insurers for sickness or disability are not taxable. When sick pay represents regular wages or sick leave pay, the payments are taxable as compensation.
5. Prizes and awards, unless given in recognition for past, present or future services or taxable as gambling or lottery winnings.
6. Amounts paid to the estate or designated beneficiary of a deceased employee.

Gifts. Pennsylvania does not tax gifts made from detached or disinterested generosity. However, transfers of cash or property in payment for compensable services or as an inducement to perform compensable services are PA taxable compensation.

Scholarships, Fellowships, and Stipends. A scholarship or fellowship award made on the basis of need or academic achievement is not taxable if awarded to encourage or allow the recipient to further his or her educational development. The award is taxable as compensation if given for past or present services or in expectation of future employment. Request the Department's pamphlet REV-614, **Scholarships, Fellowships, and Stipends for Pennsylvania Personal Income Tax Purposes**, for specific instructions for filing, including post-doctoral awards.

PA and Federal Rules for Compensation. On your W-2 forms, PA taxable compensation in box 17 may be different from your federal taxable wages in box 1. Report only your PA compensation.

Employer Sponsored Retirement, Pension, and Other Deferred Compensation Plans. Pennsylvania does not tax commonly recognized retirement payments that you receive after you retire. To qualify as a retirement or old age benefit program for Pennsylvania purposes, your employer's plan must have met certain requirements. Your employer has these requirements. If you have any questions about your employer's plan, ask your employer.

Your contributions to your employer's retirement, pension, or deferred compensation plan are PA taxable compensation, whether you pay them voluntarily or because they are mandatory under your employer's plan. Your contributions are taxable whether you pay them directly, through employer withholding from your compensation, or under a cash or deferred arrangement. Your contributions are PA taxable compensation, even if they are not taxable for federal purposes.

Distributions from Employer Sponsored Deferred Compensation Programs. All amounts you receive from your employer's PA qualifying retirement or old age benefit program are taxable in the year you receive the payments, except:

1. Payments you receive after you qualify for retirement and retire; or
2. Payments you receive at regularly recurring intervals during periods of disability by reason of disability; or
3. 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 previously taxed income earned on your contributions.

Payments paid to the estate or designated beneficiary by reason of an employee's death are not PA taxable income on the employee's final PA-40.

Early Retirement Incentive Plans. Payments you receive as an inducement for early retirement are taxable compensation. Such payments are not part of a PA qualifying retirement program.

Annuities. If you invest in a retirement annuity that is not an employer program, you may not exclude or deduct your investment. 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.

Sick Pay and Disability Pay. Your employer should not include periodic payments for sickness or disability, including payments from third party insurers, in box 17 of your W-2 form. If your employer erroneously included sickness or disability pay and withheld PA tax, you must provide a statement from your employer that explains the number of days and amount of nontaxable sick or disability pay erroneously included.
◆ Caution. Sick leave pay is taxable for PA purposes.

Employee Welfare Benefit Plans. Employers establish and maintain employee welfare benefit plans to provide wage or salary supplements to eligible employees or their beneficiaries. Unless a benefit is specifically excluded, your PA taxable compensation includes the cost of the benefits that your employer provides. Your employer must include the value of these benefits, regardless of the type of plan your employer has.

You may not take a deduction for any contributions you make to your employer's benefit plan.

Act 7 of 1997 and Act 45 of 1998. Recent legislation changed the rules governing the taxation of employee benefits for PA purposes. The use of your employer's owned or leased property is not taxable for PA reasons.
Example. Using your employer's company car for personal reasons is not taxable for PA purposes. **Example.** Using your employer's dependent care facilities is not taxable for PA purposes.

However, if your employer reimburses you for personal expenses, the reimbursement is PA taxable compensation. **Example.** You lease your own car and your employer reimburses you for the lease amount. The amount you receive from your employer is PA taxable compensation, and you may only deduct the allowable employee business expenses you incur. **Example.** You pay for dependent care. Your employer reimburses you for some of your expenses. The reimbursement you receive is PA taxable compensation.

Your employer should include taxable reimbursements in your PA taxable wages. If you have any questions concerning the value of benefits that your employer included in your PA taxable compensation, ask your employer.

Clergy and Statutory Employees. Pennsylvania has no special rules or exceptions for clergy, statutory employees, or any other specific employees. Housing allowances are always taxable for PA purposes. Clergy must make estimated payments unless their employers voluntarily withhold PA tax.

Individual Retirement Accounts.

Contributions. Pennsylvania considers an IRA program as a qualifying retirement plan. Therefore, whether for a traditional IRA, Roth IRA, or other employer sponsored plan, employees may not exclude or deduct their contributions into the retirement plan.

Employer Contributions. As with other retirement plans, any employer contributions into the plan are not includable in an employee's PA taxable compensation.

Undistributed Income. Do not include undistributed interest and other earnings on assets held in an IRA in your PA taxable income.

Withdrawals. Early distributions from IRA programs, including a Roth IRA, are taxable for PA purposes, to the extent the distribution exceeds

the previously taxed employee contributions. However, withdrawals from any IRA are not taxable if the payments are:

1. Received on or after retirement, **and** after reaching the age of 59½. If the taxpayer is age 59½, but does not retire from the primary employment covered by the IRA, the distributions are taxable compensation for PA purposes.
2. Received at regularly recurring intervals during periods of disability by reason of disability.
3. Paid to the estate, or designated beneficiary, of the participant by reason of the participant's death.

Rollover into a Roth IRA. If a rollover is directly from a traditional IRA to a Roth IRA, that is, a direct trustee to trustee transfer, the distribution is not taxable for PA purposes. If the taxpayer receives a distribution before meeting the requirements for retirement, from any federally qualified retirement plan, the distribution is not taxable for PA purposes if the taxpayer pays the entire amount into a Roth IRA not later than the 60th day after receiving the distribution. If the taxpayer does not meet the requirements for retirement, and retires, and the taxpayer does not rollover the distribution as described above, the distribution is PA taxable compensation. The taxpayer must report taxable distributions when received. The taxpayer must make Pennsylvania estimated tax payments, because Pennsylvania law does not have back-up withholding requirements. Taxpayers use the cost recovery method of accounting to report the taxable compensation each year.

Line 1b. Unreimbursed Employee Business Expenses. ⇒ Important. The Department may request evidence that the expenses you claim on your PA Schedule UE are allowable for PA purposes.

Read the PA Schedule UE instructions on page 24. If your employer does not reimburse you, you may reduce your taxable compensation by your allowable expenses. If your reimbursement is more than your allowable expenses, you must report the excess as taxable compensation on Line 1a and explain on your PA Schedule UE. **Example.** Dave is a salesperson who earned compensation of \$30,000 and incurred allowable business expenses of \$3,000. He received reimbursement of \$3,500. Dave must report the excess \$500 as compensation. His total taxable compensation is \$30,500. If Dave's reimbursement was \$2,000, his taxable compensation would be \$29,000. Dave must complete a PA Schedule UE to deduct his \$1,000 of expenses on Line 1b.

Line 1c. Net PA Taxable Compensation. Subtract Line 1b from Line 1a.

Line 2. PA Taxable Interest Income. When your PA taxable interest income exceeds \$2,500, you must complete and file PA Schedule A.

Report all PA taxable interest income received or credited during the year on Line 2. Include interest from savings and loan associations; credit unions; bank deposits; bonds; certificates of deposit; interest-bearing checking accounts; PA, federal, and local tax refunds; and other obligations. Generally, Forms 1099 issued by financial institutions will show the amount of interest from such institutions.

PA Tax Exempt Interest. Pennsylvania does not tax interest from direct obligations of the U.S. Government, the Commonwealth of Pennsylvania, and political subdivisions of Pennsylvania. Interest from U.S. Treasury Bonds, Notes, Bills, Certificates, and Savings Bonds is not taxable.

◆ Caution. Interest from federal governmental agencies, and obligations guaranteed by the Federal Government, such as GNMA and FNMA certificates, may be taxable for PA purposes. For a complete list of exempt obligations, request form REV-1643. **⇒ Important.** You

must include PA tax exempt interest in Eligibility Income for Tax Forgivenness purposes.

Interest from obligations of other states or countries is taxable.

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

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

Line 3. PA Taxable Dividend Income. When your PA taxable dividend income exceeds \$2,500, you must complete and file PA Schedule B.

Report all dividend income received or credited during the year on Line 3. Dividends are distributions made by corporations, S corporations, mutual funds, other federally regulated investment companies, and limited liability companies.

◆ **Caution.** If you are a shareholder in another state's Subchapter S corporation, and that corporation is **NOT** a PA S corporation, you must report the cash or property you actually received as dividend income on your PA-40. You do not report the amount of your undistributed income and you may not claim a credit for any tax paid to the other state.

Example. B Inc., a New York Subchapter S corporation, distributes all its earnings and profits to its sole stockholder, Carolyn, who is a PA resident. The corporate income was from operating a department store, from investments, and from rental properties. B Inc. is not a PA S corporation. Notwithstanding the source of such earnings and profits, the distribution represents taxable dividend income to Carolyn in the year received.

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

Dividend Income Does Not Include:

1. Dividends distributed by a corporation to its stockholders as stock, if the distribution is not personal income for federal purposes.
2. Distributions designated as return of capital by utility companies and other corporations that reduce the basis of your stock in the corporation. Once such distributions reduce your basis to zero, any further distributions are taxable as gain from the sale or disposition of property. See **Taxable Return of Capital Distributions** on page 28.
3. Dividends from deposits or withdrawals from accounts paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions are interest on Line 2, for PA purposes.
4. Ordinary dividends paid by a mutual fund or a registered investment company and designated as being exempt-interest dividends for PA purposes in the written notice issued to shareholders. You may exclude the portion of total dividends that the fund or company designates as from "exempt PA and exempt federal obligations".

➔ **Important.** The amount designated as capital gain is fully taxable as dividend income for PA purposes.

Line 4. Net Income or Loss from the Operation of a Business, Profession, or Farm. Total all business, farm, partnership, and PA S corporation schedules and enter the net income or loss on Line 4. In determining this amount, you may offset your own business income from one schedule with a business loss from another. If you report a total net loss, fill in the oval next to Line 4 on your PA-40.

◆ **Caution.** Spouses may not offset each other's income and losses in this class. If married and electing to file jointly, you and your spouse must each separately determine your own net income or loss. If you each realize a net profit, add your net incomes together and report that total. If you each realize a net loss, add your net losses together and report that total. If one spouse has net income and the other has a net loss, report only the net income on Line 4.

PA and Federal Schedules. Enclose your PA Schedules C, F, RK-1, NRK-1, and C-F Reconciliation. If you have income, whether distributed or not, from a partnership or PA S corporation, you must enclose the PA Schedule RK-1 you received. If you receive a federal Schedule K-1, you must classify your income using PA rules. Read all instructions for each class of income carefully and report your income accordingly. Enclose the federal Schedule K-1.

◆ **Caution.** If you are a shareholder in another state's federal S corporation, and that corporation is **NOT** a PA S corporation, you only report cash or property you actually received as dividend income on Line 3. You may not claim any credit for tax paid on the S corporation income you reported to the other state.

What is a Business or Profession? Not every income producing activity constitutes the operation of a business or profession. You realize income or loss from the operation of a business or profession if you meet all of the following:

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

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

The following activities **DO NOT** constitute the operation of a business, profession or farm. ♦ **Caution.** You report income or loss from these activities in other PA income classes.

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

⇒ **Important.** Paying any tax imposed on, or measured by, gross or net earned or unearned income is not a business transaction nor an allowable business expense under PA law.

PA Schedule C-F Reconciliation ⇒ **Important.** PA rules differ from federal rules for net PA taxable income or loss. For PA purposes, you determine net income or loss under generally accepted principles and practices. Read PA Schedule C-F for the allowable and required adjustments to your federal amounts. If you must make PA adjustments, use PA Schedule C-F. You do not have to provide the federal schedule.

PA Schedules RK-1 and NRK-1. If you are a partner in a partnership or a PA S corporation shareholder, you receive a PA Schedule RK-1 or NRK-1. This schedule reports your share of income or loss from each PA income class. If you received any guaranteed payments from business operations, you generally add those payments to your share of income or loss as shown on your PA Schedule RK-1 or NRK-1. The partnership or PA S corporation should deduct all allowable expenses and make all other allowable adjustments. However, your partnership or PA S corporation agreement may require that you incur direct business expenses. If these are allowable unreimbursed expenses for PA purposes, you must itemize them on a separate statement. The expenses you claim must be ordinary, necessary, reasonable, and directly related to your business activity. You may not deduct personal expenses, expenses you incur for your own convenience, interest expenses and other nonallowable expenses.

Line 5. Net Gain or Loss from the Sale, Exchange, or Disposition of Property. You must report each sale, exchange, or disposition of any kind of real or tangible property, including land and buildings. You must report the sale, exchange, or disposition of intangible property, including stocks, bonds, ownership interests in partnerships and business enterprises, contracts of insurance and annuities, and contracts of insurance with accumulated refundable reserves payable upon lapse or surrender. ⇒ **Important.** You must also report any taxable portion of gain from the sale of your principal residence on PA Schedule D. See the instructions on this page.

Report the total from your PA Schedule(s) D, including gains and losses from other PA schedules that show amounts that you must report in this income class. You may offset your own net gains and losses in determining this line. If you realize a net loss, fill in the oval next to Line 5 on your PA-40. ⇒ **Important.** PA law does not permit the installment sale method for reporting gain from the sale of intangible property.

♦ **Caution.** If married and filing a joint return, you and your spouse must separately determine your total PA net gain or loss. If you each realize a net gain, add your net gains together and report that amount. If you each realize a net loss, add your net losses together and report that amount. If one spouse has a net gain and the other a net loss, report only the net gain on Line 5. **Example.** Mary and Ben jointly own a rental property that they sell. They realize a \$900 gain. Ben sells stock that he owns in his own name for a \$500 gain. Mary sells the small business that she owns in her name for a loss of \$600. They report a gain of \$950 on their 1998 PA-40. Each spouse figures their net gain or loss separately. Ben has a total gain of \$950 (50% of the joint gain of \$900 or \$450 + his separate \$500 gain.) Mary has a loss of \$150 (50% of the joint gain of \$900 or \$450 – her \$600 loss.) Ben and Mary may not offset his net gain of \$950 with her loss of \$150.

Loss on the Disposition of Property. You recognize a loss only in the year in which some identifiable event closes and completes the transaction and fixes the amount of the loss so there is no possibility of any eventual recovery. You recognize a loss only on transactions you enter into for profit.

Capital Gain Distributions. Capital gain distributions you receive from mutual funds or other regulated investment companies are taxable as dividends on Line 3.

Exempt Obligations — Originally Issued Before February 1, 1994. You do not report the gain or loss realized on the sale, exchange, or disposition of the following obligations, if the original issue date was before February 1, 1994, regardless of the date you acquired the obligations.

1. Direct obligations of the U.S. Government, such as federal treasury bills and treasury notes;
2. Obligations of certain agencies, instrumentalities, and territories of the U.S. Government;
3. Direct obligations of the Commonwealth of Pennsylvania and its political subdivisions.

⇒ **Important.** You may not use any loss realized on the disposition of the above obligations to offset other gains.

Exempt Obligations — Originally Issued On or After February 1, 1994. You must report the gain or loss realized on the sale, exchange, or disposition of the above obligations, if the original issue date was on or after February 1, 1994, regardless of the date you acquired the obligations. ⇒ **Important.** You must report all such gains as taxable and may use any losses you realize to offset only your own other gains.

♦ **Caution.** You must report gains and losses from the disposition of obligations of other states and countries regardless of when issued.

Sale of Your Principal Residence. If you sold your principal residence after December 31, 1997 and meet the requirements for the gain exclusion, you do not have to report the sale on your PA-40. This exclusion is not identical to the federal exclusion. For a complete explanation of the requirements for this exclusion and when you must report a sale, request the Department's pamphlet REV-625, **Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes.**

♦ **Caution.** Not every sale of a principal residence qualifies. ⇒ **Important.** If you sell a principal residence and do not qualify for the exclusion, report your gain or loss on PA Schedule D.

Line 6. Net Income or Loss from Rents, Royalties, Patents, or Copyrights. Rent is income you receive for the use of your real or tangible property. Royalties are income you receive upon the extraction of coal, oil, gas, or other minerals, or for the use of your patent or copyright.

Report the total income or loss from all PA Schedules E and all PA Schedules RK-1 or NRK-1. Do not use federal Schedule E unless reporting only Part 1. If making PA adjustments to Part 1 of your federal Schedule E, enclose an explanation. You may offset your own net income and losses in determining this line. If you realize a net loss, fill in the oval next to Line 6 on your PA-40.

◆ **Caution.** Spouses may not offset each other's income and losses in this class. If married and electing to file a joint return, you and your spouse must each separately determine your total PA net income or loss. If you each realize net income, add your total net incomes together and report that total. If you each realize a net loss, add your total net losses together and report that total. If one spouse has a net income and the other a net loss, report only the income on Line 6.

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

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

Allowable Expenses. Allowable expenses are those you paid or incurred during the taxable year that are ordinary and necessary for:

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

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

Rents vs. Net Profits. The leasing of tangible property is a business. Report on a PA Schedule C or F (not on a PA Schedule E), only if you offer the use of your property on a commercial basis to others in a marketplace and at least one of the following applies:

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

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

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

Line 7. Estate or Trust Income. Cash and property you receive from an estate or trust by gift, bequest, devise, or inheritance are not taxable. Income that the estate or trust realizes on its assets, that is currently distributable or paid or credited to a beneficiary of the estate or trust, is taxable to the beneficiary. If you are a beneficiary of one or more estates or trusts, you must complete PA Schedule J.

On PA Schedule J, add the distributed and credited income from the PA Schedule(s) L that you receive. If you received a federal Schedule K-1, you must add and report only the positive income, not taking into account any losses, shown on the federal Schedule K-1.

Line 8. Gambling and Lottery Winnings. You report your net gambling and lottery winnings. You may offset your own gambling and lottery losses, including the cost of tickets, chances, etc. Enclose a schedule explaining your gambling and lottery winnings. ◆ **Caution.** You may not deduct any expenses, such as admissions, programs, travel, meals, lodging, etc.

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

Line 9. Total Gross PA Taxable Income. Add only the positive income amounts from Lines 1c through 8. Do not include losses. You may not use a loss in one class of income to reduce income in the other classes.

Line 10. Contributions to Your Medical Savings Account. Pennsylvania follows federal rules for this deduction. If married and filing separate returns, only one spouse may take this deduction. Pennsylvania also follows federal rules concerning withdrawals from these accounts. The amount you report on Line 10 should be the same amount you report on your Federal Income Tax return. ⇒ **Important.** PA law does not impose an additional 15% tax for nonmedical withdrawals.

Line 11. Net PA Taxable Income. Subtract Line 10 from Line 9.

Line 12. 1998 PA Tax Liability. Multiply Line 11 by 2.8 percent (0.028). Also enter the result on **Line 13, Side 2.**

Line Instructions for Payments and Credits

Line 14. Total PA Tax Withheld. Enter your total PA tax withheld from box 18 of your W-2 forms. Include your W-2 forms with your PA return. ⇒ **Important.** If your employer withheld more than 2.8 percent, enclose an explanation from your employer.

Line 15. Credit from Your 1997 PA Income Tax Return. Enter your credit from your 1997 PA-40.

Line 16. 1998 Estimated Installment Payments. Enter your total 1998 estimated payments. Include your spouse's 1998 estimated payments if filing jointly. ♦ **Caution.** Do not include any payment of tax due made with a PA tax return. ➔ **Important.** If you and your spouse made separate estimated payments, you should file separate returns, each claiming only your own payments. If you and your spouse made your estimated payments jointly, you should file jointly. ♦ **Caution.** If filing separately with a joint estimated account, the Department may delay processing until we process both tax returns. ✓ **Filing Tip.** To insure that the Department applies your estimated payments correctly, file form REV-459B, **Consent to Transfer, Adjust, or Correct PA Estimated Personal Income Tax Account.** You can tell the Department which payments to post under each name and Social Security Number. Both spouses must sign this form.

Line 17. 1998 Extension Payment. Enter the payment you made with your 1998 extension request.

Line 18. Nonresident Tax Withheld. Enter the PA tax withheld by your partnership or PA S corporation, as shown on Line 6 of your PA Schedule NRK-1.

Line 19. Total Estimated Payments and Credits. Add Lines 15, 16, 17, and 18.

Tax Forgiveness Credit. ➔ **Important.** Nonresidents may claim this credit, but must include all income from all sources within and outside Pennsylvania when determining Eligibility Income. Enter this information from your PA Schedule SP.

Line 20a. Filing Status from Part A.

Line 20b. Dependent Children, Part B, Line 2.

Line 21. Eligibility Income, Part C, Line 11.

Line 22. Tax Forgiveness Credit, Part D, Line 16.

Line 23. Total Credit for Taxes Paid to Other States or Countries. ➔ **Important.** Nonresidents and residents earning compensation in reciprocal exemption agreement states may not claim this credit. Part-year residents may claim this credit for that part of the year you were a PA resident.

PA Schedule G. If you paid personal income tax to another state or country on income that you also report on your PA-40, you may claim this credit. If you are a PA resident and also a resident, for income tax purposes, of another state, you may claim the PA Resident Credit only if each of the following is applicable:

1. The income that the other state taxes is also taxed by Pennsylvania in the same taxable year, and is also taxable under the other state's laws, regardless of your place of residence or domicile; and
2. You cannot claim any credit for Pennsylvania tax against the other state's tax.

You must submit a complete PA Schedule G and a signed copy of the tax return you filed in the other state or country.

Line 24. PA Employment Incentive Payments Credit. Taxpayers employing welfare recipients may be eligible for this credit. Enclose a complete PA Schedule W, with copies of the certification form from the Department of Labor and Industry for each employee. Partners and PA S Shareholders enter the credit amount from Line 8 of your PA Schedule RK-1 or Line 7 of PA Schedule NRK-1.

Line 25. PA Jobs Creation Tax Credit. Enter the amount of your approved credit from the PA Department of Community and Economic Development certification form you received. Enclose a copy of your certification form. Partners and PA S shareholders enter the credit amount from Line 10 of your PA Schedule RK-1 or Line 9 of PA Schedule NRK-1.

Line 26. PA Waste Tire Recycling Investment Tax Credit. Enter the amount of your approved credit from the PA Department of Environmental Protection certification form you received. Enclose a copy of your certification form. Partners and PA S shareholders enter the credit amount from Line 10 of your PA Schedule RK-1 or Line 9 of PA Schedule NRK-1.

Line 27. PA Research and Development Tax Credit. Enter the amount from the PA Department of Revenue certificate of credit you received. Enclose a copy of your certificate. Partners and PA S shareholders enter the credit amount from Line 11 of your PA Schedule RK-1 or Line 10 of PA Schedule NRK-1.

Line 28. Total Payments and Credits. Add Lines 14, 19, 22, 23, 24, 25, 26, and 27.

Tax Due or Overpayment

Line 29. 1998 PA Tax Due. If Line 13 is more than Line 28, enter the tax you owe. You must pay the tax due, in full, on or before April 15, 1999. Use your PA-V form. ✓ **Filing Tip.** If your Tax Due is \$1.00 or less, you do not have to pay the tax due, but you must file your PA-40.

Line 30. Overpayment. If Line 28 is more than Line 13, enter your overpayment. ➔ **Important.** The Department may apply your overpayment to any tax liability you owe for previous tax years. The Department will not issue a refund for \$1.00 or less.

Lines 31 through 37. Application of Overpayment. You will receive a refund check if you do not enter any amounts on Lines 31 through 37, or the total of Lines 31 through 37 does not equal Line 30. If you overpaid, you may apply all or part of your overpayment:

31. Enter the amount of Line 30 that you want as a **Refund** check.
32. Enter the amount of Line 30 that you want as a **Credit** to your 1999 estimated tax account.
33. Enter the amount of Line 30 that you want to **Donate** to the **Wild Resource Conservation Fund.**
34. Enter the amount of Line 30 that you want to **Donate** to the **United States Olympic Committee, PA Division.**
35. Enter the amount of Line 30 that you want to **Donate** to the **Organ Donor Awareness Trust Fund.**

36. Enter the amount of Line 30 that you want to **Donate** to the **Korea/Vietnam Memorial Inc.**
37. Enter the amount of Line 30 that you want to **Donate** to **Breast and Cervical Cancer Research.**

The total of Lines 31 through 37 must equal Line 30. See page 34 for additional information about these funds.

Review Your Return. Carefully check your return. Did you:

- Report your Social Security Numbers, names and address correctly?
- Report all PA taxable income and claim all PA allowable credits?
- Check all the entries from W-2 forms and schedules?
- Check your math?
- Enclose all necessary and appropriate supporting forms and schedules?
- Fill in the **Identification Label Change** oval, if necessary?
- Answer **Do You Want a 1999 Booklet?** Fill in the **NO** oval if you **DO NOT** want a booklet.
- Remember to file your original PA-40? Please do not send copies. Keep the copies for your files.

Taxpayer's Signature. You must sign and date your return. Spouses filing jointly must both sign the return. You have not filed a valid PA-40 unless you (both) sign it.

Occupation. Enter your occupation(s).

Preparer's Name and Telephone Number (Optional). If you paid someone to prepare your PA-40, the preparer may enter his or her name or business name and telephone number.

You Have Completed Your 1998 PA Return. Do not staple your return. See **Assembling Your Tax Return** on page 2.

How To Pay. You must pay the balance of tax due on or before April 15, 1999. Make your check or money order payable to **PA Dept. of Revenue**. Write your Social Security Number and "1998 PA Tax" on your check or money order. If you are filing for another person, write that taxpayer's name and Social Security Number on the check. See the instructions on the insert for using form PA-V.

Mailing Instructions. Follow these instructions for mailing your PA-40:

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

If you owe Tax Due,
Line 29. PA DEPT OF REVENUE
 PAYMENT ENCLOSED
 4 REVENUE PLACE
 HARRISBURG PA 17129-0004

If you Overpaid,
Line 30. PA DEPT OF REVENUE
 REFUND/CREDIT REQUESTED
 6 REVENUE PLACE
 HARRISBURG PA 17129-0006

If you neither owe
nor overpaid, zeros
on Lines 29 and 30. PA DEPT OF REVENUE
 NO PAYMENT/NO REFUND/NO CREDIT DUE
 5 REVENUE PLACE
 HARRISBURG PA 17129-0005

DO NOT use these mailing labels to send other correspondence to the Department. **→ Important. DO NOT** insert your PA-V and payment until after you have placed your completed PA-40 in your envelope. **DO NOT** staple your check or money order to either your PA-V or to your PA-40.

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

Schedule Instructions.

Enter your name and Social Security Number on each schedule. If filing jointly, enter the name and the SSN of the spouse reporting the income or loss. If reporting joint income or loss, enter both names and the SSN that is listed first on the PA-40.

PA Schedule A. You may enter on your PA Schedule A the amount of interest you reported on Line 4 of your federal Schedule B. You do not have to list the payers. You then make the following adjustments for PA purposes:

- Subtract interest you received from direct obligations of the U.S. Government.
- Subtract "Exempt interest-dividends" received through a mutual fund.
- Subtract interest from working capital reserves that is reportable as net profits.
- Add PA taxable interest you received from partnerships and PA S corporations, not already included on your federal Schedule B.
- Add interest from obligations of other states.

If you do not want to use your federal amount, itemize on Line 4 from each Form 1099 or other statement, the payer name and the PA taxable interest. Enter your total PA taxable interest, as adjusted, on Line 2 of your PA-40. **✓ Filing Tip.** If your total PA taxable interest income is less than \$2,500, you do not have to enclose a PA Schedule A.

PA Schedule B. You may enter on your PA Schedule B, the amount of dividend income you reported on Line 6 of federal Schedule B. You do not have to list the payers. **→ Important.** Capital gain distributions are taxable as dividend income on PA Schedule B. Adjust your federal dividend income for PA exempt interest-dividends paid by a mutual fund or registered investment company. Subtract from your federal dividend income the amount designated by the fund or company as from PA exempt obligations.

If you do not want to use your federal amount, itemize on Line 4 from each Form 1099 or other statement, the payer name and the PA taxable dividend.

Enter your total PA taxable dividend income, as adjusted, on Line 3 of your PA-40. **✓ Filing Tip.** If your total PA taxable dividend income is less than \$2,500, you do not have to enclose a PA Schedule B.

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

1. **Ordinary** — customary and accepted in the industry or occupation in which you work; **and**
2. **Actual** — incurred and paid while performing the duties of your employment; **and**
3. **Reasonable** — in amount and not excessive; **and**
4. **Necessary** — to enable you to properly perform the duties of your employment; **and**
5. **Directly Related** — to performing the duties of your occupation or employment;
6. Your expenses are 100 percent allowable because Pennsylvania does not have federal tax accounting limitations and thresholds.

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

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

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

What Expenses Are Not Allowable? Pennsylvania does not allow the following expenses, even if allowed for federal purposes:

- Personal, living, or family expenses.
- Dues to fraternal organizations, professional societies, Chambers of Commerce, or recreational club memberships.
- Dues and subscriptions to publications, including trade and professional publications.
- Political candidate or campaign contributions.
- Charitable contributions.
- Commuting expenses.
- Cost of meals while working late, unless while traveling away from home overnight on business.
- Occupational privilege taxes or assessments and other local, county, state, federal, and foreign taxes.
- Child care or elderly care expenses.
- Life, disability income, and health insurance premiums.
- Contributions to deferred compensation plans or other pension plans.
- Legal fees (except to recover taxable back wages), fines, penalties, and bad debts.
- Bribes, kickbacks, or other illegal payments.
- Job hunting or other pursuit of employment expenses.
- Malpractice insurance premiums, except when allowed in Part B, Line 14.
- Moving expenses, except when allowed in Part D.

- Educational expenses, except when allowed in Part E.
- Capital expenditures. Depreciation may be allowable in determining expenses. Federal depreciation or cost recovery deductions are acceptable for computing allowable business expenses. See specific instructions for Part F.

If filing jointly, you and your spouse must each submit separate PA Schedules UE for each job. ♦ **Caution.** You may not combine expenses.

Sole proprietors, partners, and shareholders do not use PA Schedule UE to claim expenses. Nonresidents who earn compensation and incur allowable employee business expenses both within and outside Pennsylvania may need to complete and file a PA Schedule NRH.

Part A. Employee Business Expenses from Form 2106. Enter your amounts from your federal Form 2106 or Form 2106EZ. ♦ **Caution.** You may not include expenses from Line 4 of Form 2106. You itemize these expenses in Part G.

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

Vehicle Expenses Standard Mileage Rate.

1. Enter the amount from Line 22 of your Form 2106 or Line 1 of Form 2106EZ.

Vehicle Expenses – Actual Travel and Mileage Expenses. You may claim your allowable actual expenses for PA purposes. Start with your Form 2106 and adjust for PA purposes. ➔ **Important.** Expenses, such as business meals and entertainment and away from home overnight expenses are 100% allowable. Pennsylvania does not follow the federal limitations on allowable expenses.

2. Enter your actual expenses from Line 29 of your Form 2106.
3. Add back the inclusion amount from Line 24b. This rule does not apply for PA purposes.
4. You may use any generally accepted depreciation method. If using different depreciation, enter the adjusted expense here.
5. Name the depreciation method you are using. If electing to use a different method, you must consistently use it for PA purposes.
6. **Actual Travel and Mileage Expenses for PA Purposes.** Total Lines 2, 3, and 4. These are your actual PA allowable expenses.
7. **Parking Fees, Tolls, and Transportation.** Enter the amount from Line 2 of your Form 2106, or Line 2 of your Form 2106EZ.
8. **Away From Home Overnight.** Enter the amount from Line 3 of your Form 2106 or the actual amount of allowable expenses you incurred.
9. **Meals and Entertainment Expenses.** Enter the amount from Line 5 of your Form 2106 or the actual amount of allowable expenses you incurred.
10. **Total Expenses for Part A.** Add Lines 1 or 6 and 7 through 9.

Part B. Direct Employee Business Expenses. These are the expenses you pay directly or through an employer withholding arrangement. These expenses are necessary to perform or maintain your job.

11. **Union Dues.** Union dues, assessments, and initiation fees are allowable business expenses if:
- Such payments are a condition of continued membership in the union and membership is related directly to your present job; **or**
 - Such payments are a required wage deduction under an agency shop agreement.
12. **Work Clothes and Uniforms.** The costs of purchasing and maintaining uniforms and work clothing to protect you from bodily injury are allowable business expenses if the uniforms and clothing are both:
- Of a type specifically required by the employer to be purchased as a condition of continued employment; **and**
 - Not adaptable to general usage.
13. **Small Tools and Supplies.** Expenditures for small tools and supplies that your employer does not provide, but you must have to perform the duties of your job, are allowable business expenses. If any of these tools or supplies have a useful life of more than one year, you depreciate or amortize the cost in Part F. You may currently expense the item if allowable under Internal Revenue Code Section 179.
14. **Professional License Fees, Malpractice Insurance, and Fidelity Bond Premiums.** Trade, professional, or occupational licenses or fees required as a condition of employment are allowable business expenses. Include malpractice insurance and fidelity bond premiums where required by law or by your employer.
15. **Total Expenses for Part B.** Add Lines 11 through 14.

Part C. Office or Work Area Expenses. Your office or work area expenses are allowable if:

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

You must answer questions C1, C2, and C3. If you answer ALL the questions **YES**, continue. If you answer ANY question **NO**, you may not claim office or work area expenses.

Lines a through i. Enter your actual expenses.

- j. Follow the instructions to calculate the business portion of your home.
- k. Calculate the expenses directly related to the business use of your home.
- l. Enter the total cost of the directly related business supplies you purchased. Only include costs you incurred for business purposes.

16. **Total Expenses for Part C.** Add Lines k and l.

Part D. Moving Expenses. Expenses you pay or incur in moving yourself, your immediate family, your household goods, and your personal effects are allowable if the move is made for the benefit of your employer.

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 also allowable.

Nondeductible expenses include your costs to sell or purchase a home, and your costs for breaking 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 moving.

Distance Test. Your new workplace must be at least 50 miles farther from your old residence than your old workplace was. **Example.** If your old workplace was 3 miles from your old residence, your new workplace must be at least 53 miles from your old residence. Measure the distance using the shortest of the most commonly traveled routes.

Lines a, b and c. Complete each line 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 Expenses for Part D.** Add Lines 17 and 18.

Part E. Education Expenses. The federal rules for educational expenses and employer reimbursements are different from the PA test for allowable education expenses. 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 have no intention of entering that new occupation, trade, or business.

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 work at home for his own convenience. Anthony may claim the cost of his continuing education courses. He may not claim the computer courses.

◆ **Caution.** You may not claim that travel costs are an educational expense, if you claim such expenses on the grounds that the travel itself constitutes a form of education.

You must answer question E1. If you answer **YES**, continue. If you answer **NO**, you may not claim any education expenses. You must answer questions E2 and E3. If you answer **NO** to both questions, continue. If you answer **YES** to either question, you may not claim any education expenses.

21. Enter your specific course of study.

22. Enter the amount of tuition or fees you actually paid.
23. Enter the costs of your books and other materials required for your courses.
24. Enter the cost of travel. Use the same expense amount that you use for federal purposes.
25. **Total Expenses for Part E.** Add Lines 22, 23, and 24.

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

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

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

26. **Total Expenses for Part F.** Add the amounts in column f.

Part G. Miscellaneous Expenses. Report your other employee business expenses including the expenses that you report on Line 4 of Form 2106.

Lines a through e. You must itemize and describe in detail these expenses. Enclose additional schedules or worksheets in this format if you need more space. Expenses that you may claim include:

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

⇒ **Important.** You may be a statutory employee for federal purposes; however, PA law does not have a similar provision. If you are a statutory employee, you must claim your expenses on PA Schedule UE for PA purposes. If you are a self-employed general agent, you must report your business activity on Line 4 of your PA-40 and enclose the necessary PA Schedule C.

27. **Total Expenses for Part G.** Add Lines a through e.
28. **Total Expenses.** Add the expenses you are claiming on Lines 10, 15, 16, 19, 25, 26, and 27. If you are a nonresident or part-year resident who earned income and incurred expenses within and outside Pennsylvania, you must complete PA Schedule NRH.
29. **Reimbursements.** If your employer included your reimbursement in PA taxable compensation on your W-2, do not enter that reimburse-

ment here. If your employer **DID NOT** include your reimbursement in your W-2, enter the amount you received from your employer.

30. Net Expense or Reimbursement.

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

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

PA Schedule C-F Reconciliation. Enter all the required information. Use this schedule to account for differences between PA and IRS rules when determining your net PA taxable income or loss. If you start with the income or loss from your federal business schedule, you must make the applicable adjustments identified in bold letters in Part D.

Part A. Identification Information. Also enter your PA Sales Tax License Number, if you have one.

Part B. Receipts from Business Activity.

Lines 1, 2, and 3. Copy the gross income information from your federal Schedule C or F. ♦ **Caution.** PA law does not allow the federal elections to defer income to another taxable year or to report income that you will receive in a future year.

4. List any income that you must report as business or farm income for PA, but you reported elsewhere on your federal tax return. **Example.** Add interest from short term investments to generate working capital and the net gain or loss from the sale of assets in the ordinary course of business. Deduct income that is not reportable for PA purposes, such as Subpart F income or income you may elect to defer for federal purposes.
5. Enter your federal cost of goods sold and/or operations.
6. Gross profits. Total Lines 3 and 4. Then subtract Line 5.

Part C. Business Expenses.

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

Part D. Adjustments for PA Purposes. Make the necessary adjustments to your federal business expenses on Lines 8 through 21. Enter the difference between the federal and allowable PA amount. If increasing an expense amount, enter a positive amount. If decreasing an expense, use a negative sign. The list below includes the most common differences. ⇒ **Important.** You must make adjustments for those lines printed in bold. Personal expenses are never allowable. For PA purposes, expenses must be:

- Ordinary to the business or farm activity; **and**
- Necessary to operate the business or farm; **and**
- Actually incurred in operating the business or farm; **and**

- Reasonable in amount and not excessive; and
- Directly related to the business or farm activity.

If making any of these PA adjustments, complete the PA Schedule C-F Reconciliation.

8. The federal percentage limitation on business meals and entertainment does not apply. You may deduct 100 percent of these expenses.
9. Sales tax on depreciable business assets may be a current expense for PA purposes. On disposition, your PA basis and federal basis will be different.
10. Charitable contributions you make from your business account that the recipient publicly acknowledges are allowable deductions. Personal charitable contributions are never allowable.
11. You may use the capitalization rules established by your trade, profession, or industry, under its generally accepted accounting principles and practices. Once elected, you must consistently use this method.
12. You may use any generally recognized and accepted depreciation method for your business or farm activity, including IRC Section 179 current expensing. Once you elect a method, you must consistently follow that depreciation method. Enter the method you elected, if making this adjustment.
13. **Federal employment credits do not apply for PA purposes. If claimed, you must add back these credits for your PA wage expense.**
14. **If you are claiming the PA Employment Incentive Payments (EIP) Credit and/or the PA Jobs Creation Tax Credit, you must reduce your wages expense by your credit.**
15. **Contributions you make as a self-employed individual to your own IRA or Keogh or deferred income plan are not allowable expenses. PA does not have any special reporting requirements. Contributions you make to your employees' retirement plans and welfare benefits plans are allowable expenses, but a qualified plan may be different for federal and PA purposes.**
16. **Federal, state, and local taxes are allowable deductions. You may not deduct taxes based on gross or net income, federal income taxes, and one-half of the self-employment taxes that the IRS allows. You may not deduct taxes paid to other states or foreign countries based on income. You may not deduct estate taxes and inheritance, legacy, succession, and gift taxes. Assessments for betterments and improvements are not allowable. The Philadelphia Business Privilege Tax is an allowable deduction on this schedule, if not already deducted on your federal form.**
17. **Contributions to your own health or welfare benefits plan are not allowable expenses. Pennsylvania does not have any special reporting requirements. Contributions you make to your employees' retirement plans and welfare benefits plans are**

allowable, but some expenses may differ for PA purposes, such as Group Term Life Insurance and dependent care assistance.

18. **If you are claiming the PA Research and Development Tax Credit and/or the PA Waste Tire Recycling Investment Tax Credit, you must reduce your direct business expenses. Deduct the amount of expenses you incurred in the activities that qualified your claim for these credits.**
19. **Other.** Itemize expenses that are allowable under GAAP or FASB rules, but are not allowable or limited under federal rules.
20. **Total adjustments.** Add Lines 8 through 19. Enter the net amount.
21. **Total allowable PA business expenses.** Total Lines 7 and 20 and enter the net amount.

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

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

PA Schedule D. Unless the specific instructions require a different PA schedule, use PA Schedule D, Line 1, to report each sale, exchange, or disposition of property. Enter the total net gain or loss from your sales on Line 2. Spouses should complete separate PA Schedule(s) D.

1. Columns a through f.

- a) List and describe the property sold or otherwise disposed of for cash or other property. **Example.** 50 acres of land in Dauphin County or 100 shares of ABC Inc. common stock.
- b) Enter the month, day, and year you sold the property.
- c) Enter the month, day, and year you acquired the property.
- d) Enter the gross sales price or fair market value of cash and property you received, less 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 an ownership interest in a partnership or other business; a rental property; a patent or copyright; or you held your property in connection with a business, profession, or occupation when you disposed of it, and it was not inventory or an operational asset, then:
 - Subtract Column e from Column d and enter either the gain or the loss or zero in Column f:
 - II. If your property was other than income-producing property, then:
 - If the Adjusted Basis is less than Column d, subtract Column e from Column d and enter the gain in Column f; or
 - If the Adjusted Basis is greater than Column d, you do not have a gain or a loss. Enter zero in Column f.

2. **Net gain or loss from above sales.** Total Column f and enter the net amount. You may offset gains and losses for Line 2.
3. **Gain from installment sales, PA Schedule D-1.** Enter your taxable gain from each PA Schedule D-1, form REV-1689, **Computation of Installment Sale Income**. ♦ **Caution.** You may not elect the installment sales method for:
 - Reporting gains from the sale of intangible personal property;
 - Transactions where the object is the lending of money or the rendering of services.
4. **Taxable return of capital distributions.** As a shareholder in a "C" corporation, you must report as a taxable gain, the excess of the fair market value of any return of capital distribution over the adjusted basis of your stock. A return of capital distribution is any distribution that a business corporation makes that is not from its earnings and profits. You must decrease the basis of your stock or shares, but not below zero, by any distribution that is not taxable as a dividend on Line 3 of your PA-40. **Example.** B. Inc. distributes from its capital account \$100,000 to Karen, the only stockholder. Karen's adjusted basis in her stock is \$75,000. Since the distribution is not from the corporation's earnings and profits, it is not a taxable dividend on Line 3 of her PA-40. Karen must, however, reduce her basis in her stock by \$75,000 to zero. Karen must report the remaining \$25,000 as a taxable gain on her PA Schedule D.

Also report on this line taxable return of capital distributions from partnerships, business trusts and other organizations.

Calculating Line 4. From the total return of capital distributions, subtract your previously unrecovered basis. Enter the difference as taxable gain on Line 4.
5. **Net gain or loss from the sale of property acquired before June 1, 1971, PA Schedule D-71.** You determine your gain or loss on the sale of such property on form REV-1742, **PA Computation of Installment Sale Income**.
6. **Net gain or loss from partnerships and PA S corporations.** Report the taxable gain or loss from your PA Schedules RK-1 or NRK-1.
7. **Taxable gain from the sale of your principal residence.** PA law excludes the entire qualifying gain from the sale of your principal residence. However, you must report a gain on the portion of your residence that does not meet the requirements. Read the instructions in REV-625, **Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes**. Report your taxable gain, if any, on this line.
8. **Total PA taxable gain.** Add Lines 2 through Line 7. You may offset your own taxable gain and losses. Include your net gain or loss on Line 5 of your PA-40. Spouses may not offset each other's gains and losses.

PA Schedule E. The instructions for this schedule follow generally accepted principles and practices. See page 21 for additional guidance. You may use federal Schedule E, Part 1 only, and make adjustments for PA purposes. If you do not have to make any adjustments, you may use the federal Schedule E or PA Schedule I.

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

PA Schedule SP. ⇒ Important. Read all the instructions before you begin.

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

Who Is An Eligible Claimant For Tax Forgiveness? You or your spouse are eligible if you:

- **ARE SUBJECT** to PA Personal Income Tax. You and your spouse have PA taxable income; and
- **ARE NOT** a dependent on another person's federal tax return — Section 151 of the 1986 IRC; and
- **MEET** the Eligibility Income test.

General Information. You claim Tax Forgiveness as either **Unmarried** or **Married**.

Unmarried means during 1998 you were:

- Single; or
- Separated and lived apart at all times during the last six months of 1998; or
- Separated, pursuant to a written separation agreement.

If **Unmarried**, you must meet all three requirements. **You use Eligibility Income Table 1.**

Married, whether filing separately or together, means during 1998 you were:

- Married and lived together; or
- Separated and lived apart, but for less than the last six months of 1998; or
- Separated, but not by a written separation agreement.

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

Joint or Separate Returns. If you and your spouse lived together, you should file a joint return to claim Tax Forgiveness. If one of you is a dependent of someone other than your spouse, then you each must file separate returns. The eligible spouse may file a PA Schedule SP, but

may not claim his or her spouse. ♦ **Caution.** Even on separate PA-40 returns, **Married** taxpayers must use their Joint Eligibility Income and Eligibility Income Table 2.

Deceased. Fill in this oval if you are filing for a person who died during 1998. ➔ **Important.** You must annualize the decedent's income before determining if he or she is eligible for tax forgiveness.

Who is a Dependent for Tax Forgiveness? A dependent is a child that you claimed on your federal tax return. Dependent parents are not dependents for Tax Forgiveness purposes. If you cannot claim a child on your federal return, you cannot claim that child for Tax Forgiveness purposes. Only the person who claims a child on his or her federal tax return may claim the child on his or her PA Schedule SP. ➔ **Important.** **DO NOT** claim the same dependent on two PA Schedules SP.

Student Claimant. If you are a full time student and your parents claim you on their federal tax return as a dependent, under IRC Section 151, you may not claim Tax Forgiveness, unless your parents are also eligible for Tax Forgiveness. If your parents are eligible for Tax Forgiveness, you may file on a separate PA-40 and PA Schedule SP.

If you are also married and your spouse is eligible, your spouse may file a separate PA-40 and PA Schedule SP. Your spouse may not claim you as a dependent. ➔ **Important.** For Tax Forgiveness purposes, you and your spouse may elect to file separately, but you each must use your Joint Eligibility Income and Eligibility Income Table 2 on your separate PA-40 returns.

General Instructions for PA Schedule SP. You must complete and enclose PA Schedule SP. If **Unmarried** as defined above, complete ALL the information for yourself in the Claimant Column. If **Married**, complete all the information in the Claimant and Spouse Columns, even if filing separately. Then, enter the Joint Total to calculate your Tax Forgiveness. ➔ **Important.** You make all calculations on the PA Schedule SP.

Specific Instructions for PA Schedule SP

Part A. Type Filer for Tax Forgiveness. Fill in the appropriate oval.

Part B. Dependent Children. ✓ **Filing Tip.** If you do not have any dependents, go to Part C. ♦ **Caution.** If claiming a foster child, enclose a copy of page one (1) of your 1998 federal tax return, with your PA-40. **Complete Lines 1 and 2.**

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

Part C. Eligibility Income. Enter zero if you do not have any income to report on a line. Read each description carefully.

1. **PA Taxable Income.** Enter your net PA Taxable Income amount from Line 11 of your PA-40.
2. **Nontaxable interest, dividends, and gains.** Include income from investments in direct obligations of the Federal Government, Pennsylvania and political subdivisions of Pennsylvania, even if through

a mutual fund or other regulated investment company. See Line 8 for the sale of a principal residence.

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 inherited property received.
5. **Gifts, awards, and prizes.** Include the total amount of nontaxable cash or property received as gifts from others. Also include awards given in recognition of civic and social achievements and winnings from the PA State Lottery.
6. **Nonresident income.** Enter the total of all income received while residing outside Pennsylvania. This includes income that would otherwise be taxable if earned and received in Pennsylvania.
7. **Nontaxable military income.** This amount represents the difference between your total military income earned and the amount you report on your PA-40. Do not include combat pay.
8. **Gain excluded on the sale of a principal residence.** Enter the entire gain you excluded from the sale.
9. **Nontaxable educational assistance.** Include the total value of all nontaxable scholarships, fellowships, and stipends you received.
10. **Cash receipts.** Include any payments received from persons outside your household. This includes nontaxable cash or property received for personal use. Include direct contributions, such as, cash received from a parent to buy clothing, gifts from grown children, and personal support from a former spouse, children, parents and others who do not live in your household.

➔ **Important.** Do not include monies paid pursuant to a cost sharing arrangement.

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

Part D. Calculating Your Tax Forgiveness.

12. **PA Tax Liability.** Enter the amount of your liability from Line 13 of your PA-40.
13. **Less Resident Credit.** Enter your credit from Line 23 of your PA-40.
14. **Net PA Tax Liability.** Subtract Line 13 from Line 12.
15. **Percentage of Tax Forgiveness.** Find your percentage of Tax Forgiveness using your dependents from Part B, Line 2, and your Eligibility Income from Part C, Line 11, and the appropriate Eligibility Income Table on page 30. Enter the percentage as a decimal on Line 15.
16. **Tax Forgiveness Credit.** Multiply Line 14 by the decimal on Line 15.

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
↓ Dependent Children										
1	\$13,000	\$13,250	\$13,500	\$13,750	\$14,000	\$14,250	\$14,500	\$14,750	\$15,000	\$15,250
2	\$19,000	\$19,250	\$19,500	\$19,750	\$20,000	\$20,250	\$20,500	\$20,750	\$21,000	\$21,250
3	\$25,000	\$25,250	\$25,500	\$25,750	\$26,000	\$26,250	\$26,500	\$26,750	\$27,000	\$27,250
4	\$31,000	\$31,250	\$31,500	\$31,750	\$32,000	\$32,250	\$32,500	\$32,750	\$33,000	\$33,250
5	\$37,000	\$37,250	\$37,500	\$37,750	\$38,000	\$38,250	\$38,500	\$38,750	\$39,000	\$39,250
6	\$43,000	\$43,250	\$43,500	\$43,750	\$44,000	\$44,250	\$44,500	\$44,750	\$45,000	\$45,250
7	\$49,000	\$49,250	\$49,500	\$49,750	\$50,000	\$50,250	\$50,500	\$50,750	\$51,000	\$51,250
8	\$55,000	\$55,250	\$55,500	\$55,750	\$56,000	\$56,250	\$56,500	\$56,750	\$57,000	\$57,250
9	\$61,000	\$61,250	\$61,500	\$61,750	\$62,000	\$62,250	\$62,500	\$62,750	\$63,000	\$63,250
Then your Percentage of 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
↓ Dependent Children										
1	\$19,000	\$19,250	\$19,500	\$19,750	\$20,000	\$20,250	\$20,500	\$20,750	\$21,000	\$21,250
2	\$25,000	\$25,250	\$25,500	\$25,750	\$26,000	\$26,250	\$26,500	\$26,750	\$27,000	\$27,250
3	\$31,000	\$31,250	\$31,500	\$31,750	\$32,000	\$32,250	\$32,500	\$32,750	\$33,000	\$33,250
4	\$37,000	\$37,250	\$37,500	\$37,750	\$38,000	\$38,250	\$38,500	\$38,750	\$39,000	\$39,250
5	\$43,000	\$43,250	\$43,500	\$43,750	\$44,000	\$44,250	\$44,500	\$44,750	\$45,000	\$45,250
6	\$49,000	\$49,250	\$49,500	\$49,750	\$50,000	\$50,250	\$50,500	\$50,750	\$51,000	\$51,250
7	\$55,000	\$55,250	\$55,500	\$55,750	\$56,000	\$56,250	\$56,500	\$56,750	\$57,000	\$57,250
8	\$61,000	\$61,250	\$61,500	\$61,750	\$62,000	\$62,250	\$62,500	\$62,750	\$63,000	\$63,250
9	\$67,000	\$67,250	\$67,500	\$67,750	\$68,000	\$68,250	\$68,500	\$68,750	\$69,000	\$69,250
Then your Percentage of 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

HOW PENNSYLVANIA TAXES NONRESIDENTS.

If you are a nonresident, Pennsylvania taxes you on income you earn from working in Pennsylvania; realize from PA sources; and receive as a beneficiary of a PA estate or trust.

Apportioning Income and Loss on PA Schedule NRH. Nonresidents must apportion income that they earn both within and outside Pennsylvania. You apportion your PA taxable compensation when your employer does not separately report your PA wages on your W-2 form. You apportion income or loss from operating a business both within and outside Pennsylvania, and you do not maintain books and records that clearly and separately allocate your PA source receipts, expenses, liabilities, etc.

Allocating Income and Loss. Nonresidents allocate income or loss from property located within Pennsylvania. You must report gain or loss on the sale, exchange, or disposition of tangible personal property that is in Pennsylvania. You must report income or loss from rental property, royalties, patents, or copyrights in Pennsylvania.

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

Instructions. These are Pennsylvania's nonresident reporting requirements for taxable income or loss for each PA income class, and the income that Pennsylvania does not tax.

Compensation. Pennsylvania taxes nonresidents on compensation for services performed in Pennsylvania, unless a resident of a reciprocal exemption agreement state. If you are a resident of Indiana, Maryland, New Jersey, Ohio, Virginia, or West Virginia, request the Department's pamphlet, REV-615, **Reciprocal Exemption Agreements and Pennsylvania Personal Income Tax.** Your employer is responsible for reporting and withholding the PA tax from the exact amount of your PA taxable compensation. If your PA taxable compensation is misreported or not reported by your employer, you must apportion your compensation and allowable employee business expenses for services performed inside Pennsylvania on PA Schedule NRH.

Interest and Dividends. Pennsylvania does not tax nonresidents on ordinary interest (long term investments, personal savings and checking accounts, etc.) and dividends. **♦ Caution.** Pennsylvania does tax such income when directly related to activity within a taxable income class. You include interest and dividends in determining income or loss in that income class. **Example.** You include interest from an installment sale of real property in Pennsylvania on PA Schedule D-1. In determining your net profit or loss from business activity in Pennsylvania, you report interest from a business checking account and interest and dividends from short term investments to generate working capital. You report interest on security deposits received for the use of property in Pennsylvania in determining net rental income or loss.

Net Income or Loss from the Operation of a Business, Profession, or Farm. Pennsylvania taxes nonresident owners on all income from the operation of a business or farm in Pennsylvania. You should maintain separate accounts and records that clearly reflect your PA business

activity. Otherwise, you must apportion your income or loss on a PA Schedule NRH. Include on Line 4 your total net profit and loss from all PA Schedules C, F, RK-1, and NRK-1. Also include the net profit or loss from PA Schedule C-F Reconciliation and any federal schedules you are using for PA purposes.

Operation Wholly Within Pennsylvania. Report your net profit and loss from business activity if wholly within Pennsylvania. The operation of a business is wholly within Pennsylvania if, during the entire taxable year, you or your representative:

- Maintain or operate a commercial establishment, office, shop, store, warehouse, farm, factory, agency, etc., within Pennsylvania where you systematically and regularly conduct or manage your business; and
- Did not maintain and operate a commercial establishment outside Pennsylvania where you systematically and regularly conduct or manage your business.
- Do not take into account business activity when your representative operated as an independent contractor.

Operation Wholly Outside Pennsylvania. Do not report any net profit or loss from business activity if wholly outside Pennsylvania. The operation of a business is wholly outside Pennsylvania if, during the entire taxable year, you or your representative:

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

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

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

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

Net Income or Loss from the Sale, Exchange, or Disposition of Property. Pennsylvania taxes nonresidents on the gain from the sale of any real or tangible personal property located in Pennsylvania. Penn-

sylvania **DOES NOT** tax nonresidents on the gain, nor allow the use of a loss, from the disposition of intangible property.

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

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

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

Net Income or Loss from Rents, Royalties, Patents, or Copyrights. Pennsylvania taxes nonresidents on net income from the use of property located in Pennsylvania. Nonresidents must allocate net rental, royalty, patent, or copyright income from property within Pennsylvania.

Allocating Rents and Royalties. You allocate rents you receive from real estate and tangible personal property, that you do not employ in the operation of a business, to Pennsylvania only if the property is within Pennsylvania. You allocate your costs, expenses, and liabilities for producing and collecting such rents to Pennsylvania, only if the property is within Pennsylvania. If you use the property both within and outside Pennsylvania, you must allocate your net income to Pennsylvania. You multiply the net rental income by a fraction. The numerator is the number of days your property was in Pennsylvania during the rental period, and the denominator is the total number of days in the rental period.

You allocate royalties from the extraction of minerals, and the related costs, expenses, and liabilities, to Pennsylvania when the property is within Pennsylvania and the royalties are not from operating a business.

You allocate royalties from patents or copyrights, and the related costs, expenses, and liabilities, to Pennsylvania when, and to the extent that:

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

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

Estate or Trust Income. Pennsylvania taxes nonresident beneficiaries on income from an estate or trust only to the extent the income represents taxable PA source income. You enter on PA Schedule J the taxable amount from the PA Schedule L that you receive from the estate or trust.

Gambling and Lottery Winnings. Pennsylvania does not tax nonresidents on gambling and lottery winnings from PA sources.

PART-YEAR RESIDENTS.

If you are a part-year resident, you are subject to PA tax on ALL income earned, received, or credited for that part of the year you were a PA resident. You are also subject to PA tax on all income from PA sources, as described above, for that part of the year you were a nonresident.

APPENDIX

PA Estimated Tax Payments for 1999. If you expect at least \$2,500 of 1999 PA taxable income, that will not be subject to employer withholding, you must file a declaration of PA Estimated Tax and make installment payments. ♦ **Caution.** If you owed at least \$70 on your 1998 PA-40 and expect the same income in 1999, you should make estimated tax payments. ➔ **Important.** If you are a PA resident working in a reciprocal exemption agreement state, see page 15, and your employer is not withholding PA tax, you must make PA Estimated Tax payments.

If you made 1998 estimated payments, the Department will send you 1999 forms. If you do not receive your 1999 PA-40ES forms by April 15, 1999, contact the nearest Department district office.

Request forms PA-40ESR and REV-413I, (instructions), if paying PA estimated taxes for the first time in 1999.

Members of the Armed Forces. Military pay received while on federal active duty or federal active duty for training outside Pennsylvania is not taxable. Military pay, including compensation for weekend drills, earned by PA residents is fully taxable as compensation. Income received by a PA resident for all military service performed inside Pennsylvania, even if on federal active duty or federal active duty for training, is fully taxable. Request the Department's pamphlet REV-612, **Military Pay for Pennsylvania Personal Income Tax Purposes**, for specific instructions for residents and nonresidents.

Extension of Time to File. An extension of time to file your PA return does not extend the time to pay your PA tax and cannot exceed six (6) months, unless you are outside the United States. You must pay the full amount you reasonably estimate to be your tax due with your extension request.

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

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

You will not receive a letter that the Department accepted your extension. However, you may receive correspondence if the Department has a question concerning your request.

✓ **Filing Tip.** When you file, fill in the Extension Enclosed oval on your PA-40. It is not necessary to enclose a copy of the PA extension form that you sent to the Department, because your extension and payment, if any, was posted to your account when received.

➔ **Important.** With an extension, you must pay in full the amount you reasonably expect to owe on your PA-40. The Department will charge underpayment penalty if:

- By April 15, 1999, you did not pay at least 90% of your 1998 tax due; and
- You do not pay the remaining balance with a timely filed return.

Include your extension payment on Line 17 of your PA-40.

Amended Returns. It is not necessary to provide a complete copy of your original return and all supporting documents. Use a PA return from the same tax year you are amending. To amend for 1997, use a blank 1997 PA tax return.

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

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

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

Refunds. For a refund, you must file an amended PA return within three years from the original due date or within two years from the date of payment. The Department will accept amended returns filed within three years of the date of an approved extension. You may file an amended PA return if you overreported income or for allowable credits or deductions that you originally did not claim. **➔ Important.** You may not file an amended PA return after the Department issued an assessment, if your amendment relates to the same taxable year and item of income, gain, deduction, or loss that the Department assessed. You must either file a timely petition for reassessment or pay the assessment and file a timely refund petition. For payments made on or after January 1, 1998, you must submit a refund petition, form REV-65, not later than six months after the date shown on the assessment notice.

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

Records Must Be Maintained. The Department retains the right to verify and audit all amounts you report on your return and accompanying schedules. You must maintain your books and records for at least four (4) years after filing, as evidence of the information you reported on your PA return.

Penalties for Not Filing or for Filing a Late Return. The Department will impose 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 for each month or fraction of a month. The Department imposes this penalty unless you show reasonable cause for late filing. The maximum penalty is 25 percent. The minimum penalty is \$5. The Department may prosecute any person who attempts to evade or defeat their PA tax responsibility.

Interest for Nonpayment or Late Payment. If you do not pay the tax due on or before the due date, the Department will charge interest from April 15, 1999, to the date of payment. The annual interest rate is that rate established by the U.S. Secretary of the Treasury that is in effect on January 1 of each calendar year.

Penalties for Nonpayment or for Late Payment.

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

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

➔ Important. The Department may assess both late filing and underpayment penalty if you file your return after the due date or extended due date and do not pay your tax liability with your return.

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

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

WILD RESOURCE CONSERVATION FUND

You have the chance to “Do Something Wild” and help



protect Pennsylvania’s nongame wildlife and nongame plants by making a contribution of all or a portion of your state tax refund. This special nonprofit fund helps the state’s resource agencies protect and restore these unique state treasures, our native wild plants, and nongame wildlife.

You can also send a direct contribution. Make your check or money order payable to Wild Resource Conservation Fund, P.O. Box 8764, Harrisburg, PA 17120-8764.

U. S. OLYMPIC COMMITTEE, PA DIVISION

You have the opportunity to support American athletes in the




Olympic Games by making a contribution of all or a portion of your state tax refund.

You can also send a direct contribution. Make your check

or money order payable to U.S. Olympic Committee, PA Division, P.O. Box 1994, Colorado Springs, CO 80977-1994.

ORGAN DONOR AWARENESS TRUST FUND

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

You can also send a direct contribution. Make your check or money order payable to Organ Donor Awareness Trust Fund, P.O. Box 90, Harrisburg, PA 17108.

KOREA/VIETNAM MEMORIAL, INC.

You have the opportunity to contribute to the Korea/Vietnam



Memorial, Inc., a National Education Center, by making a contribution of all or a portion of your state tax refund. You will assist future generations while honoring all who served our Nation. KVM is a nonprofit organization.

You can also send a direct contribution. Make your check or money order payable to Korea/Vietnam Memorial, Inc., and mail to P.O. Box 416, Bethlehem, PA 18016-0416.

BREAST AND CERVICAL CANCER RESEARCH FUND

You have the opportunity to



contribute to the Breast and Cervical Cancer Research Fund, by making a contribution of all or a portion of your state tax refund.

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

SCHOOL DISTRICT CODES

1998 PA-40

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

Part-Year Residents who moved out of Pennsylvania during 1998 use code 99999.

SCHOOL DISTRICT CODES

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
INDIANA		Dallas	40160	Easton Area	48330	UNION	
Apollo-Ridge	03060	Greater Nanticoke Area	40260	Nazareth Area	48480	Lewisburg Area	60400
Armstrong	03085	Hanover Area	40300	Northampton Area	48490	Mifflinburg Area	60500
Blairsville-Saltsburg	32110	Hazleton Area	40330	Northern Lehigh	39450	Milton Area	49500
Harmony	17350	Lake-Lehman	40390	Pen Argyl Area	48560	Warrior Run	49800
Homer Center	32330	Northwest Area	40600	Saucon Valley	48600		
Indiana Area	32370	Pittston Area	40660	Wilson Area	48860		
Marion Center Area	32520	Wilkes-Barre Area	40885			VENANGO	
Penns Manor Area	32630	Wyoming Area	40920	NORTHUMBERLAND		Allegheny Clarion Valley	16030
Punxsutawney Area	33800	Wyoming Valley West	40930	Danville Area	47180	Cranberry Area	61130
Purchase Line	32730			Line Mountain	49350	Forest Area	27200
United	32800			Milton Area	49500	Franklin Area	61220
		LYCOMING		Mount Carmel Area	49510	Oil City Area	61620
JEFFERSON		Canton Area	08100	Shamokin Area	49650	Penncrest	20470
Brockway Area	33070	East Lycoming	41200	Shikellamy	49660	Titusville Area	61720
Brookville Area	33080	Jersey Shore Area	41400	Southern Columbia Area	19750	Valley Grove	61860
Clarion-Limestone Area	16170	Loyalsock Township	41420	Warrior Run	49800		
Dubois Area	17200	Montgomery Area	41500			WARREN	
Punxsutawney Area	33800	Montoursville Area	41510	PERRY		Corry Area	25145
		Muncy	41530	Fannett-Metal	28200	Titusville Area	61720
JUNIATA		South Williamsport Area	41610	Greenwood	50300	Warren County	62830
Greenwood	50300	Southern Tioga	59700	Newport	50400		
Juniata County	34360	Wellsboro Area	59850	Susquehanna	50600		
		Williamsport Area	41720	West Perry	50800	WASHINGTON	
						Avella Area	63050
LACKAWANNA		MCKEAN		PHILADELPHIA		Bentworth	63090
Abington Heights	35030	Bradford Area	42080	Philadelphia City	51500	Bethlehem Center	63100
Carbondale Area	35130	Kane Area	42230			Brownsville Area	26080
Dunmore	35220	Oswayo Valley	53750	PIKE		Burgettstown Area	63120
Forest City Regional	58300	Otto Eldred	42600	Delaware Valley	52200	California Area	63150
Lackawanna Trail	66500	Port Allegany	42630	East Stroudsburg Area	45200	Canon McMillan	63170
Lakeland	35460	Smethport Area	42750	Wallenpaupack Area	64830	Charleroi	63180
Mid Valley	35550					Chartiers Houston	63190
North Pocono	35650	MERCER		POTTER		Fort Cherry	63240
Old Forge	35660	Commodore Perry	43130	Austin Area	53030	McGuffey	63390
Riverside	35700	Crawford Central	20135	Coudersport Area	53130	Peters Township	63650
Scranton City	35740	Farrell Area	43250	Galeton Area	53280	Ringgold	63700
Valley View	35840	Greenville Area	43280	Keystone Central	18360	Trinity Area	63800
		Grove City Area	43290	Northern Potter	53550	Washington	63880
		Hermitage	43330	Oswayo Valley	53750		
LANCASTER		Jamestown Area	43360	Port Allegany	42630	WAYNE	
Cocalico	36130	Lakeview	43390			Forest City Regional	58300
Columbia Borough	36150	Mercer Area	43500	SCHUYLKILL		North Pocono	35650
Conestoga Valley	36170	Reynolds	43530	Blue Mountain	54080	Susquehanna Community	58650
Donegal	36220	Sharon City	43560	Hazleton Area	40330	Wallenpaupack Area	64830
Eastern Lancaster County	36230	Sharpville Area	43570	Mahanoy Area	54450	Wayne Highlands	64870
Elizabethtown Area	36240	West Middlesex Area	43750	Minersville Area	54470	Western Wayne	64890
Ephrata Area	36260	Wilmington Area	37800	North Schuylkill	54500		
Hempfield	36310			Panther Valley	13660	WESTMORELAND	
Lampeter-Strasburg	36360	MIFFLIN		Pine Grove Area	54600	Belle Vernon Area	65060
Lancaster	36400	Mifflin County	44460	Pottsville Area	54610	Blairsville-Saltsburg	32110
Manheim Central	36440	Mount Union Area	31600	Saint Clair Area	54680	Burrell	65070
Manheim Township	36450			Shenandoah Valley	54720	Derry Area	65160
Octorara Area	15650	MONROE		Schuylkill Haven Area	54730	Franklin Regional	65260
Penn Manor	36520	East Stroudsburg Area	45200	Tamaqua Area	54760	Greater Latrobe	65310
Pequea Valley	36530	Pleasant Valley	45520	Tri Valley	54780	Greensburg Salem	65320
Solanco	36700	Pocono Mountain	45540	Williams Valley	54880	Hempfield Area	65380
Warwick	36900	Stroudsburg Area	45600			Jeannette City	65410
				SNYDER		Kiski Area	65440
LAWRENCE		MONTGOMERY		Mid-West	55500	Leechburg Area	03450
Blackhawk	04160	Abington	46030	Selingsgrove	55710	Ligonier Valley	65490
Ellwood City Area	37200	Boyetown Area	06075			Monessen City	65580
Laurel	37400	Bryn Athyn Borough	46050	SOMERSET		Mount Pleasant Area	65590
Mohawk Area	37500	Cheltenham Township	46130	Berlin Brothersvalley	56100	New Kensington Arnold	65630
Neshannock Township	37520	Colonial	46160	Conemaugh Township Area	56180	Norwin	65650
New Castle Area	37530	Hatboro-Horsham	46360	Meyersdale Area	56520	Penn-Trafford	65710
Shenango Area	37620	Jenkintown	46380	North Star	56550	Southmoreland	65750
Union Area	37700	Lower Merion	46450	Rockwood Area	56630	Yough	65890
Wilmington Area	37800	Lower Moreland Township	46460	Salisbury Elk Lick	56700		
		Methacton	46530	Shade-Central City	56720	WYOMING	
LEBANON		Norristown Area	46560	Shanksville-Stonycreek	56740	Elk Lake	58250
Annville Cleona	38030	North Penn	46570	Somerset Area	56770	Lackawanna Trail	66500
Cornwall Lebanon	38130	Perkiomen Valley	46610	Turkeyfoot Valley Area	56840	Lake-Lehman	40390
Eastern Lebanon County	38230	Pottsgrove	46630	Windber Area	56910	Tunkhannock Area	66750
Lebanon	38460	Pottstown	46640			Wyalusing Area	08900
Northern Lebanon	38500	Souderton Area	46710	SULLIVAN		Wyoming Area	40920
Palmyra Area	38530	Springfield Township	46720	Sullivan County	57630		
		Spring Ford Area	46730			YORK	
LEHIGH		Upper Dublin	46830	SUSQUEHANNA		Central York	67130
Allentown City	39030	Upper Merion Area	46840	Blue Ridge	58100	Dallastown Area	67160
Bethlehem Area	48100	Upper Moreland Township	46850	Elk Lake	58250	Dover Area	67180
Catasauqua Area	39130	Upper Perkiomen	46860	Forest City Regional	58300	Eastern York	67220
East Penn	39230	Wissahickon	46930	Montrose Area	58450	Hanover Public	67280
Northern Lehigh	39450			Mountain View	58460	Northeastern York	67440
Northwestern Lehigh	39460	MONTOUR		Susquehanna Community	58650	Northern York County	67460
Parkland	39510	Danville Area	47180			Red Lion Area	67550
Salisbury Township	39560	Warrior Run	49800	TIOGA		South Eastern	67620
Southern Lehigh	39570			Canton Area	08100	South Western	67640
Whitehall Coplay	39780			Galeton Area	53280	Southern York County	67650
		NORTHAMPTON		Northern Tioga	59600	Spring Grove Area	67670
LUZERNE		Bangor Area	48080	Southern Tioga	59700	West Shore	21900
Berwick Area	19110	Bethlehem Area	48100	Wellsboro Area	59850	West York Area	67850
Crestwood	40140	Catasauqua Area	39130			York City	67900
						York Suburban	67940

Part-Year Residents who moved out of Pennsylvania during 1998 use code 99999.

The location of these offices is subject to change. Call the office nearest you to verify the location of that office.

Altoona

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

Bethlehem

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

Bradford

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

Doylestown

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

Erie

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

Greensburg

Second Floor
15 West Third Street
Greensburg, PA 15601-3003
(724) 832-5283

Harrisburg

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

Indiana

835 Water Street (Rear)
Indiana, PA 15701-1705
(724) 357-7600

Johnstown

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

Lancaster

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

New Castle

Room 201
101 South Mercer Street
New Castle, PA 16101-3837
(724) 656-3203

Newtown Square

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

Norristown

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

Philadelphia

Room 201
State Office Building
1400 W. Spring Garden St.
Philadelphia, PA 19130-4088
(215) 560-2056

Pittsburgh

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

Pottsville

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

Reading

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

Scranton

Room 305
Samters Building
101 Penn Avenue
Scranton, PA 18503-1970
(717) 963-4585

Sunbury

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

Washington

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

Wilkes-Barre

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

Williamsport

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

York

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

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