

Instructions for PA-20S/PA-65 Schedule NW

Nonresident Withholding Payments for PA S Corporations and Partnerships


WHAT'S NEW

Moved Line C to Line D and changed the wording for Line D to read: "Reconciliation Payment. Subtract B and C from A, and enter here and on the PA-20S/PA-65 Information Return". Line C now reads: "Payment remitted with the PA-40NRC, Nonresident Consolidated Tax Return, if all nonresident individual owners elect to participate in a group return."

GENERAL INFORMATION

PURPOSE OF SCHEDULE

Use the PA-20S/PA-65 Schedule NW to list all withholding payments and extension payments the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes made on behalf of individual shareholders, partners, estates or trusts that were not residents of Pennsylvania during the taxable year. This information is used to reconcile the total tax withheld from nonresident owners that are individuals, estates or trusts to the total credit claimed by nonresident owners that are individuals, estates, or trusts on their Pennsylvania tax returns.

 **Note.** An entity may not withhold Pennsylvania personal income tax for another entity, a Pennsylvania resident individual or resident beneficiary of an estate or trust, and should not withhold for income from intangibles such as interest, dividends or sale of stock.

OVERPAYMENT/ADJUSTMENT OF WITHHOLDING FOR NONRESIDENT OWNERS

The PA-20S/PA-65 PA S Corporation/Partnership Information Return is for information purposes only. It is not a return where you can indicate a refund or carry forward credit. Payments submitted to this account are for nonresident withholding only and are held for transfer to the partner, member, shareholder (owner) as indicated on their individual tax returns. The De-

partment of Revenue will not make the assumption that the entity paid more than was needed.

Under Act 22 of 1991, partnerships and PA S corporations must withhold quarterly Pennsylvania personal income tax from nonresident partners and shareholders (owners) that are individuals, estates or trusts. This quarterly tax withholding payment is based on each nonresident owner's expected share of distributable Pennsylvania-source taxable income.

If the entity overpaid the nonresident tax withholding the entity should pass through the overpayment to their nonresident owners on the PA Schedule NRK-1, Line 6, where the owner can then claim a credit on their individual income tax return.

If the entity did not pass through the overpayment of nonresident withholding to their nonresident owners on PA Schedule NRK-1, and wants a refund, or to carry forward to the next tax year the entire amount of tax withheld or the excess over the withholding passed through to the nonresident owners that are individuals, estates or trusts and providing the entity did not file a PA-40 Nonresident Consolidated Income Tax Return, the entity must submit a written request to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
NONRESIDENT WITHHOLDING
TAX REFUND
PO BOX 280600
HARRISBURG PA 17128-0600

The request must be on company letterhead and include the entity's name, federal employer identification number, tax year, Social Security number(s) of the owner(s), amount of nonresident withholding paid, amount of nonresident withholding tax liability, the requested refund amount and/or carry-forward to the next year of nonresident withholding and reason for request.

COMPLETING PA SCHEDULE NW

Business Name

Enter the complete name of the entity or business as shown on the PA-20S/PA-65 Information Return.

FEIN

Enter the nine-digit federal employer identification number (FEIN) of the entity or business as shown on the PA-20S/PA-65 Information Return.

LINE INSTRUCTIONS

LINE A

Pennsylvania Tax Due on Pennsylvania-Taxable Income to Nonresident Individuals, Estates or Trusts

Calculate the amount of tax the nonresident individuals, estates or trusts owe Pennsylvania. Total the income (do not deduct any losses) from Lines 1 through 5, and Line 10 of all PA-20S/PA-65 Schedule(s) NRK-1 that the entity provides to its nonresident owners that are individuals, estates or trusts, from whom Pennsylvania law requires it withhold Pennsylvania personal income tax. Multiply the total by .0307 (3.07 percent) and enter on PA-20S/PA-65 Schedule NW, Line A.

LINE B

Nonresident Withholding Payments and Extension Payment during the Entity's Taxable Year

List each withholding and extension payment that the entity made on behalf of its nonresident owners that are individuals, estates or trusts during the taxable year. Enter the total amount of all payments on Line B.

LINE C

Payments Remitted with PA-40 NRC

Line C represents the amount an entity remitted with a PA-40 NRC for nonresident individuals electing to file a composite return.

LINE D

Reconciliation Payment

Line D is the balance due or amount the entity must remit with its PA-20S/PA-

65 Information Return. The tax being remitted is not necessarily the tax that was collected from the nonresident owners that are individuals, whose tax liability is reported on the PA-40 Nonresident Consolidated Income Tax Return.

Compare Line A to the total of Line B and Line C.

- If Line A is greater than the total of Line B and Line C, subtract Line B and Line C from Line A. Enter the difference on PA-20S/PA-65 Schedule NW, Line D and on the

PA-20S/PA-65 Information Return, Part V, Line 14b. This amount represents the final catch-up payment and must match what is reported on Line 14b of the PA-20S/PA-65 Information Return.

- If the total of Line B and Line C is greater than Line A, enter zero. The nonresident owners that are individuals, estates or trusts receive their shares of the withholding payments on their PA-20S/PA-65 Schedules NRK-1, Line 6.