**pennsylvania**
DEPARTMENT OF REVENUE

# TAX FORGIVENESS FOR PA PERSONAL INCOME TAX

Depending on your income and family size, you may qualify for a reduction or elimination of your PA personal income tax liability through Pennsylvania's Tax Forgiveness program.

To receive Tax Forgiveness, a taxpayer must file a PA personal income tax return (PA-40) and complete Schedule SP, which can be found on the department's website at, **revenue.pa.gov**.

Through Tax Forgiveness, eligible working families who paid income tax throughout the year may be refunded some or all of that tax paid. Retired persons and low-income individuals who did not have PA income tax withheld from earnings may have PA income tax liabilities forgiven.

For example, a family of four (couple with two dependent children) can earn up to $34,250 a year and qualify for some Tax Forgiveness. A single-parent, two-child family with annual income up to $27,750 can also qualify for some Tax Forgiveness.

## Who is eligible for Tax Forgiveness?

An eligible claimant is a person:

- Who is subject to the Pennsylvania personal income tax.

- Who is not a dependent of another person for the purpose of Internal Revenue Code (IRC) § 151 of the IRC of 1986, except as explained in Part II, Section C of this chapter.

- Whose poverty income does not exceed certain eligibility amounts.

- Who is not a ward of a federal, state or local prison, a patient in a federal or state hospital or student at a federal, state or local residential school for ½ year or more.

## How do I know if I qualify for Tax Forgiveness?

First, calculate eligibility income, which differs from taxable income. Not only do you include the income you report on your PA tax return, but you also include other non-taxable income, such as:

- Interest, dividends and gains exempt from PA tax. For example, interest received from cashing U.S. savings bonds.

- Alimony and spousal support.

- Child support (included in child's eligibility income, not the parent's eligibility income).

- Income received while a non-resident of Pennsylvania.

- Insurance payments or the value of an inheritance including distribution code 4 payments reported on federal form 1099-R.

- Gifts, awards and prizes received in recognition of civic and social achievements, or winnings from the PA Lottery.

- Military pay not reported as income on your PA tax return. This does not include combat pay or hazardous duty pay.

- The value of a scholarship, stipend or fellowship you received that is not taxable.

- Other cash payments received from people living outside your household. For example, personal support from a former spouse, foster care payments or gifts from grown children.

**Note:** Certain income does not have to be included in eligibility income, such as: Social Security, unemployment and pension payments.

Once you have calculated your eligibility income, look at the tables on page 2 of this brochure. If you are unmarried, use Table 1. If you are married, use Table 2.

Next, move down the left side of the respective table until you come to the number of children you claim as dependents for federal income tax purposes. Then, move across the line to find your eligibility income. At the bottom of each column is an amount, expressed as a decimal, which represents the percentage of Tax Forgiveness you are allowed. For example, 1.0 means you are entitled to 100 percent Tax Forgiveness, and .20 means you are entitled to 20 percent Tax Forgiveness.

For more information on eligibility requirements and how to apply for PA Tax Forgiveness, visit **www.revenue.pa.gov/taxforgiveness**.

## My spouse and I are separated. Which table do I use?

Taxpayers who are separated pursuant to a written agreement or consistently lived apart for more than six months should use Table 1 and fill in the unmarried oval on Schedule SP. Taxpayers who are legally married but separated for less than the last six months of the tax year should use Table 2 and include the spouse's income to determine eligibility.

## How do I apply for Tax Forgiveness??

To apply for Tax Forgiveness, submit a completed PA Schedule SP when you file your PA-40 personal income tax return. The instructions for filling out PA Schedule SP are included in PA-40 instructions, available on the department's website,**www.revenue.pa.gov/taxforgiveness**.

Taxpayers who qualify for PA's Tax Forgiveness program may also qualify for the federal Earned Income Tax Credit program. For more information, visit the Internal Revenue Service's, at **www.irs.gov** or call the IRS toll-free, 1-800-829-1040.Taxpayers eligible for PA Tax Forgiveness may also qualify for the federal earned income tax credit. Visit the Internal Revenue Service's website, **www.irs.gov**, for more information.

## PA TAX FORGIVENESS EXAMPLES:

**Example 1**
Keisha is a single parent. She has twin boys she claims as dependents on her federal income tax return. She earns PA taxable compensation of $23,000. PA income tax of $706 was withheld from her compensation. She has no other eligibility income except her compensation. She uses Table 1 for PA Schedule SP and qualifies for 100 percent Tax Forgiveness.

**Example 2**
Charla and William were separated the last two months of the tax year; however, they are not divorced. They have three dependent children Charla claims on her federal tax return. She has PA taxable income of $22,000 from her business, and she made estimated payments totaling $676. William earns $16,000 in taxable compensation. They do not have any other income for Tax Forgiveness purposes. Although they file their PA tax returns separately, Tax Forgiveness requires them to use the married claimants table and report their total joint eligibility income on their separate PA Schedules SP. With total eligibility income of $38,000, Charla, who claims the three dependents, uses Table 2 and qualifies for 100 percent Tax Forgiveness. However, William does not qualify for Tax Forgiveness.

**Example 3**
Jack and Amy are married and retired. They have pension and Social Security income. The only other income they have is $12,000 in PA taxable interest. They did not make any PA estimated tax payments. Their joint PA tax return should show they owe $368. However, they qualify for 100 percent Tax Forgiveness, if they file a PA tax return and PA Schedule SP. They do not have to pay any PA personal income tax.

**Example 4**

James and Anna divorced during the tax year. They have one dependent child who lives with Anna. By agreement under federal rules, James claims the child on his federal tax return. James has PA taxable compensation of $16,200, and $497 of PA personal income tax was withheld. Anna has PA taxable compensation of $8,900, and $273 of PA personal income tax was withheld. Neither has any other eligibility income. They both file their PA tax returns as single. James files as unmarried on his PA Schedule SP (using Table 1), claims one dependent and qualifies for 90 percent Tax Forgiveness. Anna does not qualify for Tax Forgiveness.

**Example 5**

Roberto and Maria are married, live together and have two children they claim as dependents on their federal tax return. Roberto earns PA taxable compensation of $20,000, from which PA income tax of $614 was withheld. Maria's small business realized a net profit of $7,000, and she made PA estimated payments totaling $224. They have joint investment income of $700, only $300 of which is taxable for PA purposes. Their total PA taxable income is $27,300 and their total eligibility income is $27,700. They apply for Tax Forgiveness as married on a joint tax return. Using Table 2, they qualify for 100 percent Tax Forgiveness.

# Eligibility Income Tables

### Eligibility Income Table 1: Unmarried, Seperated or Deceased Taxpayers

| You | \$6,500 | \$6,750 | \$7,000 | \$7,250 | \$7,500 | \$7,750 | \$8,000 | \$8,250 | \$8,500 | \$8,750 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dependent Children** | | | | | | | | | | |
| 1 | \$16,000 | \$16,250 | \$16,500 | \$16,750 | \$17,000 | \$17,250 | \$17,500 | \$17,750 | \$18,000 | \$18,250 |
| 2 | \$25,500 | \$25,750 | \$26,000 | \$26,250 | \$26,500 | \$26,750 | \$27,000 | \$27,250 | \$27,500 | \$27,750 |
| 3 | \$35,000 | \$35,250 | \$35,500 | \$35,750 | \$36,000 | \$36,250 | \$36,500 | \$36,750 | \$37,000 | \$37,250 |
| 4 | \$44,500 | \$44,750 | \$45,000 | \$45,250 | \$45,500 | \$45,750 | \$46,000 | \$46,250 | \$46,500 | \$46,750 |
| 5 | \$54,000 | \$54,250 | \$54,500 | \$54,750 | \$55,000 | \$55,250 | \$55,500 | \$55,750 | \$56,000 | \$56,250 |
| 6 | \$63,500 | \$63,750 | \$64,000 | \$64,250 | \$64,500 | \$64,750 | \$65,000 | \$65,250 | \$65,500 | \$65,750 |
| 7 | \$73,000 | \$73,250 | \$73,500 | \$73,750 | \$74,000 | \$74,250 | \$74,500 | \$74,750 | \$75,000 | \$75,250 |
| 8 | \$82,500 | \$82,750 | \$83,000 | \$83,250 | \$83,500 | \$83,750 | \$84,000 | \$84,250 | \$84,500 | \$84,750 |
| 9 | \$92,000 | \$92,250 | \$92,500 | \$92,750 | \$93,000 | \$93,250 | \$93,500 | \$93,750 | \$94,000 | \$94,250 |
| **Then your Percentage of TAX BACK 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 |

*If your Eligibility Income from PA-40 Schedule SP, Line 11 does not exceed:*

### Eligibility Income Table 2. Married Taxpayers

| 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 | \$22,500 | \$22,750 | \$23,000 | \$23,250 | \$23,500 | \$23,750 | \$24,000 | \$24,250 | \$24,500 | \$24,750 |
| 2 | \$32,000 | \$32,250 | \$32,500 | \$32,750 | \$33,000 | \$33,250 | \$33,500 | \$33,750 | \$34,000 | \$34,250 |
| 3 | \$41,500 | \$41,750 | \$42,000 | \$42,250 | \$42,500 | \$42,750 | \$43,000 | \$43,250 | \$43,500 | \$43,750 |
| 4 | \$51,000 | \$51,250 | \$51,500 | \$51,750 | \$52,000 | \$52,250 | \$52,500 | \$52,750 | \$53,000 | \$53,250 |
| 5 | \$60,500 | \$60,750 | \$61,000 | \$61,250 | \$61,500 | \$61,750 | \$62,000 | \$62,250 | \$62,500 | \$62,750 |
| 6 | \$70,000 | \$70,250 | \$70,500 | \$70,750 | \$71,000 | \$71,250 | \$71,500 | \$71,750 | \$72,000 | \$72,250 |
| 7 | \$79,500 | \$79,750 | \$80,000 | \$80,250 | \$80,500 | \$80,750 | \$81,000 | \$81,250 | \$81,500 | \$81,750 |
| 8 | \$89,000 | \$89,250 | \$89,500 | \$89,750 | \$90,000 | \$90,250 | \$90,500 | \$90,750 | \$91,000 | \$91,250 |
| 9 | \$98,500 | \$98,750 | \$99,000 | \$99,250 | \$99,500 | \$99,750 | \$100,000 | \$100,250 | \$100,500 | \$100,750 |
| **Then your Percentage of TAX BACK 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 |

*If your Eligibility Income from PA-40 Schedule SP, Line 11 does not exceed:*