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TYPES OF INCOME SUBJECT TO TAX WITHHOLDING

Pennsylvania law requires withholding on compensation paid by an employer to resident or nonresident individuals. Pennsylvania law also requires withholding on certain Pennsylvania State Lottery prize payments.

In addition, Pennsylvania law requires that non-wage Pennsylvania source income payments made to nonresidents have Pennsylvania personal income tax withheld. Refer to Informational Notice Personal Income Tax 2017-01 and the department's website on nonresident withholding, for additional information regarding the withholding and its requirements.

EMPLOYER WITHHOLDING REQUIREMENTS

Pennsylvania law requires every employer located or transacting business in Pennsylvania to withhold Pennsylvania personal income tax from compensation of resident employees for services performed either within or outside Pennsylvania, and from compensation of nonresident employees for services performed within Pennsylvania, unless the nonresident lives in one of the reciprocal agreement states. Refer to Reciprocal Agreements.

Definition of Employer and Employee

An employer is any individual, partnership, association, corporation, government body or other entity that is required under the Internal Revenue Code, to withhold federal income tax from wages paid to an employee. If the person for whom an individual performs or performed services does not have control of the payment of the wages for such services, the person having control of the payment of such wages is also an employer.

An employee is an individual from whose wages an employer is required to withhold federal income tax.

Pennsylvania Employers

A Pennsylvania employer is any individual, partnership, association, corporation, organization, fiduciary, governmental body, unit, agency or other entity who makes payment of compensation and maintains an office or has or maintains within this state, directly or indirectly, an office, distribution house, sales house, warehouse or other place of business, or operating within this commonwealth by any agent or other representative under the authority of the employer or its subsidiary, irrespective of whether the place of business or agent or other representative is located in this commonwealth permanently or temporarily, whether the employer is licensed to do business in this commonwealth, or whether or not a paying agency is maintained within this commonwealth.

Federal Employer Identification Number (FEIN)

Each employer who previously registered with the department using their federal employer identification number (FEIN) received a Revenue ID number to use in place of the FEIN when contacting the department. New employers, who have a FEIN are required to provide the department with this number. New employers who do not have a FEIN must register and obtain a FEIN from the IRS. New employers, who have not yet received a FEIN will be assigned a Revenue ID number by the department if they register with the department before receiving a FEIN. The Revenue ID number does not replace the FEIN. However, employers are to reference the Revenue ID number when contacting the department after a FEIN is obtained.

Call Taxpayer Service and Information Center at 717-787-8201 for questions relating to identification numbers or write:

PA DEPARTMENT OF REVEUNE
PO BOX 280901
HARRISBURG PA 17128-0901

Reciprocal Agreements

The Commonwealth of Pennsylvania has reciprocal agreements with the states of Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia.

- **Pennsylvania Resident Working in Reciprocal State**

If a Pennsylvania resident employee receives compensation for services performed in one of these six states, the employer in that state must withhold the Pennsylvania personal income tax from compensation received and forward that tax to Pennsylvania if the employer has a requirement to withhold Pennsylvania personal income tax. Otherwise, the employer may elect to withhold Pennsylvania personal income tax. Refer to Employer Withholding Requirements.

- **Resident of a Reciprocal State Working in Pennsylvania**

If an employee is a resident from one of the above states and receives compensation for services performed within Pennsylvania, no withholding of Pennsylvania personal income tax is required provided an REV-419, Employee's Nonwithholding Application Certificate is filed by the employee with the Pennsylvania employer and the Pennsylvania employer withholds the income tax of that state in which the employee resides and pays the tax to that state.

COMPENSATION

General

Every employer that is required to withhold federal income tax from wages paid to an employee is also required to withhold Pennsylvania personal income tax from all taxable compensation paid to that employee. The employer must withhold Pennsylvania personal income tax on all items of compensation, even if some items of compensation are subject to federal income tax wage withholding and others are not. Refer to PA Personal Income Tax Guide - Gross Compensation, for additional information regarding the types of taxable and non-taxable compensation.

Completing Federal Form W-2 Block 16, State Wages, Tips

Use the Appendix in Section XIV to complete Block 16, State Wages, of the federal Form W-2, Wage and Tax Statement, and calculate Pennsylvania taxable compensation.

The table in PART A of the appendix lists the items not taxable as compensation for federal income tax purposes, which are taxable for Pennsylvania personal income tax purposes. The table in PART B of the appendix lists the items taxable as compensation for federal income tax purposes, which are not taxable for PA personal income tax purposes. Starting with Box 1 on federal Form W-2, Wage and Tax Statement, add the amounts from the items contained in the Part A chart then subtract the amounts in the Part B chart to determine the amount for Pennsylvania wages in Box 16, State Wages.

PERSONS WHOSE REMUNERATION IS NOT SUBJECT TO WITHHOLDING

Withholding of Pennsylvania tax is not required for remuneration paid to:

- **Agricultural Workers**
Agricultural workers whose remuneration is not subject to federal social security tax (FICA) withholding.
- **Clergy**
Duly ordained, commissioned, or licensed members of a religious order in the exercise of their ministry, or by members of a religious order in the exercise of duties required by such order whose compensation is not subject to withholding for federal income tax purposes.
- **Domestic Servants**
Domestic servants in a private home, local college club, or local chapter of a college fraternity or sorority when they are not considered to be employees for federal income tax purposes.
- **Casual Employees**
Casual employees for services performed that are not in the normal course of the employer's trade or business. Federal limitations less than \$50 and at least 24 days on the job per quarter will apply.
- **Foreign Government Employees**
Employees of foreign governments or international organizations who are citizens or residents of the U.S.

- **Nonresident Aliens**
Nonresident alien employees who are tax residents of Pennsylvania, but who perform services outside the U.S.
- **Newspaper Carriers**
Newspaper carriers and news vendors under age 18 and others who are “statutory employees” for federal employment tax purposes for services as such.
- **Interstate Transportation Workers and Seamen**
Seamen engaged in interstate or international trade, and nonresident individuals engaged in interstate transportation activities such as railroad crews, airplane crews, or truck or bus drivers, to the extent that their pay is exempt from withholding under federal law.

CALCULATING WITHHOLDING TAX

Pennsylvania personal income tax shall be withheld on compensation subject to withholding at the current applicable rate. For each payroll period, an employer must calculate the tax to be withheld from an employee’s compensation by multiplying such compensation subject to withholding by the applicable rate. The term payroll period means a period for which a payment of compensation ordinarily is made to an employee by his employer and may be daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannually or annually. If an employee receives supplemental or other compensation, an employer shall determine the tax to be withheld by adding the supplemental or other compensation for the current payroll period and multiplying this amount by the withholding rate.

Withholding Instructions for Resident Employees

- **Services Within Pennsylvania**
When a Pennsylvania resident performs services in Pennsylvania, the employer must withhold Pennsylvania personal income tax from the employee’s compensation.
- **Services Outside Pennsylvania**
Where the employer is subject to Pennsylvania withholding requirements and a Pennsylvania resident is rendering services as their employee wholly in another state, the employer must withhold on the entire compensation paid to the employee, unless the other state has an income tax and the employer is withholding the other state’s tax.
- **Services Partly Within and Partly Outside Pennsylvania**
When a Pennsylvania resident is performing services partly within and partly outside the commonwealth:
 - If the other state has an income tax and the employer is withholding such tax, the employer also shall withhold the Pennsylvania income tax on compensation for services rendered within the commonwealth. Compensation attributable to services within the commonwealth is that proportion of the total compensation, which the total number of working days employed within the commonwealth bears to the total number of working days employed both within and outside the commonwealth, exclusive of non-working days.

$\frac{\text{Number of PA Working Days}}{\text{Total Working Days}}$	x Total Compensation	= PA Compensation Subject to Withholding
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 - If the other state does not have an income tax, the employer must withhold the Pennsylvania income tax on the entire compensation paid to the employee.
- **Traveling Salespersons**
The commonwealth imposes tax on earnings of traveling salespersons or other employees whose compensation depends directly on the volume of business transacted by them within the commonwealth. The amount of compensation subject to Pennsylvania withholding is determined by allocating Pennsylvania sales volume, by total sales volume, multiplied by the total compensation.

Dollar Volume In PA Dollar Total Volume	x Total Compensation	PA Compensation Subject to Withholding
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Withholding Instructions for Nonresident Employees

- **Services Within Pennsylvania**

When nonresidents perform services in Pennsylvania, their employers shall withhold Pennsylvania tax from their compensation, except when reciprocal agreements apply and the employer agrees to withhold the tax of the reciprocal state. Refer to [Reciprocal Agreements](#).

- **Services Partly Within and Partly Outside Pennsylvania**

When nonresidents perform services partly within and partly outside the commonwealth, only compensation for services within the commonwealth is subject to Pennsylvania withholding, except when reciprocal agreements apply and the employer agrees to withhold the tax of the reciprocal state.

The method of calculation to determine Pennsylvania compensation is identical to those for a resident employee. Refer to [Withholding Instructions for Resident Employees](#).

Employers must withhold on all compensation paid to nonresidents who work within and outside of Pennsylvania, unless the employer maintains adequate current records to determine the accurate amount of compensation from Pennsylvania sources.

The employer may determine the portion of compensation allocable to Pennsylvania on the basis of the preceding year's experience, on the basis of an estimate for the preceding year's experience, or on the basis of an estimate for the current year made by the employee or his employer. The employer shall make any necessary adjustment during the year to assure that the proper amount is withheld for the current year.

Collection of Taxes

Withholding tax is to be collected on a "collect-as-you-pay" basis, even on supplemental compensation that is not paid daily, weekly, biweekly, semimonthly, monthly or quarterly. An employer is not permitted to deduct from the compensation of an employee just from the last payment for a deposit period, but is to withhold from each paycheck issued.

PAYMENT OF TAXES WITHHELD

Every employer must pay the withholding tax required to be deducted and withheld for each quarter to the department on a quarterly, monthly, semimonthly or semiweekly basis. The payment schedule is determined as follows:

Quarterly

If the aggregate amount required to be deducted and withheld for each quarterly period reasonably can be expected to be less than \$300, the employer shall remit the tax quarterly on or before the last day of April, July, October, and January for the four quarters ending the last day of March, June, September, and December.

Monthly

If the aggregate amount required to be deducted and withheld for each quarterly period reasonably can be expected to be \$300 or more, but less than \$1,000, the employer shall remit the tax monthly on or before the 15th day of the succeeding month for January to November and on or before January 31 for the month of December.

Semimonthly

If the aggregate amount required to be deducted and withheld for any quarterly period reasonably can be expected to be \$1,000 or more, but less than \$5000, the employer shall remit the tax semimonthly within three banking days after the close of each semimonthly period. The semimonthly periods end on the 15th and on the last day of each month.

Semiweekly

Effective June 1, 2010, any employer that remits \$5,000 per quarter or \$20,000 or more per calendar year, will be required to make semiweekly PA-501 deposits, as per Act 48 of 2009. Where the aggregate total amount required to

be deducted and withheld for each quarterly period reasonably can be expected to be \$5,000 or \$20,000 or more annually, the employer shall remit the tax on a semi-weekly frequency. When the employer's payroll date is Wednesday, Thursday or Friday, the remittance is due on the following Wednesday after that payday. When the employer's payroll date is a Saturday, Sunday, Monday or a Tuesday, the remittance is due the following Friday after that payday.

Payment Frequency Changes

A change to the basis of making payments of taxes withheld is determined annually by the department. During the beginning of the fourth quarter of a tax year, the department conducts an evaluation of reported tax withheld for all active employer withholding accounts. Employers that have been determined to have remitted withholding above or below their current frequency level requirement are subjected to a change for the next calendar year. Notification of changes are provided via letter, email and the e-Tides messaging system.

Note: An employer may elect to change to a more frequent payment schedule within a calendar year if the amount of the employer's withholding increases and a higher frequency of payment level is attained. If electing to make a change, the employer should contact the department through e-TIDES, telephone or mail before making deposits using the more frequent payment level. If approved, the employer may use the more frequent payment level during the beginning of the next quarter filing period. An employer may also change to a less frequent payment schedule after discussion with the department. All issues with payment frequency levels may be discussed with the department by calling 717-783-6277.

Underpayment of Employer Withholding Tax

If the correct amount of tax is withheld for a deposit period, but because of an underpayment an incorrect amount is remitted to the commonwealth or events transpired that increased reportable Pennsylvania-taxable income, including an IRS report of change, an amendment may be made within the same calendar year on the first quarterly return or later returns within the calendar year filed after the error is discovered. Include the amount of the underpayment on Line 2, Total PA Withholding Tax, of Form PA-W-3, Record of PA Withholding Tax by Period.

Important: To avoid the 5 percent per month underpayment penalty, the amendment must be made on the quarterly return for the period of the under remittance.

Overpayment of Employer Withholding Tax

If the correct amount of tax is withheld for a deposit period, but because of an overpayment an incorrect amount is remitted to the commonwealth or events transpired that decreased reportable Pennsylvania-taxable income, including an IRS report of change, an amendment may be made within the same calendar year on the first deposit statement or later deposit statements within the calendar year filed after the error is discovered. The amendment is made by claiming the overpayment as a deposit on Line 3, Less Credits, of a subsequent Form PA-W-3, Record of PA Withholding Tax by Period for the calendar year.—The employer files an application for refund if the error is not corrected by the end of the calendar year.

Note: Applications for refunds must be included with and filed by the due date of the REV-1667R, W-2 Transmittal. Any other overpayments of withholding must be included on the individual W-2s for and claimed by the employees who have excess withholding.

No Deposit of Employer Withholding

If no tax or less than the correct amount of tax (other than tips) is deducted from any compensation, the employer is authorized to deduct the amount of the under-collection from later payments to the employees.

The employer reports the correct amount of tax required to be withheld on Line 2, Total PA Withholding Tax, of Form PA-501, Employer Deposit Statement, and remits the withholding tax.

Important: For purposes of completing Line 2, the under collections deducted from later payments are treated as a non-reportable reimbursement of the tax paid by the employer rather than tax actually withheld.

Adjustments to Employer Withholding

If in any filing period more than the correct amount of tax is deducted from any wage payment, the employer is authorized to make an appropriate adjustment to withholding for a subsequent period or periods in the same calendar year. If the over withholding is not offset by the last withholding period of the year, the employee shall report the amount actually withheld on his/her yearly income tax return.

FILING RECONCILIATION RETURNS

Employers can file and reconcile payments and withholding online using Form PA-W3, Record of PA Withholding Tax by Period, or the Form REV-1667R, W-2 Transmittal, through the e-TIDES business tax filing website. Visit e-TIDES at www.etides.state.pa.us for more information. Form PA-W3, Record of PA Withholding Tax by Period, and Form REV-1667R, W-2 Transmittal, can also be filed through TeleFile a toll-free, touch-tone telephone based system by dialing 1-800-748-8299.

Every employer required to deduct and withhold tax and who remits such tax on a quarterly, monthly, semimonthly or semi-weekly schedule shall file Form PA-W3, Record of PA Withholding Tax by Period, on or before the last day of April, July, October, and January for each three-month period ending the last day of March, June, September, and December.

Every employer required to deduct, withhold and remit tax shall also file Form REV-1667R, W-2 Transmittal, on or before the last day of January for the preceding calendar year.

Note: If filing the annual W-2 reconciliation via the TeleFile version of Form REV-1667R, W-2 Transmittal, the maximum number of individual W-2 forms that may be included via this filing method is ten (10). For technical support for the TeleFile system, call 717-783-6277.

ELECTRONIC FILING – RETURNS AND PAYMENTS

The department offers two safe and convenient electronic filing services as part of a paperless initiative, e-TIDES and TeleFile. Both systems make it possible for employers to fulfill their Pennsylvania employer withholding filing obligations, fast and free of charge. These services are available 24 hours a day, 7 days a week.

File Online - Electronic Tax Information and Data Exchange System (e-TIDES)

The e-TIDES system is a secure and convenient web-based tax filing system. The site is user friendly and allows employers to register and file online within the same day. The e-TIDES system is customer driven and allows for multiple users to file returns, make payments and/or view the filing history within or outside of a business.

File Over the Telephone - TeleFile

To file over the telephone, call TeleFile at 1-800-748-8299. TeleFile is a toll-free, touch tone, telephone-based filing service offered by the department. TeleFile allows employers to fulfill their employer withholding filing obligations, fast and free of charge and requires no registration.

For more information on using the Department's Business Telephone TeleFile System, contact the e-Business tax section at 717-783-6277 between 7:00 AM and 5:00 PM, Eastern Time.

Note: Technical support for both electronic filing methods is available between 7:00 AM and 5:00 PM, Eastern Time, by dialing 717-783-6277.

Electronic Payments

Payments of \$1,000 or more must be made by electronic funds transfer (EFT). EFT payments may be made by several methods as follows:

- **Automated Clearing House (ACH) Debit**

ACH Debit is a quick, convenient way of paying taxes. Paying by ACH Debit includes the following benefits: a low error rate, allows a file now pay later option, requires minimal data to be provided, provides a unique access code and has no taxpayer-related expenses. Before selecting the ACH Debit payment method, you must verify that your financial institution can provide a valid ACH end point for ACH Debit transactions.

Note: The Pennsylvania Department of Revenue does not accept international ACH transactions (IATs). All funds must originate from a bank account within the territorial jurisdiction of the United States.

- **ACH Credit**

If you select the ACH Credit payment method, the department will provide you with the Commonwealth's bank account number and transit routing (ABA) number established for your electronic payment deposits. This information is provided after you enroll with the department requesting to use the ACH Credit payment method. In addition, you must verify that your financial institution can originate ACH Credit transactions before selecting this payment method.

- **Credit or Debit Card**

You can use your American Express, Discover, MasterCard, or Visa credit card to pay your Pennsylvania Taxes. You may also use a MasterCard or Visa debit card to make payments. Credit card transactions are charged a 2.49 percent convenience fee (\$1 minimum charge), and debit card transaction fees start at \$3.95.

Select one of these options to pay using your credit/debit card:

- Internet: Go to Official Payments Corporation at www.officialpayments.com.
- Telephone: Call 1-800-2PAYTAX (1-800-272-9829)

Note: A penalty will be imposed for each failure to pay by EFT. Refer to Interest and Penalties for additional information. In lieu of payment by EFT, a certified or cashier's check may be delivered to the department in person or via overnight courier on or before the due date of the payment. In addition, a penalty will be imposed for any check or EFT payment for uncollectible funds. Refer to Interest and Penalties for additional information.

INTEREST AND PENALTIES ON WITHHOLDING

Interest

If any amount of tax required to be withheld is not reported and paid in full on or before the due date, simple interest will be charged daily from the date the tax is due and payable to date of payment. The rate of interest will be announced annually by the department. This interest rate will continue for the calendar year regardless of subsequent change in the federal interest rate in such calendar year.

Interest is computed by multiplying the late paid or unpaid tax x days delinquent x daily interest rate. The daily interest rate equals the annual interest rate divided by 365. Refer to REV-1611, Interest Rate and Calculation Method for All Taxes.

Penalties

- **Failure to File**

Failure to file a quarterly return may result in the imposition of additional tax of five percent per month of the underpayment for each month or fraction thereof (maximum penalty of 25 percent).

- **False or Fraudulent Return**

If a false or fraudulent return is filed, an amount equal to 50 percent of any underpayment will be added to the tax. Failure to pay withholding tax to the PA Department of Revenue on or before the due date for filing the quarterly reconciliation return will result in an additional tax of five percent per month of the underpayment for each month or fraction thereof (maximum penalty of 50 percent).

- **Failure to Pay by Electronic Funds Transfer**

If the withholding amount required to be paid in is \$1,000 or more, the payment is required to be made by electronic funds transfer (EFT). A penalty of 3 percent of the payment amount due not to exceed \$500 will be imposed for each failure to pay via EFT. Refer to Electronic Payments for additional information.

- **Penalty for Uncollectible Funds**

If a withholding payment made by check is not paid on presentment or an EFT withholding payment is not credited on transmission, a penalty of 10 percent of the face amount of the check or EFT payment will be imposed. The penalty imposed cannot exceed \$1,000 nor be less than \$25.

PERSONAL RESPONSIBILITY

All taxes withheld pursuant to law, or under color of law, constitute a trust fund. If withheld tax is not paid over to the department or is misapplied, an employee or representative of the employer who has a duty to collect or pay tax, or prepare tax documents, an officer, director, or partner of the employer, and a person who receives trust fund monies may be held personally liable for payment.

Any person required to collect, account for, and pay any income tax who willfully fails to collect, truthfully account for, or attempts to evade or defeat any such tax or the payment thereof, shall be liable to a penalty equal to the total of tax evaded, not collected or accounted for, and paid.

CRIMINAL PROSECUTION

Any person who willfully fails or refuses to collect and remit tax, fails to pay the tax, fails to file a return, files a fraudulent or false return, or presents for payment of the tax a check which is returned to the commonwealth as uncollectible, may be subject to criminal prosecution.

ESTIMATED PAYMENTS

Estimated tax installment payments are a remittance of tax paid in advance of year-end on the basis of anticipated tax liabilities on Pennsylvania-taxable income that is not subject to employer withholding.

Who Must Make Estimated Tax Payments

Resident, part-year residents and nonresident individuals as well as fiduciaries of resident and nonresident estates and trusts (taxpayers) are required to make installment payments of estimated tax if Pennsylvania taxable income not subject to employer withholding is reasonably expected to exceed \$8,000 (\$246 in tax) for the taxable year. Individual taxpayers who are farmers have separate rules. Refer to Part F, Farmers, for additional information.

Declaration of Estimated Tax and Installment Payments

Estimated tax payments are required to be made in installments beginning with the first period in which the taxpayer reasonably determines there will be \$8,000 or more of taxable Pennsylvania income not subject to employer withholding.

During the first period in which a taxpayer determines estimated tax payments must be made, the taxpayer must file a declaration of his estimated tax liability for the taxable year. The declaration is considered to be filed with the filing of the first estimated payment.

A taxpayer may make equal payments of the estimated tax liability if there are four estimated payment periods left in the taxable year, including the period in which the declaration is filed. For example, if a taxpayer reasonably determines an estimated tax liability of \$1,000 for the taxable year in the first period of the year, four equal installment payments of \$250 may be made. However, if a taxpayer does not reasonably determine the estimated tax liability for the tax year will exceed \$246 until the third period of the taxable year, then two installment payments of his estimated tax liability must be made. The first installment must be made in the amount of the 75% of the total estimated tax liability for the year and the second payment will be the amount of 25% of the total estimated tax liability for the year. Refer to Part E, Payment Due Dates, for additional information.

Taxpayers that receive income unevenly throughout the year may also elect to make estimated tax payments based upon the income earned or received for the year through the end of each installment period. The total estimated payments made by the end of each installment period must equal at least 90% of the tax liability through the end of each installment period.

PA-40ESR (I), Declaration of Estimated Tax, and PA-40ESR (F), Declaration of Estimated Tax or Estimated Withholding Tax for Fiduciaries, Partnerships and Other Pass-Through Entities

If filing a declaration for the first time, an individual taxpayer should use form PA-40ESR (I), Declaration of Estimated Tax. When filing a declaration for the first time, an estate or trust should use form PA-40ESR (F/C), Declaration of Estimated Tax or Estimated Withholding Tax for Fiduciaries, Partnerships and Other Pass-Through Entities. The department will supply preprinted forms after the first estimated payment is made by a taxpayer using the department's PA-40ESR (I) or PA-40ESR (F/C) forms. If a taxpayer uses software prepared forms, the department will not mail estimated coupons to the taxpayer. However, failure to receive department provided forms does not relieve a taxpayer from filing and paying the tax.

Joint Declarations

A taxpayer and spouse may file a joint return declaration, unless:

- They are separated under a decree of divorce or separate maintenance;
- They have different taxable years;
- One spouse is liable for child support;
- One spouse claims one or more credits on PA Schedule OC; or
- One spouse is otherwise required by the department to file a separate return. See the PA-40 IN Instruction Booklet for Married, Filing Separately filing status for details on who must file separate returns.

To avoid problems and delays in processing your income tax return, a taxpayer and spouse should file tax returns in the same manner as they made their estimated installment payments. If joint estimated payments are made, file a joint return. If a taxpayer and spouse made separate estimated payments, file separate returns claiming the proper amounts on each return. If a taxpayer spouse need to file differently from the way they submitted estimated payments, complete REV-459B, Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account, to separate or combine estimated payment accounts.

Payment Due Dates

Estimated tax payments for individuals and estates and trusts as well as estimated withholding tax for pass-through entities (partnerships, PA S corporations, and limited liability companies) have different due dates depending upon the type of account. An explanation and table of due dates for each follows.

• **Individuals**

All of the estimated tax can be paid with the first payment or it can be paid in installments when due. Use the table on the following page to determine the due date and the amount of each installment for an individual. The overpayment from the current tax-year may also be applied against the following year's estimated tax liability. The department will apply the overpayment as part of or as the first installment.

If the requirements are first met to make estimated tax payments:	The number of required installments is:	And the following percentages of the estimated tax are paid by the date shown or the next business day if the due date falls on a Saturday, Sunday or holiday.			
		April 15	June 15	Sept. 15	Jan. 15
Before April 1	4	25%	25%	25%	25%
After March 31 and before June 1	3		50%	25%	25%
After May 31 and before Sept. 1	2			75%	25%
After Aug. 31	1				100%

• **Estates and Trusts**

Estate and trust taxpayers may make estimated payments based upon an annualized income installment method or may use the same income periods used by individual taxpayers when determining whether a

declaration of estimated tax is due. In addition, an estate or trust may use a fiscal year instead of a calendar year for reporting purposes. The table on the following page provides the annualized income installment periods to use for determining when a declaration of estimated tax is required and the payment due dates for calendar year and fiscal year filers.

In addition, estates (or trusts that receive the residue of probate estate) are not required to make estimated payments until the taxable year ending two or more years after the decedents death.

If the estate or trust first meets the requirement to make estimated tax payments:		The number of required install-ments is:	And the following percentages of the estimated tax are paid by the date shown or the next business day if the due date falls on a Saturday, Sunday, or holiday.			
Fiscal year filers	Calendar year filers		15th day of the 4th month or April 15	15th day of the 6th month or June 15	15th day of the 9th month or Sept. 15	15th day of the 1st month of the next year or Jan. 15
Before the 1st day of 3rd month of the tax year	Before March 1	4	25%	25%	25%	25%
After the last day of the 2nd month and before the 1st day of the 5th month of the tax year	After Feb. 28 and before May 1	3		50%	25%	25%
After the last day of the 4th month and before the 1st day of the 8th month of the tax year	After May 1 and before Aug. 1	2			75%	25%
After the last day of the 7th month and before the 1st day of the 12th month of the tax year	After July. 31 and before Dec. 1	1				100%

• **Pass-Through Entities**

Partnerships, PA S corporations and limited liability companies (pass-through entities) must make estimated payments on Pennsylvania-source income passed through to nonresident partners, shareholders and members when the aggregate nonresident withholding can reasonably be expected to exceed \$500. The imposition of tax against the pass-through entity does not change the filing requirements or the tax liability of its nonresident owners. A nonresident taxpayer may use the nonresident tax withheld as a withholding tax credit when determining if estimated tax payments are required to be made. The table on the following page provides the due dates for calendar year and fiscal year pass-through entities.

If the entity can reasonably determine that its aggregate nonresident withholding will exceed \$500 for the taxable year:	The number of required withholding installments is:	The entity should pay the following percentages of the withholding by the date shown or the next business day if the due dates falls on a Saturday, Sunday or holiday.			
		By the 15th day of the 4th month	By the 15th day of the 7th month	By the 15th day of the 10th month	By the 15th day of the 1st month after the close of the tax year
Before the 1st day of the 4th month	4	25%	25%	25%	25%
After the last day of the 3rd month and before the	3		50%	25%	25%

1st day of the 7th month					
After the last day of the 6th month and before the 1st day of the 10th month	2			75%	25%
After the last day of the 9th month	1				100%

Farmers

If at least two-thirds of a taxpayer's gross income is from farming, the taxpayer may do one of the following:

- Pay all of the estimated tax by January 15 of the next year; or
- File the current year's Pennsylvania tax return by March 1 of the following year and paying the total tax due. In this case, Pennsylvania personal income tax law does not require current year estimated tax payments.

Amending Estimated Tax Payments

A taxpayer may have a change in income or credits during the year that requires a change to the estimated payments. To amend the estimated tax, the taxpayer first figures the estimated tax using REV-414(I), Individuals Worksheet, Parts A and B, then subtracts any overpayment from the prior year's Pennsylvania tax return applied to the current year's estimated account. The taxpayer also subtracts any current year's estimated payments already made and makes the remaining payments using the instructions for payment due dates. Use PA-40ES (I), Declaration of Estimated Personal Income Tax, to amend estimated tax.

Safe Harbors from Pennsylvania Estimated Underpayment Penalty

Taxpayers are required to prepay their tax liability. Prepayments include Pennsylvania estimated tax payments, carryover credit from the prior year's Pennsylvania tax return, Pennsylvania tax withheld, nonresident tax withheld as shown reported on PA Schedule NRK-1, Tax Forgiveness, credit for taxes paid to other states and any restricted tax credits. For a list of all the tax credits, refer to PA Personal Income Tax Guide – Deductions and Credits.

Failure to prepay taxes due can result in assessment of interest or penalty against the taxpayer. If a taxpayer does not make estimated tax payments to fulfill the prepayment requirement, the department will impose an estimated underpayment penalty (interest) on the amounts underpaid. The department will not impose the penalty when:

- For each installment period, the timely estimated payment, withholding and credits total at least 90 percent of the actual tax due on the income earned or received in each installment period;
- The total timely estimated payments and credits are at least equal to an amount calculated using the current year's tax rate and the income shown on the prior year's annual Pennsylvania income tax return (this exception does not apply if a prior year tax return was not filed or a part-year resident return was filed in the prior year); or
- The amount of the tax liability on the prior year's income at the current year's tax rate minus the amount of your prior year's Tax Forgiveness credit was less than \$246; or
- The qualifications are met for the special exception described in the REV-1630 and an amended declaration is filed.

Estimated Underpayment Penalty

Estimated underpayment penalty (interest) is imposed on taxpayers who fail to make estimated payments or fail to make timely estimated payments. Estimated underpayment penalty is calculated on PA forms REV-1630, Underpayment of Estimated Tax by Individuals, REV-1630A, Underpayment of Estimated Tax by Individual Farmers, and REV-1630F, Underpayment of Estimated Tax by Fiduciaries. Estimated underpayment penalty is calculated on the amount of underpayment for each installment period multiplied by both the daily interest rate for the tax year (and the succeeding tax year if applicable) and the number days unpaid or paid late.

PERSONAL INCOME TAX PENALTIES AND OTHER ADDITIONS**Penalties**

- **Underpayment Penalty**
If a return is filed on time and the tax liability is not paid in full, a five (5) percent underpayment penalty will be imposed on the unpaid balance after the original due date of the return.
- **Late Filed Returns Penalty**
If a return is filed after the original due date or extended due date, if an extension was granted, a penalty of 5 percent of any tax due will be imposed for each month or fraction thereof that the return is late. The maximum penalty is 25 percent of the unpaid balance; the minimum penalty is \$5.00. If you do not pay the liability when filing your late return, an additional 5 percent underpayment penalty will be imposed.
- **Uncollectible Funds Penalty**
If a taxpayer's check is not paid on presentment to the taxpayer's bank or an electronic funds transfer (EFT) payment is not credited on transmission to the taxpayer's bank account, a 10 percent penalty on the face amount of the check or EFT payment will be imposed. The penalty imposed cannot exceed \$1,000 nor be less than \$25.
- **Fraud Penalty**
If any part of any underpayment of the tax is due to fraud, 50 percent of the underpayment will be added to the tax.
- **Underreporting of Income Penalty**
If a taxpayer fails to include in taxable income an amount more than 25 percent of the taxable income that was reported by reason of negligence or intentional disregard of rules and regulations but without intention to defraud, there shall be added an amount equal to 25 percent of the amount of underpayment. See Section 352(b)(2).
- **Frivolous Return Penalty**
If any individual, estate or trust files a return which does not contain sufficient information to determine the correct liability or which contains information which indicates the liability is significantly incorrect and the return is filed frivolously or to delay or impede the administration of the tax law, the filer shall pay a \$500 penalty. See Section 342(l).
- **Failure to File an Information Return Penalty**
If any individual, estate, trust or pass-through entity (partnership, limited liability company or S corporation) required to furnish an information return does not file a required information return or files a false or fraudulent information return, the filer shall pay a \$250 penalty for each failure. For estates, trusts and pass-through entities, the penalty is applied for each: PA-41, Fiduciary Income Tax Return; PA-20S/PA-65, PA S Corporation/Partnership Information Return; PA-20S/PA-65 Schedule H-Corp, Corporate Partner Apportioned Business Income; PA Schedule RK-1, Resident Shareholder/Partner/Beneficiary Pass Through Income, Loss and Credits; and/or PA Schedule NRK-1, Nonresident Shareholder/Partner/Beneficiary Pass Through Income, Loss and Credits not filed. The penalty also applies to publicly traded partnerships that fail to file the information returns.
- **Other Additions and Fees**
If a taxpayer fails to make payment on taxes due to the commonwealth, the department may initiate collection actions against the taxpayer. A taxpayer may have additional collection agency fees included on amounts due to department of up to 39%.

If a taxpayer fails to make payment on taxes due to the commonwealth, the department may file a lien against the taxpayer in the county of the taxpayer's last known address. A legal fee is added to the liability due the commonwealth for the cost of filing the lien. The county where the lien is filed determines the lien filing fee required to be paid by the taxpayer and varies by county.

Abatement of Penalties

A request for the abatement of penalties must be made to the Board of Appeals. As part of consideration for the abatement of penalties, it must be established that the taxpayer acted in good faith, without negligence or intent to defraud the Commonwealth pursuant of the provisions of Section 2706 of the Tax Reform Code of 1971. Additional instructions for filing an appeal can be found on the Board of Appeal website at www.boardofappeals.state.pa.us.

Interest

If the taxpayer does not pay the tax due on or before the original due date, simple interest will be calculated daily from the date the tax is due to the date of payment. The annual interest rate established by the U.S. Secretary of the Treasury that is in effect on January 1 of each calendar year is the rate of interest in effect when the tax is due and payable. The interest rate on January 1 remains in effect until the tax is paid in full or until December 31 of that year, whichever comes first. Refer to REV-1611, Interest Rate and Calculation Method for All Taxes Due after Jan. 1, 1982, for the annual and daily interest rates for tax years 1982 through the current tax year.

Application of Payments

For personal income tax purposes - when a taxpayer has tax, penalties, interest, lien fees or other additions to a tax liability due the commonwealth and the taxpayer makes a partial payment on the total amount due, the department applies all payments made in the following order: use tax (if applicable); personal income tax; interest; penalties; and legal fees. Collection agency fees (if applicable) are calculated on the amount of payment made and are deducted prior to application of any partial payments.

APPENDIX

The tables on the following pages contain information that will help employers determine what income items must be reported in Block 16 (state wages, tips, etc.) of an employees' W-2 Wage and Tax Statement. They also contain instructions to help employers determine which reportable income items are subject to Pennsylvania Personal Income Tax withholding.

PART A - Additions to W-2 Box 1, Federal Wages

Item		Withhold/When	Amount
1	Tuition reimbursement	Yes All payments made by employers to employees for actual, "vouchered" educational expenses they incur unless the education is required by law or is required by employer of the employee to retain the specific skills needed for his present position.	Total amount of reimbursements neither used for allowable employee business expenses nor returned to the employer.
2	Educational assistance program/plan	Yes The education is not required by law or is not required by employer of the employee to retain the specific skills needed for his present position	All amounts received by an employee for tuition, books, fees, supplies, etc. not previously included in Box 1, federal wages.
3	Dependent care assistance/day care	Yes All instances other than	Amount paid by

		<p>when:</p> <ul style="list-style-type: none"> • Service is provided by employer or co-employee or rights to the service were procured beforehand by employer (not by employee);and • Employee has no option to receive additional cash compensation in lieu of assistance. 	<p>employer and/or through employee contributions pursuant to salary reduction agreement or payroll deductions</p>
4	Employee reimbursements	<p style="text-align: center;">Yes</p> <p>To the extent that the reimbursement is excluded from federal income but not from Pennsylvania income. Example. Payments received under educational assistance plan when the training is not business related.</p>	<p>Amount not included in Box 1, federal wages. Arbitrary or lump sum reimbursements are taxable.</p>
5	Prizes and awards, including length of service or safety achievement	<p style="text-align: center;">Yes</p> <p>Winner is required to render services as a condition to receiving prize or award or when awarded in recognition of years of service or safe work record.</p>	<p>To the extent not already included in Block 1, federal wages</p>
6	<p>Amounts deducted from an employee's compensation and contributed to one of the following:</p> <ul style="list-style-type: none"> • 401 (k) plan • 403(b) Pure annuity plan, including plans sponsored by exempt organization described in IRC §501(c) • 403(b) plan plus another deferred plan • 408(k) simplified employee pension plan • 457 plan which there is a trust <p>A trust established by an employer or other payor to fund federally nonqualified deferred compensation payments</p>	<p style="text-align: center;">Yes</p>	<p>Amount to the extent not already included in Block 1, federal wages</p>
7	<p>Elective contributions made under a salary reduction agreement, cash or deferred arrangement credited by an employer or other pay or toward the payment of federally qualified transportation fringes</p>	<p style="text-align: center;">Yes</p>	<p>Amount to the extent not already included in Block 1, federal wage</p>
8	<p>Elective contributions under a nondiscrimination Section 125 cafeteria plan when the employee elects federally excludible non-cash benefit other than an employee benefit</p>	<p style="text-align: center;">Yes</p>	<p>Amount to the extent not already included in Block 1, federal wage</p>

	<p>program covering:</p> <ul style="list-style-type: none"> hospitalization, sickness, disability or death benefits. <p>supplemental unemployment benefits and strike benefits,</p>		
9	Income exempt under an international tax treaty	Yes	Amount to the extent not already included in Block 1, federal wages, as a result of federal treaty, unless treaty specifically says state tax exempt
10	Rental/housing allowance paid to members of the clergy (Value of a parsonage is exempt beginning Jan. 1, 1998.)	Yes	Entire allowance
11	Peace corps volunteers, basic living allowance	Yes	Entire allowance
12	Foreign earned income	Yes	Amount not subject to withholding because of federal exclusion
13	Veterans' bonus or mustering out pay, state wages	Yes	Amount of bonus when Pennsylvania resident on duty in Pennsylvania when retiring
14	Employer pickups (amount treated as employer contribution for federal purposes pursuant to IRC §414(h)(2))	Yes	Entire Allowance
15	Reimbursements for employee business expenses reimbursed under an accountable plan	Yes	<p>To the extent the item is an allowable deduction for federal income tax purposes but not for Pennsylvania purposes. Such items include:</p> <ul style="list-style-type: none"> Job hunting and travel expenses incurred by an individual seeking new employment in the same trade or profession Taxes based on income Commerce or trade association dues, country club dues, etc. Fees incurred for seeking or securing new employment or

			different job with current employer Travel expenses incurred for travel between different employments
16	Education and related travel expenses incurred by an individual seeking new employment	Yes	Amount to the extent not already included in Block 1, federal wages (refer also to #2 in PART A)
17	Difference between fair market value of federal nonqualified stock option at exercise and any amounts paid for the stock or the option when the option has a readily ascertainable value at the time it is granted and there are no substantial limitations or restrictions on transferability or alienability of the stock	Yes	Amount to the extent not already included in Block 1, federal wages
18	Difference between fair market value of federal nonqualified stock option at lapse of limitations or restrictions and any amounts paid for the stock or option when the option had a readily ascertainable value at the time it was granted and <u>there were</u> substantial limitations or restrictions on transferability or alienability of the stock	Yes	Amount to the extent not already included in Block 1, federal wages
19	Difference between fair market value of federal nonqualified stock option at disposition and any amounts paid for the option when the option had a readily ascertainable value at the time it was granted and the option was disposed of before exercise	Yes	Amount to the extent not already included in Block 1, federal wages
20	Difference between fair market value of incentive stock option at disposition and any amounts paid for the option when the option was disposed of before exercise	Yes	Amount to the extent not already included in Block 1, federal wages
21	Difference between fair market value of incentive stock option at the time it was exercised and the amounts paid for the option when the option was exercised prior to disposition	Yes	Amount to the extent not already included in Block 1, federal wages
22	Difference between fair market value of employee stock purchase plan stock option at the time limitations or restrictions on transferability or	Yes	Amount to the extent not already included in Block 1, federal wages

	alienability of the stock lapse and the amounts paid for the option		
23	Dues paid for a membership in a business, athletic, country, social, hotel, airline, luncheon or sporting club when the employer elects not to treat the club usage as compensation for federal income tax purposes, membership is not in the name of the employer, and the club is not used primarily for trade or business	Yes	Amount to the extent not already included in Block 1, federal wages (refer also to third bullet point in #15 of PART A)
24	Reimbursements for home office expenses when the employee has a principal place of work separate from the home office	Yes	Amount to the extent not already included in Block 1, federal wages
25	Employer payments for qualified bicycle commuting expenses	Yes	Amount to the extent not already included in Block 1, federal wages
26	Third party sick payments (also refer to #4 in PART B)	Yes	Third party is administrator for employer's sick leave plan (when employer bears insurance risk of extent of payment of benefits).
27	Campus lodging cash allowance	Yes	Irrespective of whether for employer's convenience the amount to the extent not already included in Block 1, federal wages
28	Discriminatory health and accident insurance plan premiums or contributions to medical savings account paid by employer (refer to #1 PART C for nondiscriminatory plans)	Yes	Amount to the extent not already included in Block 1, federal wages

PART B – Subtractions to W-2 Box 1, Federal Wages

	Item	Withheld	When
1	Fair market value of personal use of employer's vehicle	No	Irrespective of whether employer elects not to withhold federal tax
2	Personal use of company owned or commercial transportation (for an employee of a commercial transportation company) unless already excluded as federal no-additional-cost service	No	

3	<p>Personal use of property belonging to, or held under a lease by, the employer, such as educational or training facilities, housing, clothing, day care facilities, passenger cars and commuter highway vehicles, aircraft or watercraft, construction or recreation vehicles, athletic facilities or equipment, entertainment facilities or equipment, parking facilities, eating facilities, office facilities or equipment, tools, equipment or supplies</p>	No	To the extent taxable for federal tax purposes
4	<p>Third party sick payments:</p> <ul style="list-style-type: none"> • Third party sick payments when premium is paid by employer under nondiscriminatory plan • Third party sick payments are subject to state withholding if third party is administrator/agent of employer for employer's sick leave plan- 	<p>No</p> <p>Yes</p>	<p>(when employer bears insurance risk of extent of payment of benefits) (refer also to #27 in PART A)</p>
5	<p>Premiums paid by employer for nondiscriminatory term life insurance coverage when they exceed the cost (based on the IRS uniform premium cost tables) of more than \$50,000 of group-term life insurance provided by employer</p> <p>If program discriminates in regard to eligibility to participate, coverage or entitlement to benefits, then no adjustment to Box 1, federal wages</p>	No	
6	<p>Income in respect of a decedent includible in income for federal income tax purposes, including after death payments of wages earned through the date of death or for vacation or time off with pay accumulated to date of death</p>	No	
7	<p>Nondiscriminatory split dollar life insurance coverage when the excess of the amount of the one-year term cost of the declining life insurance protection to which the employee is entitled exceeds the amount of the premiums he paid</p>	No	
8	<p>Campus lodging provided to employees of a primary or secondary school, college or university or their dependents if it discriminates in favor of highly compensated employees.</p> <p>If received via cash allowance</p>	<p>No</p> <p>Yes</p>	<p>To the extent not excludible as a de minimis fringe for federal income tax purposes.</p> <p>Irrespective of whether for employer's convenience</p>
9	<p>Nonqualified stock options (those not governed by IRC §§ 421– 424) when amounts are required under the IRC to be included in income upon grant</p>	No	

10	Direct employer contributions to an IRA or SEP when they exceed federal limitations on employer contributions and not made pursuant to employee election	No	To the extent of the excess
11	Meals and lodging not provided for the employer's convenience	No	To the extent not excludible as a de minimis fringe for federal income tax purposes
12	Financial planning assistance	No	Service is purchased directly by the employer or is provided by the employer's own employees
13	Retirement counseling fees	No	Service is purchased directly by the employer or is provided by the employer's own employees
14	Other life insurance, including term, whole, under nondiscriminatory plan when premiums paid by employer	No	Except group term life insurance coverage on an employee's dependent
15	Split dollar life insurance	No	To extent employer pays premiums for life insurance coverage element in policy
16	Amount of tuition reduction or waiver	No	When the reduction or waiver discriminates in favor of highly compensated employees of the primary or secondary school, college or university or the student is a graduate student not engaged in teaching or research activities for the employer – after Jan. 1, 1998 (Act 45)
17	Supplemental unemployment benefits paid under nondiscriminatory plan	No	
18	Amount reportable for federal income tax purposes at grant of nonqualified stock option	No	When the option has a readily ascertainable value
19	Amount reported for federal income tax purposes at sale of stock purchased under an employee stock purchase plan	No	(refer also to #22 in PART A for PA treatment)
20	Amount reported for federal income tax purposes at sale of stock purchased under an incentive stock option	No	(refer also to #s 21 and 22 in PART A for PA treatment)
21	Federally taxable compensation received while serving as a U.S. serviceman in a combat zone	No	When not for service in a combat zone or for a month during any part of which serviceman was hospitalized as a result of wounds, disease or injury incurred while serving in a combat zone
22	Federally taxable compensation received for active duty as a member of the Armed Forces of the U.S. outside Pennsylvania	No	

23	Dues paid for a membership in a business, athletic, country, social, hotel, airline, luncheon or sporting club, to extent the employer elects to treat the club usage as compensation for federal income tax purposes	No	When the membership is titled in the name of the employer
24	Moving and relocation expense reimbursements	No	When both of the following apply: <ul style="list-style-type: none"> The reimbursement would be wholly excludible for federal income tax purposes but for the fact that the new principal place of work is less than 50 miles farther from the individual's old resident than was his or her former principal place of work; and the new principal place of work is at least 35 miles farther from the individual's old residence than was his or her former principal place of work.
25	Excluded fringe benefit rights procured by the employer for transportation in a commuter highway vehicle for transit passes or qualified parking in excess of federal limits (refer to # 7 in PART A for taxable transportation fringes benefits)	No	When the amount of the benefit exceeds the federal limits, the excess may also be excluded

PART C – No Adjustments to W-2 Box 1, Federal Wages

1	Health and accident insurance plan premiums paid by the employer under nondiscriminatory health or accident plan; Employer contributions to medical savings account, so long as program is nondiscriminatory. If either one above is discriminatory, add to Box 1, federal wages.
2	Medical reimbursement account. Payments to reimburse the employee for expenses incurred for medical care under self-insured medical reimbursement plan under IRC §105(h)(6) when employee precluded from receiving unused contributions or carrying benefit to subsequent taxable year
3	Awards, gifts, prizes and length of service achievement or safety with value in excess of \$400 or in excess of \$1,600 for qualified plan awards
4	Periodic sick or disability payments by employer if payment based on nature of sickness, injury or disability and not with reference to employee's absence from work. If in lump sum form or based on employee's rate of compensation, then subject to withholding
5	Sick pay - employee receives the full amount or a percentage of his regular wages, the amount of leave is earned based on length of service, the employee may receive all or a portion of unused sick leave if he terminates employment after a specified time period, whether in years, days, or the employee can receive the benefits if he takes leave for regular physician or dental visits or for family bereavement.
6	Interest from below market interest rate loans in excess of \$10,000

7	Employer-provided facilities for vocations or use of other employer owned or leased property, including off-premises athletic facilities
8	Meals excludible as a de minimis fringe benefit for federal tax purposes.
9	Meals and lodging provided for the employer's convenience
10	Uncollected company loans or other advances, discharge of indebtedness constituting compensation
11	Employee's withholding taxes paid by the employer for: <ul style="list-style-type: none"> • Federal Income Tax • Social Security Tax (OASDI) • Social Security Tax (Medicare) • State income tax • State unemployment tax • State disability tax • County, city, borough, township, village, school district, or any other local tax
12	Tangible personal property awards and prizes
13	Tuition reimbursement exceeding \$5,250 for 2000 tax year and following years; course not required by law or for employee to maintain skills needed for present position
14	Tangible personal property awards and prizes
15	Employee voluntary or required contributions to: <ul style="list-style-type: none"> • IRA/SEP employee only; or • IRA/SEP employee plus spousal arrangement. 457 Plan in which there is no trust (typically nonprofits)
16	Excess contributions to: <ul style="list-style-type: none"> • 401(k) • 403(b) annuity contract 403(b) (multiple annuity contracts of single employee) e. d. 408(k) or 457 plan
17	Employer provided country club memberships, season tickets to sporting or other entertainment events (if reimbursement) (refer also to #23 in PART B)
18	On-site day care or athletic facilities
19	Standard per-diem and federal mileage allowance reporting of employee business expenses
20	Vacation pay
21	Property received as compensation
22	Scholarship or fellowship grant or award requiring services to the employer unless recipient is a candidate for a degree and the same services are required of all students as prerequisite to receiving degree. If scholarship or fellowship awarded on condition for past or future employment services, then subject to withholding. If recipient is required to apply his skill and training to advance research, creative work or some other project or activity, award is subject to withholding unless the test in the first sentence of this paragraph is met.
23	Qualified employee discounts

24	No additional cost services
25	Severance or dismissal pay
26	Pay in lieu of time off for vocation or other earned absences
27	Allowance for employee's use of personal vehicle based on: <ul style="list-style-type: none"> • Distance employee must drive to perform regular employment duties as required by employer; or Performing regular employment duties on regular day off, legal holiday, Saturday or Sunday.
28	Employee business expenses reimbursed by the employer under accountable plan
29	Value of parsonage furnished to clergy member (refer also to #10 in PART A for rental/housing allowances paid to members of the clergy)
30	Commissions
31	Employee discounts, no additional cost services, working condition fringes, de minimis fringes or qualified transportation fringe benefits unless the employee has the choice between cash and the benefit. If so, e.g. qualified transportation fringe, the amount the employee could have received as cash compensation or received as a reimbursement for the expense is added to Box 1 federal wages
32	Bargain purchases – from employer
33	Payments received to cancel employment contract with employer
34	Armed force pay for service performed in Pennsylvania while on federal active duty
35	Regular pay by non-military employer to employees during period of military service
36	Group term life insurance coverage for dependents
37	Cafeteria or flexible benefit plan when employee elects a benefit that is taxable for federal tax purposes
38	Tuition reductions, (beginning Jan 1, 1998) for employees and their dependents at primary, secondary and post-secondary educational institutions for undergraduate courses
39	Mustering out pay when a Pennsylvania resident separates from active duty following service within Pennsylvania (refer also to #13 in PART A if not included in compensation for a Pennsylvania resident on active duty in Pennsylvania)
40	Golden parachute payments
41	Elective deferrals made under a salary reduction agreement or cash or deferred arrangement credited by an employer or other payor toward nonqualified deferred compensation payments
42	Excluded fringe benefit rights procured for transportation in a commuter highway vehicle for transit passes or qualified parking in the amount of or less than federal limits
43	Premiums paid for discriminatory life insurance if the program discriminates in regard to coverage, eligibility for benefits or entitlement to benefits

PART D – Other Adjustments to W-2 Box 1, Federal Wages

Item		Withheld	Reporting	When	Amount
1	Tips	No	Yes	Received by employee directly from customers & not turned over to employer	Report amount listed on federal information return. Total amount of tips.
		Yes	Yes	Tips received through the employer (i.e. fixed gratuity, service charge transfers, credit card tips or pooled fund tips maintained by employer)	
2	Payments to statutory employees	No	Yes		
3	Health or accident insurance plan	Yes	Yes	<p>Employee actual cash, deductions or employee's unilateral selection of employer contributions</p> <p>This rule does not cover employee contributions to an IRC cafeteria plan or medical or dental reimbursement account IRC §105(b) when the employee cannot receive unused benefits as cash or carry them forward to a later tax year.</p>	Amount of cash, deductions or employer contributions

4	Long term or short term disability payments under nondiscriminatory plan	No	No	If periodic payments from third party insurer under plan established by the employer.	Applies if employer pays for the insurance premium and does not bear the risk of extent of payment of benefits.
		No	No	<p>If periodic payments that are not regular wages, which means:</p> <ul style="list-style-type: none"> • Payments have no direct relationship to employee's usual rate of compensation; • The payments are computed with reference to the nature of the sickness or injury and not based on the employee's job classification or title; • The periodic payments would be reduced by payments under workmen's compensation laws, occupational disease acts, Social Security disability benefits or similar legislation by governmental entities; or • The payments exceed the employee's usual rate of compensation. <p>If plan established by employer and if wage continuation plan.</p> <p>A wage continuation plan is one under which:</p> <ul style="list-style-type: none"> • Employee will receive his regular wages even if he takes sick leave for family bereavement, sickness in the family, regular physician or dental visits; • The amount of sick leave earned by the employee is based on length of service with the employer; or • The employee may receive a portion or all of his unused sick leave if he terminates employment after a stated time period (e.g. expressed in years of service) with the employer. <p>Total amount paid to the employee.</p>	
		Yes	Yes	Total amount paid to the employee.	
				Total amount paid to the employee.	Total amount paid to the employee.

Note: If an item of compensation is included in Box 1 and is not discussed in the above appendix, consult departmental regulations (61 Pa. Code § 101.6 & 113.1) for information on withholding requirements for Pennsylvania personal income tax purposes. If an issue and/or transaction is not covered by the regulations, employers may write to the department's-Office of Chief Counsel to request a private letter ruling. Send written inquiries to-

PENNSYLVANIA DEPARTMENT OF REVENUE
OFFICE OF CHIEF COUNSEL
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