

ELECTRONIC FILING OPTIONS

Over 1.5 million Pennsylvania taxpayers chose one of these Fast File options last year:



Select the one that is right for you and file electronically!

PA-40

Pennsylvania Personal Income Tax Return

2002

INSTRUCTIONS BOOKLET

NO FORMS INCLUDED

NEW FOR 2002

PA-40 The Department is using only one tax form beginning with 2002. The Department no longer provides a **PA-40EZ**.

NOTE: This booklet has two 2002 **PA-40** tax returns. You must complete and submit one of the returns as your original return. Complete and keep the other **PA-40** for your records. Do not submit a photocopy of your **PA-40**. You may send photocopies of the schedules.

TAXPAYER IDENTIFICATION

The Department removed your Social Security Number(s) from your label and **Form PA-V, Payment Voucher** for confidentiality. If you are filing a paper PA-40 return, use the label from the insert inside the back cover, **and** carefully enter your SSN(s) in the boxes on the PA-40. See page 6 for more information. If you elect one of Pennsylvania's electronic filing options, you will need the information from your label. Please see page 2 for the electronic filing options.

TAX BACK/Tax Forgiveness

An increase in the TAX BACK/Tax Forgiveness income allowance from \$8,500 to \$9,000 for each dependent child means more working families with dependent children can get up to 100 percent of their PA "TAX BACK." Working taxpayers could receive hundreds of dollars in credits or refunds depending on their family and filing situations. **Example:** A single parent with two children and eligibility income of \$24,500 could get as much as \$686 back.

PA SCHEDULES

Review each schedule and read the instructions. The Department has revised many of the schedules for clarification and processing purposes. However, the rules governing PA Personal Income Tax have not changed.



2002 PA PIT GUIDE

The information in this booklet is sufficient for most taxpayers. However, since Pennsylvania does not follow Federal Income Tax rules for filing income tax returns, the Department produced a PA Personal Income Tax (PIT) Guide to aid taxpayers that need additional information. You can access this source from the Department's home page **www.revenue.state.pa.us**. This guide provides a comprehensive explanation of PA Personal Income Tax, including Pennsylvania and federal differences. The **2002 PA PIT Guide** includes examples of completed PA tax returns, income and expense charts, and worksheets.

 Throughout this booklet, you will see this symbol. This means that the **2002 PA PIT Guide** has additional detailed information concerning that topic.

CREDIT CARD PAYMENT OPTION

You can pay your Pennsylvania Income Tax by credit card. Please read the instructions on page 16.

ELECTRONIC FILING OPTIONS

Filing Is:

SAFE: Regardless of the option you choose, the Department protects your information with the latest security safeguard methods.

EASY: The systems perform the math calculations for you.

FAST: The Department processes your refund from your completed return within three to four weeks of filing instead of six to eight weeks for a paper return.

DIRECT DEPOSIT: You also have the option for directly depositing your refund to your checking or savings account. Direct deposit is not available with a paper PA tax return.

CONFIRMATION: Upon filing with **pa.direct.file** or **TeleFile**, the Department immediately gives you a **Confirmation Number** as proof that you filed. When filing **PA/IRS e-file**, the Department sends an acknowledgement directly to you, your tax professional, or Electronic Return Originator (ERO) that we accepted your tax return.

REMEMBER

When you use one of the electronic filing options, do not send a paper copy of your tax return. Keep a hard copy of your return or worksheet for your records.



TAX PREPARER OR APPROVED SOFTWARE:

- If you pay a professional to complete your federal and **PA-40** tax returns, ask your preparer to e-file your return. E-file is a joint initiative with the IRS that allows for the simultaneous filing of your PA and federal tax returns.
- If you prepare your own tax return(s), you can buy software that allows you to file your PA and federal returns together. If you meet certain qualifications, you may also obtain free software to file your tax returns. **PA/IRS e-file** allows direct deposit of your refund, and the option to pay your PA tax due by electronic funds withdrawal or with a credit card. For more detailed information, visit the Department's home page at **www.revenue.state.pa.us**, and link to the **PA/IRS e-file** website.



INTERNET:

pa.direct.file is fast, easy, secure, and free. Visit the Department's home page at **www.revenue.state.pa.us** and link to the **pa.direct.file** option. You will need the Department-assigned five-digit Account Number located above your name on the preprinted label. Please see page 5.



TELEPHONE:

This is often the easiest way to file simple PA Personal Income Tax returns. To find out if you can use **TeleFile**, visit the Department's home page and link to the **TeleFile** information, or order a 2002 PA Fast File booklet from one of the **Forms Ordering Services** on page 3. You will need the Department-assigned five-digit Account Number located above your name on the preprinted label. Please see page 5.

MAILING ADDRESSES

(For more information, see page 16.)

If you do not have the Department-provided envelope, send your return to the address that applies to you.

If you have an amount on Line 27:

PA DEPT OF REVENUE
PAYMENT ENCLOSED
1 REVENUE PLACE
HARRISBURG PA 17129-0001

If you have an amount on Line 28:

PA DEPT OF REVENUE
REFUND/CREDIT REQUESTED
3 REVENUE PLACE
HARRISBURG PA 17129-0003

If Lines 27 and 28 are zero:

DEPT OF REVENUE
NO PAYMENT/NO REFUND
2 REVENUE PLACE
HARRISBURG PA 17129-0002



CUSTOMER SERVICE & TAXPAYER ASSISTANCE

Electronic Filing Promotion

In February and March, staff from the Department of Revenue and the IRS will be at locations across the Commonwealth promoting electronic tax filing of 2002 PA Personal Income Tax returns, answering questions, and providing forms. *

Montgomery Mall	North Wales	February	3-6
Wyoming Valley Mall	Wilkes-Barre	February	10-13
Johnstown Galleria Mall	Johnstown	February	24-27
Century III Mall	Pittsburgh	March	3-7
Millcreek Mall	Erie	March	17-21

*Taxpayers who filed a PA tax return last year, but did not receive a personalized booklet, can obtain an Account Number and file using either PA **TeleFile** or **pa.direct.file**. See page 5.

The Department will also provide assistance at the following universities:

Shippensburg University	February	18 & 19
Millersville University	February	20 & 21

Taxpayer Service and Information Center

Call (717) 787-8201 for PA Personal Income Tax help during normal business hours.

Free Income Tax Preparation Assistance

You can receive free assistance in preparing uncomplicated, non-business federal, state, and local income tax returns through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Contact the Department's district office nearest you for information, or call the Internal Revenue Service's toll-free number (1-800-829-1040) for the location of assistance sites. Taxpayers with modest incomes and senior citizens are urged to take advantage of these services.

Language Services

The Department can assist non-English-speaking taxpayers during the 2002 tax season through an interpretation service. Assistance is available in 140 languages, including Spanish, Italian, and German – the most common languages, other than English, spoken in PA households.

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 2002. La asistencia esta disponible en 140 idiomas incluyendo español, italiano y alemán, además de inglés, los idiomas más comunes en los hogares del estado.

Forms Ordering Services

To obtain forms not available in this booklet, other PA Personal Income Tax forms and schedules, or any of the brochures listed in this booklet, use one of these services:

Internet: Forms are available on the Department's home page, along with filing options and information at **www.revenue.state.pa.us**

E-mail: Send an e-mail request to the Department at **parev@state.pa.us**

Telephone Services:

Automated 24-hour FACT & Information Line touch-tone telephone service (including most forms by fax): 1-888-PATAXES (1-888-728-2937). If in the local Harrisburg area, you can 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; and
- The status of a filed PA Personal Income Tax return or Property Tax/Rent Rebate claim.

NOTE: The Department **does not** have all forms available by fax.

Toll-free 24-hour, Automated Forms Ordering Message Service: 1-800-362-2050. Serves taxpayers without touch-tone phone service.

Services for Taxpayers with Special Hearing and/or Speaking Needs: 1-800-447-3020 (TT only)

Written requests: PA Department of Revenue
Tax Forms Service Unit
711 Gibson Blvd.
Harrisburg, PA 17104-3200



To obtain the information related to a topic identified by this symbol, call the **FACT & Information Line (1-888-PATAXES)** and request an index of topics by mail. Using the index, you can then order the specific information. You may also request the topic by providing the booklet name, page number, and the topic name. **EXAMPLE:** To request the detailed information on lottery winnings, request: **"PA-40, page 14, Gambling and Lottery Winnings."** Please allow two to three weeks for the information.

Federal Tax Assistance

- Federal tax account or technical information and problem solving are available by calling: **1-800-829-1040**.
- Recorded Tele-Tax Service on 150 federal tax topics or 2002 tax refund information is available by calling: **1-800-829-4477**.
- Federal tax forms and publications are available by calling: **1-800-829-FORM (3676)**.

Brochures

Please see page 29 for a list of brochures available from the PA Department of Revenue.

PA DEPARTMENT OF REVENUE DISTRICT OFFICES

Call or visit the Department district office nearest you. The Department and the IRS are again sponsoring joint offices where you can obtain federal and Pennsylvania tax assistance. Please call your local district office and ask if the IRS will be providing assistance at that location.

NOTE: The location of a district office may change. Please call to verify the address.

Altoona

(Blair, Centre, Fulton,
Huntingdon, and Mifflin)
Ste. 204
Cricket Field Plz.
615 Howard Ave.
Altoona, PA 16601-4867
(814) 946-7310

Bethlehem

(Lehigh and Northampton)
44 E. Broad St.
Bethlehem, PA 18018-5998
(610) 861-2000

Bradford

(Cameron, Elk, Forest,
McKean, Potter, and Warren)
600 Chestnut St.
Bradford, PA 16701-2292
(814) 368-7113

Doylestown

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

Erie

(Crawford and Erie)
448 W. 11th St.
Erie, PA 16501-1501
(814) 871-4491

Greensburg

(Westmoreland)
Second Fl.
15 W. Third St.
Greensburg, PA 15601-3003
(724) 832-5386

Harrisburg

(Cumberland, Dauphin,
and Perry)
Lobby
Strawberry Sq.
Harrisburg, PA 17128-0101
(717) 783-1405

Indiana

(Armstrong, Clarion, Indiana,
and Jefferson)
Canterbury Office Stes.
2263 Philadelphia St.
Indiana, PA 15701-1595
(724) 357-7600

Johnstown

(Bedford, Cambria, Clearfield, and
Somerset)
Third Fl.
345 Main St.
Johnstown, PA 15901-1614
(814) 533-2495

Lancaster

(Lancaster and Lebanon)
Ste. 201
315 W. James St.
Lancaster, PA 17603-2911
(717) 299-7581

New Castle

(Beaver, Butler, Lawrence,
Mercer, and Venango)
Rm. 201
101 S. Mercer St.
New Castle, PA 16101-3837
(724) 656-3203

Newtown Square

(Chester and Delaware)
Ste. 1
90 S. Newtown Street Rd.
(Route 252)
Newtown Square, PA 19073-4090
(610) 353-4051

Norristown

(Montgomery)
Second Fl.
Stoney Creek Office Center
151 W. Marshall St.
Norristown, PA 19401-4739
(610) 270-1780

Philadelphia

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

Pittsburgh

(Allegheny)
Rm. 104
State Office Bldg.
300 Liberty Ave.
Pittsburgh, PA 15222-1210
(412) 565-7540

Pottsville

(Carbon and Schuylkill)
115 S. Centre St.
Pottsville, PA 17901-3047
(570) 621-3175

Reading

(Berks)
Rm. 239
625 Cherry St.
Reading, PA 19602-1186
(610) 378-4401

Scranton

(Lackawanna, Monroe, Pike,
Susquehanna, and Wayne)
Rm. 305
Samters Bldg.
101 Penn Ave.
Scranton, PA 18503-1970
(570) 963-4585

Sunbury

(Columbia, Juniata, Montour,
Northumberland, Snyder,
and Union)
535 Chestnut St.
Sunbury, PA 17801-2834
(570) 988-5520

Washington

(Fayette, Greene, and
Washington)
Ste. 145 UL
Millcraft Center
90 W Chestnut St.
Washington, PA 15301-4524
(724) 223-4550

Wilkes-Barre

(Luzerne and Wyoming)
Ste. 201
Thomas C. Thomas Bldg.
100 E. Union St.
Wilkes-Barre, PA 18701-3200
(570) 826-2466

Williamsport

(Bradford, Clinton, Lycoming,
Sullivan, and Tioga)
440 Little League Blvd.
Williamsport, PA 17701-5055
(570) 327-3475

York

(Adams, Franklin, and York)
140 N. Duke St.
York, PA 17401-1110
(717) 845-6661

Temporary Department District Offices

Each year the Department establishes temporary offices to help taxpayers. To see the list of office locations, visit the Department's home page, or call the district office nearest you.



YOUR USE TAX RESPONSIBILITY

If you buy items that are subject to Sales Tax for which the seller does not charge and collect the tax on the invoice (or receipt), you are personally responsible for remitting the tax directly to the PA Department of Revenue. This tax is called USE TAX.

Purchases made over the Internet, through toll-free numbers (800, 888, and 877), from mail order catalogs, or from an out-of-state location are examples of purchases that would be subject to USE TAX. The tax rate is the same as the Sales Tax, 6% state, and 1% local tax, if the purchaser is located in Philadelphia or Allegheny

County. The tax is to be reported on a **Form PA-1, Individual Use Tax Return**. You can obtain this form from any Department of Revenue district office, from the Department's home page, or from one of the **Forms Ordering Services** on page 3.

Pennsylvania statutes generally exclude from Sales and Use Tax items such as clothing, most foods purchased from a grocery store, and prescription medicines. Examples of taxable items include: computers, sports and recreational equipment, and formal clothing.

TAXPAYERS' RIGHTS ADVOCATE

The Pennsylvania Department of Revenue has a Taxpayers' Rights Advocate who assists taxpayers with PA Personal Income Tax and PA Inheritance Tax problems and concerns that have not been resolved through normal administrative procedures. It is the Advocate's responsibility to ensure that the Department provides equitable treatment with dignity and respect. For more information concerning taxpayers' rights, request the Department's brochure **REV-527, Taxpayer's Bill of Rights**, from one of the **Forms**

Ordering Services on page 3. You may contact the Taxpayers' Rights Advocate:

- Send e-mail to: pataxadvocate@state.pa.us; or
- Call **717-772-9347**; or
- Write to: PA Department of Revenue
Taxpayers' Rights Advocate
Lobby, Strawberry Square
Harrisburg, PA 17128

BEFORE YOU BEGIN



*When you see this symbol, visit the Department's website at www.revenue.state.pa.us, and link to the **2002 PA PIT Guide** for additional detailed information about that topic. If you cannot access the Internet from home, a library, or other location, you can obtain the information by fax. Call the FACT and Information Line on page 3, and the Department will fax you the index of topics. You can select the topic and fax your request. If you do not have a fax machine, you can request the topic by calling the Forms Ordering Message Service and requesting the topic by booklet, page number, and title. **EXAMPLE:** For the information on "Gambling and Lottery", call 1-800-362-2050, follow the telephone prompts, and request "PA-40, page 14, Gambling and Lottery Winnings". The Department will send you the information within two to three weeks.*

Account Number

To file using TeleFile or *pa.direct.file*, you must use your five-digit **Account Number**. This number replaces the Personal Identification Number that the Department sent you last year. If this booklet contains a preprinted label, your **Account Number** is on the insert inside the back cover of this booklet.

If you filed a 2001 PA tax return and want to file using *pa.direct.file* or **TeleFile**, but do not have a personalized label, you can obtain an Account Number by:

- Going to the Department's home page www.revenue.state.pa.us, and linking to the Account Number look-up procedure; or
- Going to a Department district office and presenting photo identification.

If you did not file a 2001 PA tax return, and want to file over the Internet, you can obtain an Account Number by going to the Department's home page, and linking to the *pa.direct.file* website. You will receive instructions for using **Form REV-749, Electronic Signature Form**. You can either complete the **Form REV-749** while online, or download the form and submit it to the Department. You can also obtain a **Form REV-749** from one of the **Forms Ordering Services** on page 3, or by going to a Department district office and presenting photo identification.

NOTE. You cannot file using **TeleFile** if you did not file a PA tax return for 2001. You must file using another electronic filing option or a paper **PA-40**.

Filing Due Date

You must file before midnight, Tuesday, April 15, 2003. The U.S. Postal Service postmark date on your envelope is proof of timely filing. You must report all taxable income received or accrued from January 1, 2002 through December 31, 2002.

CAUTION: The Department imposes late filing penalties and interest charges. Please see **Extension of Time to File Your 2002 PA-40** on page 27 if you need additional time to file your 2002 **PA-40**.

Who Must File a PA Tax Return?

You must file a 2002 PA tax return if:

- You received total PA gross taxable income in excess of \$35 during 2002, 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 in a partnership, or PA S corporation shareholder.

REMINDERS FOR FILING YOUR 2002 PA-40

Supporting Schedules

PA tax laws generally do not follow federal rules. Read the instructions to determine when you must submit a required Pennsylvania schedule, or when you can use a federal schedule or **PA Schedule I**. The Department exchanges information with the IRS.

Assembling your PA-40

Arrange your documents in this order when submitting your 2002 PA tax return:

- Original **PA-40**. Do not send a photocopy of your **PA-40**.
- **PA Schedule W-2S**, or photocopies of your Form(s) W-2 on an 8½ X 11-inch sheet of paper (be sure the information is legible), or your actual Form(s) W-2.
- **PA Schedule MC**. You **must** submit photocopies of your Form(s) 1099R and other statements only when you have taxable distributions from a "retirement plan" or "pension plan" (see page 9) or the statements that show PA tax withheld.
NOTE: Do not include copies of other Form(s) 1099 (such as 1099-DIV, 1099-INT, etc.), unless the forms show PA income tax withheld.
- **PA Schedule OC**, and the required supporting documents, if claiming any of the business credits that PA law allows.
- **PA Schedule(s) RK-1, PA Schedule(s) NRK-1**. If you did not receive the PA schedules, then submit Federal Schedule(s) K-1.
- All required Pennsylvania schedules and forms, including any additional sheets you prepared.
- All other required documents, including federal schedules, where the instructions allow the use of federal schedules, that explain the information you entered.
- Your **Form PA-V** and payment.



IMPORTANT: Do not staple your check or money order to your **Form PA-V** or your **PA-40**.

Entering Information

Social Security Number(s)

Carefully write your SSN, and your spouse's SSN, if married, in the boxes provided on your PA-40. You must enter your SSN, even if using your label. Please double check your SSN.

Privacy Notification

By law (42 U.S.C. §405(c)(2)(C)(i); 61 Pa. Code §117.16), the Pennsylvania Department of Revenue has the authority to use the SSN to administer the Pennsylvania Personal Income Tax and other Commonwealth of Pennsylvania tax laws. The Department uses the SSN to identify individual taxpayers and verify their incomes. The Department also uses the SSN to administer a number of tax-offset and child-support programs that federal and Pennsylvania laws require. The Commonwealth may also use the SSN in exchange of tax information agreements with federal and local taxing authorities.

Pennsylvania law prohibits the Commonwealth from disclosing information that individuals provide on income tax returns, including the SSN(s), except for official purposes.

Please follow these instructions:

DO:



- Use your label if it is correct. If your label is not correct, or if you do not have a label, print your name and address. Print your P.O. box number only if the post office does not deliver your mail to your home. Otherwise, print your street address. If applicable, print your apartment number, suite number, room number, rural route, floor, etc. on the first line and your street address on line 2. **REMINDER:** Military personnel stationed abroad should use their APO or FPO address.
- Print in black ink.
- Fill in all appropriate ovals completely.
- Print neatly within the boxes.
- Use UPPER CASE letters.
- Print one number or letter in each box.
- Round amounts to the nearest dollar.
- Leave a blank box between words.

1	2	3	4	5	6	7	8	9	9	8	7	6	5	4	3	2	1
CAREFULLY PRINT YOUR SOCIAL SECURITY NUMBER(S) ABOVE																	
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	D												
P	O	B	O	X	1	2	5	6									
1	9	5	7	V	A	L	L	E	Y	V	I	E	W	R	D		
W	A	S	H	I	N	G	T	O	N	X	N	G	P	A	1	7	1
2	9																
1	2	3	4	5	6	7	8	9	0								
										1	2	3	4	5			

DO NOT:

- Use red pen or pencil.
- Use your label if any of the information is wrong. Destroy it, but keep your Account Number.
- Make any corrections on the label.
- Leave a space or use a punctuation mark if your name, address, or city has Mc, Van, O', etc.
- Use whiteout.



GENERAL INSTRUCTIONS

Keep Your Records

The Department has the statutory authority to verify and audit all of the amounts you report on your return and accompanying schedules. Maintain your books and records for at least four (4) years after filing, as evidence of the information you reported on your PA return.

Daytime Telephone Number

Enter the area code and phone number where the Department can call you between the hours of 8:30 a.m. and 4:00 p.m.

School Code and School District Name

You must enter the five-digit code and name of the school district where you lived on December 31, 2002, even if you moved after December 31, 2002. Do not enter the school district where you work. Using an incorrect code may affect your school district's funding. The lists of school district names and codes are on pages 30 and 31.

NOTE: If you were not a PA resident on December 31, 2002, enter 99999.

Extension of Time to File Your 2002 PA-40

Fill in this oval if you obtained an extension to file your 2002 PA Personal Income Tax return. Read the instructions on page 27.

Amended Return

Fill in this oval only if you are amending your 2002 PA tax return, see page 27. You must file a paper amended return, even if you filed your 2002 PA tax return using **PA/IRS e-file**, **TeleFile**, or **pa.direct.file**.

PA-40

If you do not want to use an electronic filing option, use the **PA-40**. Please read the instructions.

Residency Status

(R) Resident

If you were a resident of Pennsylvania for all of 2002, fill in this oval.



(N) Nonresident

If you were a nonresident of Pennsylvania for all of 2002, fill in this oval. PA law taxes nonresidents on the income earned, received, or realized from PA sources during 2002.

(P) Part-Year Resident

If you lived in Pennsylvania for only part of 2002, fill in this oval. PA law taxes part-year residents on all income from all sources while a PA resident, and then on the income earned, received, and realized from PA sources while a nonresident.

If you are not sure that you were a resident of Pennsylvania during 2002, or that you are subject to PA Personal Income Tax for part of 2002, request **Form REV-611, Residency for PA Personal Income Tax Purposes**.



The Department's home page has links to instructions for nonresidents and part-year residents of Pennsylvania.

Students

The Department offers a special brochure for PA resident college students attending school outside Pennsylvania, and for nonresident college students attending schools within this Commonwealth. Request **Form REV-758, PA Personal Income Taxes for College Students**.

Type Filer

Fill in the oval that described your status on December 31, 2002.

(S) Single

You must file as single if on December 31, 2002:

1. You were not married; or
2. You divorced or became a widow or widower during 2002.

(J) Married, Filing Jointly

You and your spouse, even if living apart, can 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 **PA Schedule OC**, see page 25; **and**
3. Your spouse is still living; **and**
4. Neither of you is individually liable for the payment of child or spouse support, or another liability to the PA Department of Public Welfare.



FILING TIP: A person does not have to file a PA tax return if he or she does not individually meet the requirements described under **Who Must File a PA Tax Return?** on page 5.

Joint Income – Joint Returns

Married taxpayers can file a joint **PA-40** for convenience only. 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, securities, and real estate. Spouses usually equally divide income from jointly owned property.

CAUTION: On a joint return, both you and your spouse are each separately liable for the entire amount of PA tax due, even if only one had taxable income, and even if either of you paid your own PA tax through withholding or estimated payments.

(M) Married, Filing Separately

You and your spouse 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 claiming one or more of the credits on **PA Schedule OC**; or
3. Either of you is individually liable for the payment of spousal/child support, or another liability to the PA Department of Public Welfare; or
4. One of you is a PA resident and the other is not. However, you can file jointly if you both elect to file as PA residents and meet all other requirements for filing jointly. See **Married, Filing Jointly** above.



(F) Final Return

Use this filing status if you lived in Pennsylvania during 2002, but permanently moved away and will not have any PA taxable income (or loss) in 2003. You will not receive a 2003 booklet. Provide the reason, such as you moved to another state. Remember, even after you move from Pennsylvania, you must report any PA taxable income you earned, received, or realized from PA sources in 2002.



(D) Deceased

Use this status if the taxpayer passed away in 2002. The surviving spouse, the executor, or other person responsible for the affairs of the decedent, must file a separate **PA-40** for the decedent, and report all



income that the decedent received during 2002. By using this status, the Department will not send a 2003 tax booklet in the name of the decedent.

Surviving Spouse

If the decedent was married, the surviving spouse should file a separate **PA-40**, and use the **(S)** filing status. If the decedent made PA estimated payments, the surviving spouse may request **Form REV-459B, Consent to Transfer, Adjust or Correct PA Estimated Personal Income Tax Account** to reconcile the estimated payments to the separate PA tax returns. Request this form from the Department's home page, or one of the **Forms Ordering Services** on page 3.

 **IMPORTANT:** If a taxpayer passed away after December 31, 2002, but before filing his or her 2002 PA tax return, the surviving spouse, executor, or other person responsible for the affairs of the decedent has the option to file the 2002 **PA-40** as the decedent filed his or her 2001 PA tax return. If the decedent was single, fill in the "S" oval on the 2002 **PA-40**. If the decedent was married, fill in either the "M" or "J" oval on the 2002 **PA-40**. The surviving spouse can elect to file jointly for 2002. The person responsible for the affairs of the decedent must sign the 2002 **PA-40**. The Department will send a 2003 tax booklet in the name of the decedent for reporting any income that the decedent, earned, received, or realized in 2003. File the 2003 **PA-40** as "Deceased".

Identification Label Change

Fill in this oval if any of the information on your label is wrong, or if you did not file a PA Personal Income Tax return last year.

Farmers

Fill in this oval if you derived at least two-thirds of your 2002 gross income from farming.

PA INCOME TAX CLASSES

Regardless of how you file your federal tax return, you report income and loss in the PA income classes in which you directly earned, received, or realized the income or loss. Please read the instructions for each income class.

 **FILING TIP:** Generally for PA purposes, other or miscellaneous income is either compensation or business income. Read the instructions for Line 1a, Gross Compensation (on page 9), and for Line 4, Net Income or Loss from the Operation of a Business, Profession, or Farm (on page 12).

TAXABLE INCOME FOR PA PIT PURPOSES:

The PA-40 line on which to report the income described follows each item.

Classify means you report the income in the appropriate PA income class based on the facts and circumstances surrounding the receipt of the income.

- Employer provided fringe benefits, unless excludable **(Line 1a)**
- Allowances and reimbursements in excess of allowable employee business expenses **(Line 1a)**
- The value of property received as payment for services **(Line 1a)**

 A discharge of indebtedness, unless specifically excludable from taxable income **(Classify)**

 Damage awards and settlements to the extent that the payments represent back wages or another uncollected entitlement to PA taxable income **(Classify)**

 Delay damages received in connection with a court judgment or settlement to the extent that the payments represent back wages **(Line 1a)**

- Honorariums **(Line 1a)**
- Compensation as fees for performing services as an executor or a director of a corporation **(Line 1a)**
- Income for performing services as an executor or director in the normal operation of your business or profession **(Line 4)**
- Severance pay **(Line 1a)**
- Incentive payments received for terminating employment before reaching normal retirement age **(Line 1a)**
- Awards and gifts given in recognition for, or given as a transfer of cash or property, in payment for past, present, or future service as an inducement to perform future services **(Line 1a)**
- Income for performing services as an executor or administrator of an estate **(Line 1a)**
-  Covenants not to compete, or for refraining from the performance of services **(Classify)**
- Jury fees **(Line 1a)**
- Expert witness fees **(Line 1a)**
-  Other income described in the PA income classes **(Classify)**
- Cash reimbursements for personal expenses, such as commuting and day care **(Line 1a)**

INCOME NOT TAXABLE FOR PA PIT PURPOSES:

- Social Security benefits and/or Railroad Retirement benefits
-  Commonly recognized pension, old age, or retirement benefits paid after meeting the conditions of the qualifying retirement plan and retiring
- United Mine Workers Pension
- Military Pension
- Civil Service Annuity
- Public assistance and unemployment compensation
- Payments you received under workers' compensation acts, occupational disease acts, or similar legislation, including Heart and Lung Pension, payments for injuries received while working, and damages received, whether by suit or otherwise, for personal injuries. **NOTE:** If your employer includes your payments for on-the-job injuries in box 16 of your Form W-2, provide a statement from your employer verifying the amount of these payments.
- Employer-paid group term life insurance premiums
-  Damage awards and settlements from physical injury or sickness – pain and suffering, emotional distress
- Child support
- Alimony
-  Inheritances, death benefits, and income in respect of a decedent (IRD) as defined for Federal Income Tax purposes
- Active-duty pay received from the U.S. Government for service outside Pennsylvania as a member of the Armed Forces, please see page 27
- Awards and gifts made from detached or disinterested generosity
- Personal use of an employer's owned or leased property and/or services, at no cost or at a reduced cost
- Federally taxable punitive damages received for personal physical injury or physical sickness, whether received by suit or by settlement



PA-40 LINE INSTRUCTIONS



When you see this symbol, visit the Department's home page at www.revenue.state.pa.us, and link to the **2002 PA PIT Guide** for additional detailed information on that topic.

Rounding Numbers

Please round all amounts on your return and all schedules to the nearest whole dollar. Eliminate any amount less than \$0.50. Increase any amount that is \$0.50 or more to the next highest dollar. If rounding creates a \$1.00 liability, do not submit a payment.

Costs, Expenses, and Deductions

PA law does not allow any 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: PA taxable interest income (Line 2), dividend income (Line 3), and gambling and lottery winnings (Line 8) are gross taxable income classes. You may not deduct any expenses (such as travel or programs) to compute income in these classes.



Line 1a. Gross Compensation

Overview

PA taxable compensation includes, but is not limited to: salaries; wages; tips; gratuities; commissions; bonuses; incentive payments; vacation and holiday pay; certain early distributions from retirement plans; and termination pay. The amount your employer reports in box 16 of your Form W-2 shows your PA taxable compensation. If you receive a Form 1099 or other statement, your PA taxable compensation is the gross amount that you received for performing services.

The amount in box 16 of your Form W-2 may be different from the amount in box 1. If you participate in an eligible employer-sponsored retirement plan, your PA compensation will be higher than your federal wages. PA law required your employer to follow PA PIT rules to determine box 16. If you have any questions, contact your employer.

W-2 Wage and Tax Statement

For reporting PA taxable compensation, you have these options:

1. Complete **PA Schedule W-2S, Wage Statement Summary**, see the instructions on page 17; or
2. Submit photocopies of each Form W-2 on 8½ X 11-inch paper. You may photocopy more than one Form W-2 on each sheet, but the form must be legible; or
3. Submit your actual Form(s) W-2.

Report your PA compensation and withholding from each 2002 Form W-2 from each employer. Enter your PA taxable compensation from box 16 of your 2002 Form(s) W-2. Enter the state or PA wages from any other statements. **Do not use box 1, Federal Wages.** Report your PA income tax withheld from box 17 of each Form W-2 on Line 13 of your **PA-40**.

When to Submit Form(s) W-2

Submit a legible photocopy of each Form W-2 (keep the original for your records) and a written explanation if:

1. The PA compensation you enter on Line 1a of your **PA-40** is not the same as box 16 on your Form W-2.
2. Your employer gave you a handwritten Form W-2.

3. Your employer reported an incorrect amount on your Form W-2. You must also submit a written statement from your employer.
4. Your employer withheld PA income tax in an amount that is more than 2.8% of your wages.

NOTE: If in 2002 you were a resident of one of the **Reciprocal Agreement States**, as described below, you may submit either a legible photocopy of your Form W-2 or your actual Form W-2.

If you do not have a Form W-2 or a federal substitute W-2, Form 4852, you must submit evidence of your PA compensation and tax withheld by providing pay stubs and a statement identifying your employer and the reason you do not have a Form W-2. Please submit legible photocopies. Keep your original documents.



Reciprocal Agreement States

Pennsylvania has agreements with Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. Under these agreements, one state will not tax a resident of the other state on 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, and your employer withheld the other state's income tax, you must file for a refund from that state. File early so you will have your refund before the due date for paying your PA tax liability.



IMPORTANT: If you earn at least \$8,000 in the other state, under PA law you must make estimated payments. Please read the information on page 27. If this is your situation, you are liable for Estimated Underpayment Penalty on Line 26. Please read the instructions for Line 26 on page 15.

If you are a resident of a reciprocal agreement state working in Pennsylvania, and your employer withheld PA income tax, you may request a refund of the PA tax. You report zero taxable compensation on Line 1a, and the PA tax withheld on Line 13. Submit a legible photocopy of your Form W-2, a **signed copy** of the resident income tax return that you filed/will file with your resident state (without the supporting forms and schedules), and a statement explaining that you are a resident of a reciprocal agreement state.

Reimbursable Expenses/Cash Reimbursements for Personal Expenses

PA allowable employee expenses are not always the same as allowable federal business expenses. Read the instructions on page 17. You must be able to substantiate travel expenses as to time, place, and business purpose.

Report all reimbursements and allowances paid by your employer as compensation unless you meet all three of the following requirements:

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.

If you receive a fixed-mileage allowance or a per-diem living expense allowance that does not exceed applicable federal limits, you meet these requirements. Do not report these expenses on **PA Schedule UE**.

Retirement, Pensions, and Deferred Compensation

Eligible Employer-Sponsored Retirement Plan

Eligible employer-sponsored retirement plans can, but do not necessarily, include employer-sponsored deferred compensation plans; pension or profit sharing plans; 401(k) plans; and employee welfare plans.



Eligible nonemployer-sponsored retirement plans can, but do not necessarily, include individual retirement accounts (IRAs) and Roth IRAs.

Contributions

Ask your employer or plan administrator if your employer's retirement plan is an eligible plan for Pennsylvania Personal Income Tax purposes.



Distributions

If you withdrew from your retirement or pension fund, and received a Form 1099R, you may have PA taxable compensation if: (1) your retirement plan is **not** an eligible Pennsylvania retirement plan; or (2) if you have **not** reached the retirement age or years of service requirements under such eligible Pennsylvania retirement plan. The **PA PIT Guide** contains a table which cross-references the information on the Form 1099R with its corresponding PA PIT treatment. PA PIT law does not follow federal law concerning early retirement options for Individual Retirement Accounts, IRC Section 401 plans, 403 plans, and other federally qualified plans. To determine if the amount you received is taxable in Pennsylvania, review boxes 1 through 3 (the amount you received or your distributions) and the PA PIT treatment of box 7 (the codes that will help determine the taxability of your distribution). The Federal Codes contained in box 7 of Form 1099R include:

Code 1 & 2 **Early distribution.** This distribution is not taxable for PA purposes, **if and only if:** (1) your pension or retirement plan was an eligible plan for PA PIT purposes, and (2) you retired after meeting the age conditions of the plan or years of service conditions of the plan. If your plan was not an eligible plan, or if you have not attained the age or years of service required under the plan to retire, you must determine the PA taxable amount of your distribution. You must use the cost recovery method. This means that you previously paid PA income tax on your contributions to the plan. Therefore, Pennsylvania will not tax your distributions until you have received (recovered) an amount equal to your previously taxed contributions. Consult your plan administrator as to your previously taxed contributions to the eligible Pennsylvania retirement plan.



IMPORTANT: If you are not sure whether your plan was an eligible retirement plan under PA PIT law, ask your plan administrator.

Code 3 or 4. **Death/disability distribution.** This is a distribution due to death and/or disability. A distribution due to death is not taxable for PA purposes. A distribution due to disability generally is not taxable for PA purposes.

Code 7. **Normal Distribution.** This distribution from an eligible Pennsylvania retirement plan is not taxable if you met the plan requirements (the age and/or years of service required by the plan) for retirement and retired after meeting those requirements.

Code G or H. **Rollover.** This is a rollover from one qualified fund to another and is not taxable for PA purposes. See **IRA Distributions** below.

Distributions listed in **Boxes 8 or 9b** are distributions from an **insurance policy or annuity** purchased for your retirement. Such distributions are not taxable if: (1) your insurance policy or annuity was from an eligible plan for PA PIT purposes; and (2) you retired after meeting the age or years of service conditions of such eligible plan. If you do not meet these requirements, the taxation of your distributions must be determined under the cost recovery method. This distribution is taxable as a gain on **PA Schedule D**, not compensation on Line 1a.



IRA Distributions (60 day rollover rule)

If you received a distribution from an IRA (before age 59-1/2 and retiring) and rolled the entire distribution (100 percent) into a Roth IRA directly, or within 60 days, the distribution is not taxable income for PA purposes. If you did not roll the entire distribution into another IRA, you must report PA taxable income to the extent the distribution exceeds your previously taxed contributions.



IMPORTANT: If you are receiving distributions, but did not retire, you must report your distributions on a cost recovery basis until you retire. If you retired, but did not reach age 59-1/2, you must report your distributions on a cost recovery basis until you reach age 59-1/2.

Line 1b. Unreimbursed Employee Business Expenses

Review the instructions for allowable employee business expenses beginning on page 17. Determine if you are allowed to deduct expenses from your PA taxable compensation. Follow the instructions. PA law does not follow federal law for allowable employee business expenses.

EXAMPLE: You may deduct 100 percent of your PA allowable expenses on the **PA Schedule UE** in this booklet.



IMPORTANT: The Department has the legal authority to request evidence that your expenses are allowable for PA purposes.

Line 1c. Net Compensation

Subtract Line 1b from Line 1a.

Education Savings Accounts

Qualified IRC Section 529 Plans (Private or Another State)

Withdrawals from private programs and programs of other states are taxable income for PA PIT purposes, even when used for education. You report the income on **PA Schedule A** as interest income; or on **PA Schedule D** as a gain. The class of income depends on the organization of the program. Review the contract and other information, and determine the proper PA income class. You use cost recovery accounting to report your income. This means that you do not report any interest income, dividend income, or a gain until you first recover your previously PA-taxed contributions to the program, or contributions made to the plan when you lived in another state.

PA Tuition Account Program (TAP)

If you use the proceeds from a PA TAP account for qualified education expenses, the income your contributions earned while in the TAP is not taxable for PA PIT purposes. However, when you or your beneficiary do not use the proceeds for qualified education expenses, or when you terminate the plan early, you report the income on **PA Schedule A** as interest income; or on **PA Schedule D** as a gain, depending upon which PA TAP option you selected. You use cost recovery accounting, as described above, to determine your PA taxable income.

Line 2. Interest Income

Report all PA taxable interest income received or credited during the year. Generally, Forms 1099-INT and similar statements from financial institutions show the interest amount. You do not have to submit these forms and statements. Include interest income from personal savings and checking accounts, insurance contracts, obligations of other states (not Pennsylvania), and investments. If your interest income is more than \$2,500, complete and submit **PA Schedule A**. Please see the instructions on page 20.

Do not report interest income from direct obligations of the U.S. Government, the Commonwealth of Pennsylvania, and political subdivisions of Pennsylvania. For a list of exempt obligations, obtain **Form**



REV-1643, Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes.



How to Classify Interest Income

You must classify interest, regardless of how you report the income for federal purposes. Report personal interest on Line 2. Otherwise include interest:

- From business accounts, working capital interest, and accounts receivable in determining profit or loss on a PA business schedule;
- From installment sales on **PA Schedule D-1**; and
- From rental security deposits in determining profit or loss on **PA Schedule E**.

Money Market Funds, Mutual Funds, and Other Investment Companies - Distributions

Include these distributions as dividend income on Line 3.

Forfeited Interest Penalty

You may offset the penalty for premature redemption or withdrawal of a time savings account or certificate of deposit, against only the interest income you received in the same taxable year from that account or certificate. You cannot offset this penalty against other interest income. If your total penalty exceeds the related interest income, you may report the excess as a loss on **PA Schedule D**.

Line 3. Dividend Income

Report all dividend income received or credited during the year. You do not have to submit your Forms 1099-DIV and other statements. If your dividend income is more than \$2,500, you must complete and submit **PA Schedule B**. The instructions for this schedule are on page 20.



How to Classify Dividend Income

You must classify dividend income, regardless of how you report the income for federal purposes. Report personal dividends on Line 3. Otherwise include dividend income from business accounts and working capital dividend income in determining profit or loss on your PA business schedule.

Capital Gains Distributions

Report capital gain distributions from your mutual funds and regulated investment companies as PA taxable dividend income, even though you report such distributions as capital gains on Federal Schedule D.

PA Resident Shareholders in Another State's S Corporation that is not also a PA S Corporation

If you are a shareholder in another state's Subchapter S corporation, and that corporation did not elect PA S status, include the cash or property you actually received out of the corporation's earnings and profits as dividend income on Line 3. If you received distributions in excess of the corporation's earnings and profits, report these distributions on **PA Schedule D**. Do not report the amount of your distributable income, and do not submit the Federal Schedule K-1. A shareholder may not claim a credit for income tax paid to another state by an S corporation that did not elect PA S status.



FILING TIP: You must include nontaxable interest and dividends as Eligibility Income on **PA Schedule SP**.

Reporting Income, Gains, and Losses on Lines 4, 5, and 6 Only

Under PA law, you only report losses on Lines 4, 5, and 6 of your **PA-40**. If entering a loss on these, fill in the oval next to the line.

Remember:

- You may not offset income in 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.
- Spouses, whether filing jointly or separately, may not use each other's expenses to reduce income or offset each other's income and losses.

If married taxpayers file a joint **PA-40** for convenience, and they both have activity in the same income class, they must follow these reporting rules:

1. If each realizes a net profit, gain, or income, add the net income amounts together and report that total on the appropriate line.
2. If each realizes a net loss, add the net losses and report that total on the appropriate line. Fill in the oval next to that line.
3. If one spouse has a net profit, income, or gain and the other spouse has a net loss, report only the net income on the appropriate line.

Example – Line 4. Mary and Ben file a joint **PA-40**. Mary owned a flower shop, and realized a net profit of \$5,000. Ben was a shareholder in a PA S corporation, and received \$35,000 on his **PA Schedule RK-1**. They jointly owned a small retail store and realized a loss of \$8,000. They report \$32,000 on Line 4 from Mary's net income of \$1,000 (\$5,000 less her half of the \$8,000 loss), plus Ben's net income of \$31,000 (\$35,000 less his half of the \$8,000 loss).

Example – Line 5. They sold the retail store for a \$6,000 loss. Mary sold stock that she owned individually for a \$9,000 gain. Ben sold stock that he individually owned for a \$3,000 loss. On Line 5, they report a gain of \$6,000. Mary's net gain is \$6,000 (\$9,000 less her half of the \$6,000 loss). Ben's net loss is \$6,000 (his \$3,000 stock sale loss and his half of the \$6,000 loss on the sale of the store). Since Ben's separate loss may not reduce Mary's gain, they report a gain of \$6,000 on Line 5.

Example – Line 6. They jointly owned a rental property and realized a loss of \$2,000. Mary was a partner in a rental partnership and her share of the partnership's loss was \$1,000. Ben's PA S corporation realized a loss from its rental operations. His share of the loss was \$4,000. Mary's total loss was \$2,000 and Ben's total loss was \$5,000. On Line 6, they report the total loss of \$7,000 (and fill in the oval) since they each individually realized a total net loss.

Example – PA Taxable Income. On their jointly filed 2002 **PA-40**, they report total taxable income of \$38,000: Line 4 of \$32,000 and Line 5 of \$6,000, not taking into consideration their Line 6 loss of \$7,000.



PA and Federal Schedules

Submit a schedule for each amount on Lines 4 through 7. Submit PA schedules, unless these instructions allow you to use federal schedules for PA PIT purposes. If you receive only a Federal Schedule K-1 from your partnership, submit that schedule, classify your income using PA rules, and provide a written explanation. Read the instructions for each income class carefully.

PA S Corporation and Partnership Members

PA Resident Shareholder and/or Partner. You must report your share of income whether distributed or not as provided on the **PA Schedule RK-1** that your PA S corporation or partnership provides. You must submit a copy of each **PA Schedule RK-1**.

CAUTION: If the partnership does not provide a **PA Schedule RK-1**, you still must report and classify the income or loss from the Federal Schedule K-1 according to the instructions for each PA income class.

Non-PA Resident Shareholder and/or Partner. If the entity in which you are a member has PA source income (loss), you must report your share of your classified PA taxable income whether distributed or not as provided on the **PA Schedule NRK-1** that your PA S corporation or partnership provides. You must submit a copy of each **PA Schedule NRK-1**.



CAUTION: If the partnership does not provide a **PA Schedule NRK-1**, you still must report and classify the income or loss from your Federal Schedule K-1 according to the instructions for each PA income class.



Line 4. Net Income or Loss from the Operation of a Business, Profession, or Farm

- Report all income and losses from business, farm, partnership, and PA S corporation schedules.
- In determining this amount, you may offset your own business income from one business with your own business loss from another.
- If reporting a total net loss, fill in the oval next to Line 4 on your **PA-40**.

Report your net income or loss from an unincorporated business or profession on **PA Schedule C**. You may be able to submit a **PA Schedule C-EZ**, if you file a Federal Schedule C-EZ. Report your net income or loss from farming on a **PA Schedule F**.

NOTE: These PA schedules are not in this booklet. You can obtain the schedule(s) you need from one of the **Forms Ordering Services** on page 3.

PA or Federal Schedules

For PA purposes, you determine net income or loss under accepted principles and practices of the accounting profession. You file a **PA Schedule C** or a **PA Schedule F** using your separate books and records for PA purposes. You can obtain **PA Schedule C** or **PA Schedule F** from one of the **Forms Ordering Services** listed on page 3.

If you do not maintain separate books and records for Pennsylvania, you may submit your federal schedule with your **PA-40**, only if you do not have to adjust your federal amounts to comply with the specific differences between federal law and PA law.

Generally, you must adjust your federal amounts for PA PIT purposes. These adjustments can increase or decrease your PA taxable income (loss), and you must maintain appropriate records of such adjustments. You should submit **PA Schedule C** or **PA Schedule F** showing the PA PIT amounts using your books and records reflecting the adjustments for PA purposes. You may also submit **PA Schedule C-F**, and make the income and/or expense adjustments that PA PIT law requires. Please read the instructions on page 21. If you use **PA Schedule C-F**, do not submit your federal schedule.

To obtain detailed information about federal/Pennsylvania differences, and the adjustments, visit the Department's home page at www.revenue.state.pa.us.



PA Schedules RK-1 and NRK-1

A resident that is a shareholder of a PA S corporation or a partner in a partnership should receive a **PA Schedule RK-1**. A nonresident PA S corporation shareholder or a partner should receive a **PA Schedule NRK-1**. These schedules show your share of income or loss for each PA income class. If you received any guaranteed payments, you add those payments to your share of income or loss as shown on your Pennsylvania schedules. The PA S corporation or partnership deducts all allowable expenses and makes all other allowable adjustments. If your PA S corporation or partnership requires that you incur direct business expenses, and the expenses are allowable unreimbursed expenses for PA purposes, you must itemize them on a separate statement. You cannot deduct any personal expenses or expenses that you incur for your own convenience.



Line 5. Net Gain or Loss from the Sale, Exchange, or Disposition of Property

Report your gain or loss from each sale, exchange, or disposition of any kind of intangible property and any real or tangible property.

Report your share of the gains or losses from a PA S corporation or partnership in which you are a member. Report your total net gains and/or losses on **PA Schedule D**.



IMPORTANT: PA law does not make a distinction between long-term and short-term gain (losses) or have provisions relating to casualty losses, sales to related parties, and nonrecognition of gains (losses) under IRC section 1031 (like-kind exchanges).

You may offset your own net gains and losses in determining this line. If married and you both have income or losses in this class, see **Reporting Income, Gains, and Losses on Lines 4, 5, and 6, only** on page 11. If you realize an overall net loss, fill in the oval next to Line 5 on your **PA-40**.

On **PA Schedule D**, you report gains or losses from selling:

- Land and buildings
-  Properties held for investment, including rental properties
- Stocks and bonds
-  Ownership interests in partnerships and business enterprises
- Contracts of insurance and annuities, including a personal retirement annuity
- Contracts of insurance with accumulated refundable reserves payable upon lapse or surrender
-  A business asset in a transaction that is not an ordinary or recurring business transaction
- Obligations of other states and countries

Also, include on **PA Schedule D** the following:

-  Amounts from **PA Schedules D-1, D-71, D (P/S), RK-1, and NRK-1**.
-  Sales of inherited property. The basis of inherited property is its fair market value at the date of death.
- A distribution from a C corporation (other than a dividend) that exceeds your adjusted basis in that corporation. Please see the instructions for Line 4 of **PA Schedule D**.
- A distribution from a **PA Tuition Account Program (TAP)**. Please see page 10.
- A distribution from an education savings program (whether private or another state), whether used for education or not. Please see page 10.
- A distribution from a **Medical Savings Account** – you report the same amount that is taxable for Federal Income Tax purposes.
- A nonqualifying sale of your principal residence – obtain **Form PA-19, Sale of a Principal Residence**.
-  A distribution from a partnership or PA S corporation (other than dividends) that represents a return of your investment in that entity. You must determine if such a distribution results in a taxable gain by completing and submitting the new **PA Schedule D (P/S)**. Request the new **PA Schedule D (P/S)** from one of the **Forms Ordering Services** on page 3.

Loss on the Disposition of Property

PA law recognizes a loss only on a transaction entered into for profit, and only in the year in which an identifiable event closed and completed the transaction and fixed the amount of the loss so there is no possibility of any eventual recovery. Do not report a loss on the sale of property that you did not acquire for profit, such as a personal car, furniture, or a qualifying sale of your principal residence.



Capital Gain Distributions

Report capital gain distributions received from mutual funds and other regulated investment companies as PA taxable dividend income, even though you report such distributions as capital gains on Federal Schedule D.

Exempt Obligations Originally Issued before February 1, 1994

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 obligation:

- Direct obligations of the U.S. Government, such as federal treasury bills and treasury notes;
- Obligations of certain agencies, instrumentalities, and territories of the U.S. Government; and
- 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

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. Report all such gains and use any losses to offset other gains.



IMPORTANT: You must report all such gains and can use any losses to offset other gains.

Sale of Your Principal Residence

If you sold your principal residence in 2002 and meet the requirements for the 100-percent gain exclusion, do not report the sale on your **PA-40**. This exclusion is not identical to the federal exclusion. Generally, if during the five years preceding the sale of your home, you owned it for at least two years, and used it as your principal residence for at least two years, you are eligible for this exclusion.

For a complete explanation of this exclusion, request **Form REV-625, Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes**, and the **Form PA-19, Sale of a Principal Residence**.

CAUTION: If you sold your principal residence, but you do not qualify for the exclusion, report your gain on **PA Schedule D**; but if you realized a loss, enter zero on **PA Schedule D**.

Line 6. Net Income or Loss from Rents, Royalties, Patents, and Copyrights

Rental income includes the amounts you receive for the use of, or the right to use, your real or personal property.

Royalty income includes the amounts you receive for the extraction of coal, oil, gas, or other minerals in place, and the amounts that you receive for the use of your patents, copyrights, secret processes, formulas, goodwill, trademarks, trade brands, franchises, and similar property.

Report the total income or loss from all **PA Schedules E** and all **PA Schedules RK-1** or **NRK-1**. Generally, you must use **PA Schedule E**. You may use Federal Schedule E, if using only Part I, and you must make the following adjustments:

- Report passive rental/royalty loss in full, rather than carry it over to future years.
- Add any capital gains/distributions.

- Do not take any depreciation expense on Sales Tax that you elected to currently expense for PA PIT purposes.
- Optional - deduct Sales Tax on acquired property as an expense currently rather than add it to the basis of the property as required for federal purposes.



IMPORTANT: If you currently expense such Sales Tax, the basis of that property will differ from the federal basis, and you must adjust your depreciation expense accordingly. You cannot expense Sales Tax and still take depreciation on the Sales Tax. If you do not expense Sales Tax, you may add such Sales Tax to the cost basis of the property and depreciate the aggregate cost plus Sales Tax.

- You must separately show your share of any rental or royalty gain (loss) that you realize as a partner, a shareholder of a PA S corporation, or other entity.

You may only offset your own net income and losses in determining the amount to report on this line. If married and you both have income or losses in this class, see **Reporting Income, Gains, and Losses on Lines 4, 5, and 6 Only** on page 11. If you realize a total net loss, fill in the oval next to Line 6 on your **PA-40**.

CAUTION: Generally, PA follows IRC section 280A if you rent or lease your property, but do not intend to realize a profit. Therefore, you may only deduct your rental expenses up to your rental income, and you may not use a loss. If you rent or lease your property to realize a profit, read the description of **Rents or Net Profit from the Operation of a Business** below to determine if you have a business activity that you should report on **PA Schedule C**.



Rental and Royalty Receipts and Allowable Expenses

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 an oil, gas, or mineral interest as a business, profession, or farm, or otherwise derived in the ordinary course of, and from the operation of, a business.

You deduct those expenses that 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.

See the **PA Schedule E** instructions on page 22 for the allowable expenses. You may not deduct expenses for your own labor, capital investment, or capital improvements. You recover costs associated with capital improvements through depreciation deductions. You may not deduct personal expenses or that part of any expense that is personal.



Rents or Net Profit from the Operation of a Business

Rental activity may be a business activity, and you report your net profit (loss) on a **PA Schedule C**, when:

1. You offer the use of your property on a commercial basis to others in a marketplace; and
2. You provide significant services (see below) to the lessee primarily for the lessee's convenience, and not customarily provided in connection with renting property; and
3. At least one of the following three (3) conditions applies:



- (a) The average period of customer use is 30 days or less; or
 - i. Your property is customarily made available for use only during defined business hours; or
 - ii. You incur significant operating expenses in making the property available for lease; or
 - iii. The leasing activity is incidental to a real estate sales business; and
- (b) You offer the use of your property intending to realize a profit; or
- (c) The leasing of your property is a regular and continuous activity.

Significant Services

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 rental condition are not usually significant services.

Rents or Net Gain from the Sale, Exchange, or Disposition of Property

Lease with an Option to Buy

A lease with an option to buy may be a purchase contract under accepted accounting principles and practices. If it is, the payments you received under the contract are payments of the purchase price and are not includable as rental income. You report such income on **PA Schedule D**.



Selling Mineral Interests, Patents, or Copyrights

If you gave up all rights to mineral interests, patents, or copyrights, the amounts you received are considered payments for the sale or exchange of property. Report such income on **PA Schedule D**.



Line 7. Estate or Trust Income

As a beneficiary of an estate or trust, you report the total PA taxable income that the estate or trust must distribute, pay, or credit to its beneficiaries on **PA Schedule J**. You cannot report a loss as a beneficiary for PA purposes.

CAUTION: You should receive a **PA Schedule L** from the estate or trust. If you received a Federal Schedule K-1, you must report only the positive income, not taking into account any losses, shown on the Federal Schedule K-1. If you included interest and/or dividend income on your Federal Schedule B, report that income on **PA Schedule J**. You should adjust all your PA schedules to properly report your correct PA taxable amounts.



FILING TIP: Cash and property you acquire from an estate or trust by gift, bequest, devise, or inheritance is not taxable.

Revocable Trusts

If you establish such a trust, report the income/loss that you constructively received in each PA income class in which you earned, received, or realized the income/loss. Do not report the amounts on **PA Schedule J**. If submitting supporting schedules and statements showing the name of the trust, write "REVOCABLE" clearly on the schedule.



Grantor Trust

A grantor trust generally files a **PA-41**. The beneficiaries of the trust, including the grantor, if he/she receives income from the trust, report the income as beneficiaries on their **PA Schedules J**. However, the person (settlor) who established the revocable trust (including grantor trusts that are revocable) does not file a **PA-41** if, under the governing instrument, he/she retains authority to:

1. Completely revoke the trust without the declaration of new uses or the consent of any other party; and
2. Revest in himself/herself the legal title to the corpus of the trust, without the consent of any other party.

In this case, the settlor reports the income/loss in the appropriate income class or classes on his/her **PA-40**.



Line 8. Gambling and Lottery Winnings

PA law taxes residents on all gambling and lottery winnings from any source, except prizes from playing the PA Lottery. As a PA resident, you must include lottery winnings from other states and countries. PA law does not tax nonresidents on winnings from gambling and lottery activities within Pennsylvania.

You may only deduct losses from gambling and lottery against winnings. Do not deduct any expenses, such as travel, meals, lodging, etc. that you incurred to take part in gambling and lottery activities. Please submit your own itemized statement explaining your gambling and lottery winnings.



IMPORTANT: Prizes of the PA Lottery are not taxable, and you may not deduct the cost of PA Lottery tickets from other PA taxable gambling and lottery winnings.

Powerball

If you are a PA resident and purchase a Powerball ticket in another state, any prize you win is PA taxable gambling and lottery winnings. If you purchase a Powerball ticket in Pennsylvania, whether a PA resident or not, prizes of the Powerball game are not taxable on a PA-40.

Line 9. Total Gross PA Taxable Income

Add only the positive income amounts from Lines 1c through 8. Do not add, subtract, or take into consideration losses.



IMPORTANT: You cannot use a loss that you report in one income class on your PA-40 to reduce income in any other class.

Line 10. Medical Savings Account

Pennsylvania follows federal rules for this deduction. If married, filing separate returns, only one spouse may take this deduction. The amount you report on Line 10 must be the same amount that you report on your federal return.

CAUTION: Do not report any medical insurance premiums or itemized medical expenses from Federal Schedule A on this line.

Line 11. Adjusted PA Taxable Income

Subtract Line 10 from Line 9.

Line 12. PA Tax Liability

Multiply Line 11 by 2.8 percent (0.028).

PAYMENTS AND CREDITS



When you see this symbol, visit the Department's home page at www.revenue.state.pa.us, and link to the 2002 PA PIT Guide for additional detailed information on that topic.

Line 13. Total PA Tax Withheld

Enter your total PA tax withheld from your **PA Schedule W-2S** or from box 17 of your Form(s) W-2.



IMPORTANT: If your PA tax withheld is more than 2.8 percent, you must submit your Form W-2, or a legible photocopy, and a written explanation why your employer withheld more than 2.8



percent. The Department may also request an explanation from your employer.



Estimated Payments and Credits



FILING TIP: Call the Department's **FACT and Information Line** at 1-888-PATAXES (728-2937) and verify your 2001 credit and 2002 PA estimated payments before completing Lines 14, 15, and 16. You may also verify your payments by visiting the Department's home page and linking to the account look-up website.

Line 14. Credit from your 2001 PA Income Tax Return

Enter your credit from your 2001 **PA-40**.



IMPORTANT: Do not claim the credit if you originally requested a credit to your 2002 PA estimated account, but later requested a refund, or if the Department sent you a refund.

Line 15. 2002 Estimated Installment Payments

Enter your total 2002 estimated payments. Include your spouse's 2002 estimated payments if filing jointly. Do not include any payment of tax due made with a PA tax return.



FILING TIP: If you and your spouse made separate estimated payments, you should file separately, each claiming only your own payments. If you and your spouse made your estimated payments jointly, you should file jointly. This avoids processing delays and correspondence from the Department.

CAUTION: If filing separately with a joint estimated account, the Department may delay one return until the other processes. If you believe that your estimated payments are not properly posted to your accounts, call the Department's **FACT and Information Line** at 1-888-PATAXES (728-2937). Verify your 2002 PA estimated payments and credit. If necessary, request and file **Form REV-459B, Consent to Transfer, Adjust, or Correct PA Estimated Personal Income Tax Account**. Follow the instructions. Both spouses must sign this form. The Department will apply your estimated payments according to your written request.

Line 16. Extension Payment

Enter the payment you made with your 2002 extension request.

Line 17. Nonresident Tax Withheld - Nonresident Shareholders of PA S Corporations and Nonresident Partners ONLY

Enter the PA tax withheld by your PA S corporation or partnership. You must submit your **PA Schedule(s) NRK-1**.

Line 18. Total Estimated Payments and Credits

Add only Lines 14, 15, 16, and 17.

TAX BACK/Tax Forgiveness Credit

Transfer the amounts for these lines from the **PA Schedule SP** that you submit with your PA tax return:

Line 19a. Filing Status from Part A

Line 19b. Dependent Children from Part B, Line 2

Line 20. Eligibility Income from Part C, Line 11

Line 21. TAX BACK/Tax Forgiveness Credit from Part D, Line 16

Line 22. Resident Credit

Submit a **PA Schedule G** and a signed photocopy of each tax return that you filed in another state or country. If a shareholder or partner, you must also submit your **PA Schedule(s) RK-1**. Enter your total

allowable credit for PA Personal Income Tax that you paid to another state(s) or country.



PA Resident Shareholders in Another State's S Corporation

PA law does not permit a Resident Credit if you are a shareholder in another state's Subchapter S corporation, if that corporation is not also a PA S corporation. See page 11.

Line 23. Other Credits

Enter the total allowable credits from Line 4, **PA Schedule OC**, see page 25, if claiming one or more of the following credits:

- **PA Employment Incentive Payments Credit**
- **PA Jobs Creation Tax Credit**
- **PA Research and Development Tax Credit**

Line 24. Total Payments and Credits

Add Lines 13, 18, 21, 22, and 23.

Line 25. Tax Due

If Line 12 is more than Line 24, enter the tax you owe. You must pay the tax due, in full, on or before April 15, 2003. Use your **Form PA-V**.

Line 26. Penalties and Interest



Estimated Underpayment Interest Penalty. If Line 25 is more than 10 percent of Line 12, you are liable for an estimated underpayment penalty. PA law requires estimated PA PIT payments if you earned, received, or realized more than \$8,000 of PA taxable income that was not subject to withholding by a Pennsylvania employer. PA law does provide specific exceptions (safe harbors) to this penalty. You calculate this penalty at the applicable interest rates on **Form REV-1630, Underpayment of Estimated Tax by Individuals**. Read the instructions on **Form REV-1630** to determine if you owe this penalty. Obtain this form from one of the **Forms Ordering Services** on page 3. You can also go to the Department's home page, link to this form, and calculate your penalty.



Late Filing and Underpayment Penalty and Interest. If you pay your tax after the due date, you must also pay applicable penalty and interest, see page 28. You can obtain the applicable interest rates for filing in 2003 by visiting the Department's home page. Include the applicable penalty and interest on Line 26. The Department will apply your payment to tax, interest, and penalty as prescribed by PA law.



IMPORTANT: If you do not owe any penalty or interest, enter zero on Line 26.

Line 27. Total Payment

Add Lines 25 and 26. This is the 2002 amount due with your **PA-40**. The Department does not require a payment for \$1.00 or less.

Line 28. Overpayment

If Line 24 is more than Line 12, enter your overpayment. The Department does not authorize a refund or credit for less than \$1.00.

Refund Offsets

- **PA PIT Liability.** The Department will apply your overpayment to any outstanding PA Personal Income Tax liability from a previous tax year.
- **Delinquent Spousal/Child Support.** Federal law requires Pennsylvania to establish a child-support offset program. The Department of Revenue, in cooperation with the Department of Public Welfare (DPW), intercepts PA income tax refunds of taxpayers that are delin-



quent in spousal/child support, and provides the offsets to the PA Child Support Enforcement System (PACSES).

IMPORTANT: A married person that is liable for spousal/child support must file a separate PA tax return (Married, Filing Separately). If a married person that is liable for support files jointly with his or her spouse, the Department will delay the refund until the taxpayers authorize the Department to pay over the refund to DPW, or the spouses file separate returns.

Lines 29 through 35. Application of Overpayment

If you do not enter amounts on Lines 29 through 35, or the total of these lines does not equal Line 28, you will receive a refund check.

If you overpaid, you may apply all or part of your overpayment as follows:

Line 29. Enter the amount of Line 28 that you want as a **refund check**.

Line 30. Enter the amount of Line 28 that you want as a credit to your **2003 PA Estimated Tax Account**.

Line 31. Enter the amount of Line 28 that you want to donate to the **Wild Resource Conservation Fund**.

Line 32. Enter the amount of Line 28 that you want to donate to the **U. S. Olympic Committee**.

Line 33. Enter the amount of Line 28 that you want to donate to the **Governor Robert P. Casey Memorial Organ and Tissue Donation Awareness Trust Fund**.

Line 34. Enter the amount of Line 28 that you want to donate to the **Korea/Vietnam Memorial Inc.**

Line 35. Enter the amount of Line 28 that you want to donate to the **Breast and Cervical Cancer Research Fund**.

The total of Lines 29 through 35 must equal Line 28. For additional information about these funds, see page 29.

Review Your Return

Before you sign your return, did you:

- Enter your Social Security Number(s)?
- Verify that your name(s) and address are correct?
- Report all your PA taxable income and claim all your allowable PA credits?
- Check all the entries from Form(s) W-2 and schedules?
- Round amounts to the nearest dollar?
- Check your math?
- Enclose all required supporting forms and schedules?
- Make a complete copy of your PA tax return for your records?

Your Signature(s) and Date

Read the oath before you sign and date your return. Spouses filing jointly must both sign and date the return. If you are responsible for the affairs of a minor, disabled person, or a decedent that could not prepare his or her own PA tax return, you must sign to file a valid **PA-40**.

Preparer or Company Name and Telephone Number

If you paid someone to prepare your **PA-40**, the preparer can enter his or her name or business name and telephone number. This is optional.

How to Pay

You must submit your payment on or before midnight, Tuesday, April 15, 2003.

NEW. Credit Card Payment Option

You may pay your 2002 PA tax due with a major credit card. A convenience fee, which is based on the tax due, will be charged by the service provider(s) for processing the transaction. American Express, Discover, MasterCard and Visa are accepted. Select one of these options to pay using your credit card:

- **Internet**
Go to the Department's home page www.revenue.state.pa.us and click on "Pay Your Taxes By Credit Card".
- **Telephone**
You can also obtain the telephone number of the Department's service provider(s) by going to the Department's home page, or calling **1-888-PATAXES**.

Form PA-V

If you have a correct personalized **Form PA-V**, make your check or money order payable to: PA Dept. of Revenue. Write your SSN and "2002 PA Tax" on your payment. If filing for another person, write that taxpayer's name and SSN on the payment. Place your **Form PA-V** and payment in the same envelope with your **PA-40**. Please **DO NOT**:

- Staple the payment to the return or **Form PA-V**.
- Use your **Form PA-V** if you **do not** owe tax.
- Use your **Form PA-V** if your name is incorrect. You can use the **Form PA-V** if the address is wrong, because the Department will obtain your correct address from your PA tax return.

Without Form PA-V

If you do not have a correct **Form PA-V**, make your check or money order payable to: PA Dept. of Revenue. Write your SSN and "2002 PA Tax" on your payment. If filing for another person, write that taxpayer's name and SSN on the payment. Submit your payment in the same envelope with your **PA-40**. Please do not staple your payment to your return.

Mailing Instructions

The U.S. Postal Service will return envelopes without sufficient postage. If your **PA-40** is more than five pages, you may need additional postage. You may also need more postage for an oversized envelope. Check with your local Post Office. Please write your complete return address in the upper left corner of the envelope.

Using the envelope the Department provided in the booklet, follow these instructions for mailing your PA tax return:

1. Remove the labels from the 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 do not have a Department-provided envelope, send your return to:

If you owe tax (You have an amount on Line 27)	If you overpaid (You have an amount on Line 28)
PA DEPT OF REVENUE	PA DEPT OF REVENUE
PAYMENT ENCLOSED	REFUND/CREDIT REQUESTED
1 REVENUE PLACE	3 REVENUE PLACE
HARRISBURG PA 17129-0001	HARRISBURG PA 17129-0003

If you neither owe nor overpaid
(You have zeros on Lines 27 and 28)

PA DEPT OF REVENUE
NO PAYMENT/NO REFUND
2 REVENUE PLACE
HARRISBURG PA 17129-0002



 **IMPORTANT:** Do not use these mailing labels to send other correspondence to the Department.

SCHEDULES INSTRUCTIONS

For all schedules, enter the name and SSN of the taxpayer or spouse reporting the income or claiming the expenses. Taxpayers should also file separate PA schedules to report income and losses from business and farm activities, the sales of properties, and rents and royalties. However, married taxpayers may file joint PA schedules for jointly owned businesses, farms, and properties. If filing a schedule jointly, enter both names, but only the SSN of the spouse listed first on your label or **PA-40**.

Reproducing PA Returns and Schedules

You can make photocopies of the schedules in this booklet, or prepare your own schedules. Do not photocopy the **PA-40**, or submit a photocopy of your **PA-40**.

PA Schedule W-2S (Line 1a)

Use this schedule to report your PA taxable compensation from your Form(s) W-2. You do not have to send your Form(s) W-2 with your PA-40. Read the instructions on the **PA Schedule W-2S**.

CAUTION: Do not use this schedule for a Form W-2 if:

- Your employer withheld PA income tax at more than 2.8 percent
- You believe that a PA amount on your Form W-2 is incorrect
- You were a resident of a reciprocal agreement state and your employer withheld PA income tax
- You earned income in another state, or your employer withheld income tax for another state
- Your employer gave you a handwritten Form W-2

 **IMPORTANT:** You must submit a legible photocopy of the Form W-2 with a written explanation, if any of the above circumstances apply to you. The Department has the statutory authority to require your actual forms, including Form(s) W-2.

PA Schedule MC (Line 1a)

Use this schedule to report PA taxable distributions from pension and retirement plans, executor fees, jury duty pay, and other miscellaneous compensation.

 **IMPORTANT:** You must submit a copy of your Form 1099R or other statement.

CAUTION: Do not use this schedule if the form shows that the payer withheld PA Personal Income Tax from your compensation. You must submit photocopies of your Form(s) 1099 and other statements for other compensation if they show PA income taxes withheld.

PA Schedule UE (Line 1b)

What Unreimbursed Employee Business Expenses Does Pennsylvania Allow?

Allowable employee business expenses for PA purposes are similar, but not exactly the same, as 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. **Actually** 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.

 **IMPORTANT:** You may deduct 100 percent of your PA allowable unreimbursed employee business expenses. PA law does not have federal expense and percentage accounting limitations and thresholds.

NOTE: The Department has the legal authority to require evidence that the expenses you claim on a **PA Schedule UE** are allowable for PA purposes.

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**.

If your employer does not reimburse you, you may reduce your 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. **EXAMPLE:** Dave earned compensation of \$30,000. He incurred allowable vehicle and travel employee business expenses of \$3,000, and was reimbursed \$3,500. He must complete a **PA Schedule UE**. He includes the excess \$500 as compensation. His total net taxable compensation is \$30,500.

Sole proprietors, partners, shareholders, or other self-employed individuals 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**.

What Unreimbursed Employee Business Expenses Are Not Allowable for PA Purposes?

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
- Childcare 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 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 A
- Moving expenses, except when allowed in Part E
- Educational expenses, except as allowed in Part F
- Capital expenditures



FILING TIP: You must file a separate **PA Schedule UE** for each employer. Spouses may not report joint expenses on a **PA Schedule UE**, even if filing jointly.

General Instructions

Enter your name and SSN. If married, enter the name and SSN of the spouse claiming the expenses. Enter all the employer information, and briefly describe the job or position for which you incurred the expenses you are claiming.

Keep Your 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 UE – Side 1

Side 1 of this schedule is for the most common expenses claimed on PA income tax returns

Part A. Direct Employee Business Expenses

You pay these expenses directly or through a withholding arrangement with your employer. These expenses are necessary to perform or maintain your job. Submit a statement itemizing the nature and amount of the expenses you are claiming in Part A.

1. 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.

2. 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.

3. 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 has a useful life of more than one year, you must depreciate or amortize the cost in Part G below.

4. 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.

5. Total Direct Employee Business Expenses.

Add Lines 1 through 4.

Part B. Business Travel Expenses

6. Vehicle Expenses: Standard Mileage Rate. Enter the amount from Line 22 of your Form 2106 or Line 1 of your Form 2106-EZ. Otherwise, enter your business miles and the federal mileage allowance. Then, calculate your allowable business mileage expense.



IMPORTANT: Commuting costs to and from any job are not allowable for PA purposes.

CAUTION: If you cannot or do not file a Federal Form 2106 or Form 2106-EZ, follow the federal rules for determining your allowable expenses. If using one of the Federal Forms 2106, you must report expenses from Line 4 in Part C of **PA Schedule UE**.

Vehicle Expenses: Actual

You may always claim your allowable actual expenses for PA purposes. Start with your federal form and adjust for PA purposes.

7. Enter your actual expenses from your Form 2106.
8. Add back the "Inclusion Amount." This rule does not apply for PA purposes.
9. **Depreciation.** You may use any generally accepted depreciation method, but not the federal additional 30% bonus depreciation. If using a different method for PA purposes, enter the method you used and the adjusted expense here
10. **Actual Travel and Mileage Expenses.** Add Lines 7, 8, and 9.

Other Business Travel Expenses

Enter the actual amount of these expenses that you incurred, or the amount from your Form 2106 or Form 2106-EZ.



IMPORTANT: Business meals, entertainment, and away-from-home overnight expenses are 100 percent allowable. Pennsylvania does not follow the federal limitations on allowable expenses.

11. Parking Fees, Tolls, and Transportation

12. Away-from-Home Overnight

13. Meals and Entertainment Expenses

14. Total Business Travel Expenses.

Add Lines 6 or 10, and Lines 11, 12, and 13.

Part C. Miscellaneous Expenses

Include the expenses that you report on Line 4 of Federal Form 2106 in the space provided. You may copy this schedule or make your own schedules in this format, if you need more space to itemize your miscellaneous expenses. You must itemize and describe in detail these expenses. 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 Form W-2 that you are required to pay 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. As an employee, you must claim your expenses on **PA Schedule UE**. If you are self-employed, you must report your business



activity on Line 4 of your **PA-40** and enclose the necessary **PA Schedule C**.

15. **Total Miscellaneous Expenses.** Enter the total of the miscellaneous expenses you listed.



FILING TIP: If you do not have expenses for your office or work area (Part D), moving (Part E), education (Part F), or depreciation (Part G), complete Side 1, and include your allowable unreimbursed employee business expenses in Line 1b of your **PA-40**.

Total Allowable PA Employee Business Expenses

Lines A through G. Enter the amounts of your allowable expenses from each Part of **PA Schedule UE** that you completed.

- H. **Total Expenses.** Add the expenses you are claiming from each Part of **PA Schedule UE**.

CAUTION: 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**.

I. **Reimbursements.**

If your employer included your reimbursement in PA taxable compensation on your Form W-2, do not enter that reimbursement here. If your employer **did not** include your reimbursement on your Form W-2, enter the amount you received from your employer.

J. **Net Expense or Reimbursement.**

If Line H is more than Line I, include your **unreimbursed expenses** in Line 1b of your **PA-40**.

If Line I is more than Line H, include your **excess reimbursements** on Line 1a of your **PA-40**.

PA Schedule UE – Side 2

Part D. 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 **YES** to question D1, D2, and D3 in order to claim office or work area expenses.

Actual Office or Work Area Expenses.

Lines a through h. Enter the actual expenses you incurred if you are claiming office or work area expenses on this schedule.

Line i. Add Lines a through h.

Line j. Calculate the percentage of your property that you use for business.

Line k. Apportioned Expenses. Multiply Line i by Line j.

Line l. Total Office Supplies. Enter the actual cost of supplies that you use exclusively for business purposes.

16. **Total Office or Work Area Expenses.** Add Lines k and l.

Part E. Moving Expenses

Expenses you pay or incur in moving yourself, your immediate family, your household goods, and your personal effects are allowable. Allow-

able 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 allowable.

Pennsylvania does not allow expenses to sell or purchase a home, or costs to break 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 actually moving.

Distance Test

Your new workplace must be at least 35 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 38 miles from your old residence. Measure the distance using the shortest of the most commonly traveled routes. Complete Lines E1, E2, and E3 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 Moving Expenses.** Add Lines 17 and 18.

Part F. Education Expenses

CAUTION: You may not deduct costs of travel as educational expenses by claiming that the travel itself constitutes a form of education.

You may not deduct commuting.

The federal and PA rules for educational expenses are similar, but not exactly the same. 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 do not intend to enter that new occupation, trade, or business.

Unlike federal rules, you may not deduct education expenses that you incur to maintain or improve your skills.

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 improve his job performance. Anthony may claim the cost of his continuing education courses. He may not claim the computer courses.

You must answer question F1. If you answer **YES**, continue. If you answer **NO**, you may not claim any education expenses. You must answer questions F2 and F3. If you answer **NO** to both questions, continue. If you answer **YES** to either question, you may not claim any education expenses.

Enter the name of the college, university, or educational institution you attend, and your specific course of study. Your education must meet the requirements described above.

20. Enter the amount of tuition or fees you actually paid.

21. Enter the costs of your books and other materials required for your courses.



22. Enter the cost of travel. Pennsylvania follows the federal rules for travel expenses for education.

23. **Total Education Expenses.** Add Lines 20, 21, and 22.

Part G. Depreciation Expense

Do not report depreciation for vehicles and office or work areas in this Part. See the appropriate Parts 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 generally accepts federal depreciation and current expensing, but not federal elections that accelerate expenses, such as the 30% bonus depreciation election under Federal law 107-147 of 2002. 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 without obtaining permission from the PA Department of Revenue.

24. **Total Depreciation Expenses.** Enter the total of column f.

PA Schedule A (Line 2)

If your total PA taxable interest income is \$2,500 or less, you must report your income, but do not have to complete and submit any schedule.

NOTE: Do not submit your federal schedule when filing a **PA Schedule A**.

If your PA taxable interest income is more than \$2,500, the Department allows you these options:

1. Enter the amount from your federal schedule on **PA Schedule A**, if your federal and PA taxable interest are the same amount;
2. Submit a copy of your Federal Schedule B instead of submitting **PA Schedule A**; or
3. Complete **PA Schedule A**, with the name, and PA taxable interest of the payer from each Form 1099 or other statement.

PA taxable income includes interest from:

- Savings and loan associations
- Credit unions, even if reported as dividends on your statement
- Bank deposits
- Bonds
- Certificates of deposit
- Interest-bearing personal checking accounts
- PA, federal, and local tax refunds
- Other deposits, investments, and obligations
- GNMA and FNMA certificates and other obligations that are guaranteed by the U.S. Government, but not direct obligations of the U.S. Government
- Obligations of other states or countries
- Mutual savings banks and cooperative banks, even if reported as dividends

PA taxable income does not include interest from:

- Direct obligations of the U.S. Government (U.S. Treasury Bonds, Notes, Bills, Certificates, and Savings Bonds)
- Direct obligations of the Commonwealth of Pennsylvania

- Direct obligations of political subdivisions of Pennsylvania
- Income from an estate or trust, even if reported on a Federal Schedule K-1 – report such income on **PA Schedule J**

For a list of exempt obligations, request **Form REV-1643, Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes**.



IMPORTANT: You must include PA tax-exempt interest in Eligibility Income for TAX BACK/Tax Forgiveness purposes.

PA Schedule B (Line 3)

If your total PA taxable dividend income is \$2,500 or less, you must report your income, but do not have to complete and submit any schedule.

NOTE: Do not submit your federal schedule when filing a **PA Schedule B**.

If your PA taxable dividend income is more than \$2,500, the Department allows you these options:

1. Enter the amount from your federal schedule on **PA Schedule B**, when your federal and PA taxable dividends are the same amount;
2. Submit a copy of your federal schedule instead of submitting **PA Schedule B**; or
3. Complete **PA Schedule B**, with the name of the payer, and the PA taxable dividend from each Form 1099 or other statement.

Capital Gain Distributions

Such distributions are taxable dividend income for Pennsylvania. Do not report capital gain distributions on **PA Schedule D**.

Stock Dividend Reinvestment Plans

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

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.

NOTE: Once such distributions reduce your basis to zero, further distributions are **Distributions from C Corporations - PA Schedule D**, see page 22.

3. Dividends from deposits or withdrawals from accounts paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions. Report these payments as PA taxable interest income on Line 2.
4. Ordinary dividends paid by a mutual fund or a registered investment company that the fund/company statement designates as being exempt-interest dividends. Use the percentage of the total dividend income that is from exempt PA and exempt federal obligations.
5. Income from an estate or trust, even if reported on a Federal Schedule K-1. Report such income on **PA Schedule J**.
6. Dividends from PA tax-exempt obligations. You can request **Form REV-1643, Tax Exempt Obligations for Pennsylvania Personal Income Tax Purposes** for a list of exempt obligations.
7. Dividends distributed under a charitable gift annuity are not taxable. However, after you recovered the amount you donated, you must report further distributions as taxable gains on **PA Schedule D**.



 **IMPORTANT:** Include PA tax-exempt dividend income in Eligibility Income for TAX BACK/Tax Forgiveness purposes.

PA Schedule C-F Reconciliation (Line 4)

 Read the instructions and enter all the required information. Use this schedule to account for differences between PA and IRS rules that adjust your reportable professional, business, or farming income for PA PIT purposes.

Identification Information

Complete all applicable information. Enter your PA Sales Tax License Number, if you have one.

1. **Gross Income** from your Federal Schedule C or Federal Schedule F.

CAUTION: PA law does not allow the federal elections that permit you to defer income to another taxable year or to report income that you will receive in a future year.

2. **Expenses** from your federal schedule.
3. **Net Profit (Loss)** from your Federal Schedule C or Federal Schedule F.

Adjust your federal profit (loss) for differences between PA PIT and Federal Income Tax laws. Make the required adjustments on Lines 4 through 16, because PA law does not permit the same expenses and adjustments that you took in determining your federal income (loss). These adjustments increase the amount of the business income (decrease the amount of the loss) that you reported on your federal schedule. Enter the difference between the federal and the PA allowable amounts.

 **IMPORTANT:** The income and expenses items listed on the **PA Schedule C-F** are the common adjustments that business persons and farmers make. This list is not all-inclusive.

4. PA PIT law does not permit a business, profession, or farm to defer income from advanced receipts for goods and services. While under federal law you have an election that permits you to delay such receipts. You must report such income on this line.
5. Working capital interest and dividend income that you did not report. This includes investments to generate funding for business operations. You must report such interest and dividend income on this line. If you reported such interest and dividend income on **PA Schedule A** or **B**, you must reduce your PA Taxable Interest and PA Taxable Dividend Income amounts accordingly. **NOTE:** When invested for business purposes, you must include otherwise PA-exempt interest and dividend income on this line. Income from exempt-PA investments, such as direct United States and Commonwealth of Pennsylvania obligations, does not retain its PA-exempt character when used in business or farm operations.
6. Gains from the sales of business assets that you reported on Federal Schedule D or another schedule. A sale in the ordinary course of operating a business or farm is a **PA Schedule C** or **PA Schedule F** transaction, regardless of the federal reporting requirements. A sale or abandonment of a business or segment thereof is a **PA Schedule D** transaction. Include the gain from such transactions here. If you reported such gains on **PA Schedule D**, you may adjust your **PA Schedule D** accordingly. **NOTE:** When invested and sold for business purposes, you must include otherwise PA-exempt gains on this line. Income from the sale of exempt-PA investments, such as direct United States and Commonwealth of Pennsylvania obligations, does not retain its PA-nontaxable character when used in business or farm operations.
7. Gains from like-kind exchanges that you did not report for federal purposes. PA PIT law does not contain this provision, and you must report any gain realized from such a transaction when the asset was employed in the operation of the business or farm. See the **PA PIT Guide** if you consistently use the GAAP method.
8. Gain on involuntary conversions (such as IRC Section 1033) that you did not report for federal purposes. PA PIT law does not contain this provision. Report any gain realized from such a transaction when the asset was employed in the operation of the business or farm.
9. Gain from the sale of business property where PA basis is different than federal basis. Since PA PIT law does not follow federal rules, basis is usually different for PA PIT purposes. You must rely on your books and records to determine the gain using your PA basis, and increase your business or farm income. **REMEMBER:** A sale or abandonment of a business or segment thereof is a **PA Schedule D** transaction. If you reported such a sale as a business transaction, and not on **PA Schedule D**, you must adjust your **PA Schedule C** or **PA Schedule F** and **PA Schedule D** accordingly.
10. Taxes paid on net income that you deducted for federal purposes. If you paid such taxes for federal purposes, you must increase your PA income. PA PIT law does not permit a deduction for any taxes based on gross or net income. You can deduct a business privilege tax or gross receipts tax when the taxing authority imposes such tax, whether the business realized income or not, or bases only a portion of the tax on income.
11. Bonus depreciation taken under Public Law 107-147 of 2002. PA PIT law does not follow this federal allowance for additional depreciation expenses. You must add as income the difference between the bonus depreciation and the depreciation you should take for PA PIT purposes, based on the generally accepted depreciation method you have been consistently using for your business or farm.
12. Other depreciation expenses deducted for federal purposes that PA does not allow. You must add as income the difference between the federally elected depreciation and the depreciation taken for PA PIT purposes, based on the generally accepted depreciation method you have been consistently using for your business or farm. The Department allows ACRS, MACRS, and Section 179, but not any other accelerated method, including "bonus depreciation," IRC Section 168(k).
13. Income from cancellation of debt (COD) – PA PIT law treats COD differently from federal rules. See the **PA PIT Guide** for the Pennsylvania rules.
14. Increases in income associated with IRC Section 481(a) "spread" adjustments that PA does not permit. Because PA law imposes the Personal Income Tax annually, you cannot report income over a number of tax years, even if doing so under a federal election. You may reduce your PA taxable income in future years by the income that you could not defer to those years under PA PIT law. Please read the instructions for Line 18.
15. Income from obligations of other states and organizations that is not exempt for PA purposes. Include otherwise federal-exempt interest income, dividend income, and gains. PA law does not exclude income from the obligations of other states.
16. Other Increases for PA PIT purposes. Itemize other items of income that you must report for PA PIT purposes, even if you did not report such income for Federal Income Tax purposes. Itemize those expenses that you deducted for Federal Income Tax purposes that PA PIT law does not permit. Submit your own statement if you need more space.
17. **Total Adjusted PA Income.** Add Lines 3 through 16.
18. **Decreases for PA PIT purposes** - itemize. Itemize those adjustments that PA PIT law permits to income and/or expenses that you



could not take in determining your federal income (loss). These adjustments decrease business income (increase the loss) that you reported on your federal schedule. Enter the difference between the federal and the PA allowable amounts.

19. **Net PA Taxable Income or Loss from the Operation of a Business, Profession, or Farm.** Subtract Lines 18 from Line 17, and include the result on Line 4 of your **PA-40**.

PA Schedule D (Line 5)

 **IMPORTANT:** PA law does not recognize the deemed sale election that the IRS permitted on 2001 Federal Income Tax Returns. If you sold property in 2002 that you reported under this federal election on your 2001 federal tax return, you must use your original basis to determine your gain or loss for PA purposes. You cannot use your "federal 2001 basis."

 Unless the specific instructions require a different Pennsylvania schedule, report each sale, exchange, or disposition of property on **PA Schedule D**. Spouses should complete separate **PA Schedules D**. If selling jointly-owned property, complete a separate **PA Schedule D** for that property.

1. Columns (a) through (f)

- (a) List and describe the property sold or otherwise disposed of for cash or for other property.
- (b) Enter the month, day, and year acquired. If you acquired properties over a time, you may enter "VARIOUS."
- (c) Enter the month, day, and year sold.
- (d) Enter the gross sales price or fair market value of cash and property received less the 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 stock, bonds, an ownership interest in a business, a rental property, a patent or copyright, or you held your property in connection with a business, profession, or occupation (but not inventory or an operational asset), then:

- Subtract Column (e) from Column (d). Enter either the gain or the loss or zero in Column (f).

II If your property was other than income-producing property (a personal automobile or furniture), then:

- If the adjusted basis is less than or equal to Column d, enter the gain or zero in Column (f).
- If the adjusted basis is greater than Column d, you do not have a loss, enter zero in Column (f). You cannot report a loss on the sale of personal property.

 **IMPORTANT:** You may only deduct losses from transactions you entered into for profit.

2. Net Gain or Loss

Total Column f and enter the net amount. You may offset gains and losses for Line 2.

3. Gain from Installment Sales

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, such as stocks, bonds, ownership interests; or
- Transactions where the object is the lending of money or the rendering of services.

4. Taxable Distributions from C Corporations

As a shareholder in a C corporation, you must report as taxable gain the excess of the fair market value of a distribution (other than a dividend) in excess of current or accumulated earnings and profits over the adjusted basis of your stock. 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 Corp distributes from its capital account \$100,000 to Karen, the only stockholder. Her adjusted basis in her stock is \$75,000. The distribution is not from the C corporation's earnings and profits, so it is not a taxable dividend. Karen must reduce her basis from \$75,000 to zero. She reports \$100,000 on the "Enter total distribution" line, and \$75,000 on the "Minus Adjusted Basis" line. She reports the remaining \$25,000 as a gain on Line 4 of her **PA Schedule D**.

5. Net Gain or Loss from the Sale of 6-1-71 Property from PA Schedule D-71

You determine your gain or loss on the sale of property that you bought or acquired before June 1, 1971, on **Form REV-1742, PA Schedule D-71**.

6. Net Partnership Gain or Loss

Report the taxable gain or loss from your **PA Schedules RK-1 or NRK-1**.

7. Net PA S Corporation Gain or Loss

Report the taxable gain or loss from your **PA Schedules RK-1 or NRK-1**.

8. Taxable Gain from the Sale of Your Principal Residence

PA law excludes the qualifying gain from the sale of your principal residence. Generally, if you owned and used property as your principal residence for at least two of the five years preceding the sale, your gain is exempt. However, you must report a gain if you do not meet the requirements. For more information request **Form REV-625, Sale of a Principal Residence for Pennsylvania Personal Income Tax Purposes**. Report your taxable gain, if any, on this line. If you realized a loss from the sale of your principal residence, enter a zero.

9. Taxable Distributions from Partnerships

Report any gain you realize from other partnership distributions that exceed your ownership basis in the partnership. You must obtain, complete, and submit **PA Schedule D (P/S)**. See the **PA PIT Guide** for the information for using this schedule.

10. Taxable Distributions from PA S Corporations

Report any gain you realize from other PA S corporation distributions that exceed your ownership basis in the PA S corporation. You must obtain, complete, and submit **PA Schedule D (P/S)**.

11. **Total PA Taxable Gain.** Add Lines 2 through 10. You may offset your taxable gain and losses. Include your net gain or loss on Line 5 of your **PA-40**.

PA Schedule E (Line 6)

 Unless otherwise noted, PA rules generally do not follow the federal rules for determining the net income or loss realized from the rental of property.

Part A. Property Description. For rental real estate, enter the street address, city or town, and state. For other tangible personal rental



property, enter the type of property. Enter the source of the royalty, patent, copyright, or similar property income.

Part B. Enter the corresponding initial of the property from Part A. Indicate the ownership of the property by filling in the appropriate oval. (T = Taxpayer) (S = Spouse) (J = Joint ownership)

Income

1. **Rent received.** Enter the gross rent from the rental of real estate or other tangible personal property. Include income received for renting a room or other space. If you received services or property as rent, report the fair market value of such services or property as rental income.

If you were in the real estate sales business do not use **PA Schedule**

E. You include on Line 1 only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation. You must report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business on a **PA Schedule C.**

2. **Royalties received.** Enter the gross royalties from oil, gas, or mineral properties and other property.

Expenses

Enter your rental, royalty, patent, and copyright expenses for each property. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation, using methods that are generally accepted, but not including the additional 30% bonus depreciation. Do not deduct the value of your own labor. Do not deduct amounts paid for capital investments or capital improvements other than through depreciation.

Renting Part of Your Home. If you rent out only part of your home or other property, deduct only those expenses (or percentages of expenses) that apply to the rented part.

3. **Advertising**
4. **Automobile and travel.** Deduct ordinary and necessary auto and travel expenses related to your rental activities, including 100% of meal expenses incurred while traveling away from home. Pennsylvania differs from federal treatment on the meals and entertainment expense. You generally can either deduct your actual expenses or take the standard federal mileage rate.
5. **Cleaning and maintenance**
6. **Commissions**
7. **Insurance**
8. **Legal and professional fees**
9. **Management fees**
10. **Mortgage interest.** If you have a mortgage on your rental property, enter the amount of interest you paid for the current year to banks or other financial institutions.
11.  **Other interest.** Generally, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Pennsylvania does not follow federal rules regarding prepaid interest.
12. **Repairs.** Deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated. You cannot deduct such expenses in full in the year paid or incurred.

13. **Supplies**

14. **Taxes.** Deduct taxes directly related to the rental activity. Deduct the proportionate share of real estate taxes. However, you may not deduct taxes based on income. You may deduct gross receipts and business privilege taxes.

15. **Utilities.** Deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income. However, the base rate (including taxes and other charges) for telephone service for the first telephone line into your residence is a personal expense and is not deductible.

16. **Depreciation expense.** Pennsylvania accepts federal depreciation and current expensing. You may use any other generally accepted depreciation method, but you must use it consistently and may not change it.

 **IMPORTANT:** Pennsylvania does not follow the federal "bonus" depreciation rules enacted in 2001.

17. **Other expenses.** Please itemize.

18. **Total Expenses.** Add Lines 3 through 17.

19. **Income.** Subtract Line 18 from Line 1 or 2.

20. **Loss.** Subtract Line 18 from Line 1 or 2, and fill in the oval.

NOTE:  PA generally follows the IRC section 280A when you rent or lease your property, such as a vacation home, and do not intend to realize a profit. You may only deduct your rental expenses up to your rental income, and you may not use a loss to reduce other rental income. If you rent or lease your property to realize a profit, but do not operate the rental property as a business activity, you may offset losses against other rental or royalty income.

21. **Net Income or Loss.** Add the net income or loss amounts from Lines 19 and 20 for each property. If a net loss, please fill in the oval.

NOTE: Pennsylvania does not follow federal At-Risk Rules or Passive Activity Loss Rules.

22. **Rent or Royalty Income (Loss) from PA S Corporations**

23. **Rent or Royalty Income (Loss) from Partnerships**

Enter the rent and royalty income (loss) amounts from your **PA Schedule(s) RK-1 or NRK-1.** If you received a Federal Schedule K-1, go to the Department's home page and link to the **2002 PA PIT Guide** for instructions.

24. **Net Rent, Royalty, Patent, and Copyright Income (Loss).**
Add Lines 21, 22, and 23. Include the total on Line 6 of your **PA-40.**

PA Schedule J (Line 7)

As a beneficiary of an estate or trust, you should receive a **PA Schedule L.** Report the total income that you received or that the estate or trust credited to you. For PA PIT purposes, an estate or trust cannot distribute a loss, or offset income and losses in different PA income classes when determining the income to distribute to its beneficiaries.

Enter the name, identification number, and amount of PA taxable income from each **PA Schedule L.** If you only receive a Federal Schedule K-1, enter the total amount of positive income reported, whether the income is your income, your spouse's income, or your joint income.

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.



**What is TAX BACK/Tax Forgiveness?**

TAX BACK/Tax Forgiveness is a credit that allows eligible taxpayers to reduce all or part of their PA tax liability. TAX BACK/Tax Forgiveness:

- Gives state tax back to some taxpayers; and
- Forgives some taxpayers their liabilities even if they have not paid their PA Personal Income Tax.

Who is Eligible for TAX BACK/Tax Forgiveness?

You, and your spouse, are eligible if:

1. You are subject to PA Personal Income Tax. You and/or your spouse are liable for PA tax on your income (or would be liable if you earned, received, or realized PA taxable income); and
2. You are not a dependent on another person's federal tax return, and
3. You meet the Eligibility Income test.

Dependent Child

A dependent child with taxable income in excess of \$35 must file a PA tax return. If that child's parents qualify for TAX BACK/Tax Forgiveness, that child is also eligible for this credit. The child must file a **PA-40** and a **PA Schedule SP**, just as any claimant. The child must also include any child support paid to his/her parent in his/her Eligibility Income.

Student Claimant

A full-time student that is a dependent on his or her parents' Federal Income Tax return cannot claim this credit, regardless of his/her income, unless his/her parents are eligible for TAX BACK/Tax Forgiveness. In this case, the student claimant must file his/her own **PA-40** and **PA Schedule SP**.

How Do I Claim TAX BACK/Tax Forgiveness?

To claim TAX BACK/Tax Forgiveness, complete and submit a **PA Schedule SP**. On **PA Schedule SP** you:

1. Determine your PA taxable income. If married, whether filing jointly or separately, determine your spouse's taxable income.
2. Determine your Type Filer status in Part A.
3. Determine if you may claim any dependent children in Part B.
4. Determine your Eligibility Income. If married, whether filing jointly or separately, determine your spouse's Eligibility Income in Part C.
5. Calculate your TAX BACK/Tax Forgiveness Credit, using the applicable Eligibility Income Table, in Part D.

If you are unmarried, complete ALL the information for yourself in the "Your" column. If you are married, complete all the information in the "Your" and "Spouse" columns, even if filing separately.



IMPORTANT There is no advantage to filing separately. Married claimants must always report their Joint Eligibility Income.

Claiming Dependents on Separate PA Schedules SP

It is possible that you and your spouse file jointly for federal purposes, but must file separately for PA purposes. If you qualify for TAX BACK/Tax Forgiveness, you must each complete **PA Schedule SP** as if filing jointly. You each must report the same information including dependents and your joint eligibility income. You **must** fill in the **Married and Filing Separate** oval in Part A of each **PA Schedule SP**. You must each submit a copy of the **PA Schedule SP** with your PA tax return.

Part A. Type Filer**Unmarried or Separated**

Fill in the correct oval if during 2002 you were:

- Single; or
- Separated and living apart at all times during the last six months of 2002; or
- Separated pursuant to a written separation agreement.

Married

Fill in this oval whether filing separately or jointly. Married means that during 2002 you were:

- Married and lived together; or
- Separated and lived apart, but for less than the last six months of 2002; or
- Separated, but not by a written separation agreement.

Also, fill in the correct oval for your specific filing conditions.

If you and your spouse choose to file separate **PA-40** returns, you must use your Joint Eligibility Income and Eligibility Income Table 2.

CAUTION: If married, you both **must** meet the eligibility requirements. A married spouse cannot claim TAX BACK/Tax Forgiveness independently of his or her spouse. Married claimants are not dependents of one another for TAX BACK/Tax Forgiveness purposes, even when one spouse does not have any Eligibility Income.

One Spouse is a Dependent

Married taxpayers otherwise meet the income requirements for claiming TAX BACK/Tax Forgiveness, except when one spouse is claimed as a dependent on another person's Federal Income Tax return. They **must** file separately. **EXAMPLE:** A husband is a dependent on his parent's Federal Income Tax return. The wife is not a dependent. As a dependent, the husband is not eligible for TAX BACK/Tax Forgiveness. The eligible wife may complete **PA Schedule SP**. The wife may not claim her husband as a dependent, but must include his Eligibility Income when calculating Total Eligibility Income on her **PA Schedule SP**.

Deceased

Fill in this oval if you are filing for a person who died during 2002. You must annualize the decedent's income before determining if he or she is eligible for TAX BACK/Tax Forgiveness. The Department will accept a reasonable calculation of the decedent's annual Eligibility Income.

Reminder:

Include the following kinds of nontaxable income in Part C when determining your Eligibility Income:

- Support you receive from a spouse or former spouse that does not live in your household;
- Nontaxable payments to your employer's cafeteria plan for hospitalization, sickness, disability, or death, supplemental unemployment, or strike benefits;
- Payments as a foster parent for providing in-home care for foster children;
- The value of the personal use of employer owned or leased property, including tuition reductions; and
- The value of government education grants.

Part B. Dependent Children

A dependent is a child, including a disabled child, that you claimed on your 2002 Federal Income Tax return. If you cannot claim a child on your federal return, you cannot claim that child on **PA Schedule SP**. If unmarried for **PA Schedule SP** purposes, and your (former) spouse



may claim an adult child as a dependent on his or her 2002 Federal Income Tax return and **PA Schedule SP**, you cannot claim that child on your **PA Schedule SP**. You may not claim any other adults, even if you may do so for Federal Income Tax purposes.



FILING TIP: If you do not have any dependents, go to Part C.

Complete Lines 1 and 2.

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

CAUTION: If claiming an adult child, an adopted child, a foster child, or a child with a different last name than yours, the Department may ask for a copy of page 1 of your 2002 Federal Income Tax return, or you may enclose page 1 of your Federal Form 1040 or 1040A with your **PA-40**, identifying your dependents for Federal Income Tax purposes.

Part C. Eligibility Income

You must enter an amount or zero on each line. Read each description carefully. If you are claiming tax forgiveness as Married, whether filing jointly or separately, you must enter an amount or zero for each line under "Your" Income and the "Spouse" Income columns.

1. PA Taxable Income

Enter your total PA Taxable Income amount from your **PA-40**.

2. Nontaxable income, including PA nontaxable interest, dividend, and gain income

Include income that you do not report as taxable on your PA return, but must include for TAX BACK/Tax Forgiveness purposes. Include payments to your employer's cafeteria plan, and the value of the personal use of employer-owned or leased property.



FILING TIP: If you claim a child in Part B as a "foster child," include payments received as a foster parent. However, if the Foster Care Program did not place the child in your home, or you did not receive any payments for providing foster care, submit a written explanation that you do not have any income to report as a foster parent. Include an explanation of the child's relationship to you.

Include nontaxable gains from investments in direct obligations of the federal government, Pennsylvania, and political subdivisions of Pennsylvania. Include the nontaxable portion of gain from the sale of any property. Include nontaxable income received as a beneficiary of an estate or trust.



FILING TIP: To determine employer benefits, include the difference between the Medicare wages on your Form W-2 and the amount in box 16.

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 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 prizes from all games of the PA Lottery.

6. Nonresident income



IMPORTANT: Part-year residents and nonresidents must complete this line. Enter the total of all other income earned, received, and realized while residing outside Pennsylvania. This includes income that would be taxable if earned and received in

Pennsylvania, and nontaxable PA income that you would report on this schedule if you were a PA resident.

7. Nontaxable military income

This amount represents the difference between the total military income you earned and the amount you report on your PA tax return. Do not include combat zone pay.

8. Gain excluded from the sale of a residence

Enter your nontaxable gain.

9. Nontaxable educational assistance

Include the total value of all nontaxable scholarships, fellowships, and stipends. Also, include the value of tuition reductions offered as part of your employer's benefit plan.

10. Cash received for personal use from outside your home

If a spouse or former spouse that does not live in your household pays support to you, include that support in your Eligibility Income. Also, include any payments received from other persons outside your household, including nontaxable cash or property received for personal use, such as cash received from a parent to buy clothing, or gifts from grown children. Do not include monies paid pursuant to a cost-sharing arrangement.

11. Total Eligibility Income

Add Lines 1 through 10, and enter the total. Eligibility Income is the total amount of your PA taxable and nontaxable income that you use to determine your percentage of TAX BACK/Tax Forgiveness.

Part D. Calculating Your TAX BACK/Tax Forgiveness

12. PA Tax Liability

Enter the amount of your tax due from your **PA-40**, Line 12.

13. Less Resident Credit

Enter your credit from your **PA-40**, Line 22.

14. Net PA Tax Liability

Subtract Line 13 from Line 12.

15. Percentage of TAX BACK/Tax Forgiveness

Find your percentage using your dependents from Part B, Line 2, your Eligibility Income from Part C, Line 11, and the appropriate Eligibility Income Table on page 26. Enter the percentage as a decimal on Line 15.

16. TAX BACK/Tax Forgiveness Credit

Multiply Line 14 by the decimal on Line 15. Enter this amount on your **PA-40**, Line 21.

PA Schedule G (Line 22)

The instructions for **PA Schedule G** are on the schedule.

PA Schedule OC (Line 23)



Submit the required supporting document for each credit you are claiming. If a shareholder of a PA S corporation or a partner, enter your share of each credit from your **PA Schedule RK-1** or **PA Schedule NRK-1**.

1. Employment Incentive Payments Credit

If you employ welfare recipients, you may be eligible for this credit. Submit a completed **PA Schedule W** with copies of the Certification Form from the PA Department of Labor and Industry for each employee. If a partner or a PA S corporation shareholder, enter the credit amount from the **PA Schedule(s) RK-1** or **NRK-1** the estate or trust received.



2. Jobs Creation Tax Credit

Enter the amount of credit that the PA Department of Community and Economic Development approved on the certification that it sent you. If a partner or a PA S corporation shareholder, enter the credit amount from the **PA Schedule(s) RK-1** or **NRK-1** the estate or trust received.

3. Research and Development Tax Credit

Enter the amount from the PA Department of Revenue certification that you received. If a partner or a PA S corporation shareholder, enter the credit amount from the **PA Schedule(s) RK-1** or **NRK-1** the estate or trust received.

4. Total Allowable Credits

Add Lines 1 through 3. Enter the total here and on Line 23 of your PA-40.

PA Schedule I (This schedule is not in this booklet)

You can use **PA Schedule I** to report the same amounts that you report for federal purposes. You do not have to submit any other PA or federal schedule. To obtain this schedule, go to the Department's home page, or call one of the **Forms Ordering Services** on page 3.

CAUTION: You may not use **PA Schedule I** if you are a PA S corporation shareholder or a partner.

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	\$15,500	\$15,750	\$16,000	\$16,250	\$16,500	\$16,750	\$17,000	\$17,250	\$17,500	\$17,750
2	\$24,500	\$24,750	\$25,000	\$25,250	\$25,500	\$25,750	\$26,000	\$26,250	\$26,500	\$26,750
3	\$33,500	\$33,750	\$34,000	\$34,250	\$34,500	\$34,750	\$35,000	\$35,250	\$35,500	\$35,750
4	\$42,500	\$42,750	\$43,000	\$43,250	\$43,500	\$43,750	\$44,000	\$44,250	\$44,500	\$44,750
5	\$51,500	\$51,750	\$52,000	\$52,250	\$52,500	\$52,750	\$53,000	\$53,250	\$53,500	\$53,750
6	\$60,500	\$60,750	\$61,000	\$61,250	\$61,500	\$61,750	\$62,000	\$62,250	\$62,500	\$62,750
7	\$69,500	\$69,750	\$70,000	\$70,250	\$70,500	\$70,750	\$71,000	\$71,250	\$71,500	\$71,750
8	\$78,500	\$78,750	\$79,000	\$79,250	\$79,500	\$79,750	\$80,000	\$80,250	\$80,500	\$80,750
9	\$87,500	\$87,750	\$88,000	\$88,250	\$88,500	\$88,750	\$89,000	\$89,250	\$89,500	\$89,750
Then your Percentage of TAX BACK/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	\$22,000	\$22,250	\$22,500	\$22,750	\$23,000	\$23,250	\$23,500	\$23,750	\$24,000	\$24,250
2	\$31,000	\$31,250	\$31,500	\$31,750	\$32,000	\$32,250	\$32,500	\$32,750	\$33,000	\$33,250
3	\$40,000	\$40,250	\$40,500	\$40,750	\$41,000	\$41,250	\$41,500	\$41,750	\$42,000	\$42,250
4	\$49,000	\$49,250	\$49,500	\$49,750	\$50,000	\$50,250	\$50,500	\$50,750	\$51,000	\$51,250
5	\$58,000	\$58,250	\$58,500	\$58,750	\$59,000	\$59,250	\$59,500	\$59,750	\$60,000	\$60,250
6	\$67,000	\$67,250	\$67,500	\$67,750	\$68,000	\$68,250	\$68,500	\$68,750	\$69,000	\$69,250
7	\$76,000	\$76,250	\$76,500	\$76,750	\$77,000	\$77,250	\$77,500	\$77,750	\$78,000	\$78,250
8	\$85,000	\$85,250	\$85,500	\$85,750	\$86,000	\$86,250	\$86,500	\$86,750	\$87,000	\$87,250
9	\$94,000	\$94,250	\$94,500	\$94,750	\$95,000	\$95,250	\$95,500	\$95,750	\$96,000	\$96,250
Then your Percentage of TAX BACK/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



2003 PA Estimated Personal Income Tax Requirements

If you paid \$224 or more on your 2002 PA tax return, and expect the same PA taxable income in 2003, you should make 2003 estimated tax payments.

If any taxpayer expects more than \$8,000 of PA taxable income in 2003 that will not be subject to employer withholding, he or she must make 2003 PA Estimated Tax installment payments. Taxpayers paying PA estimated taxes for the first time in 2003 must request **Form PA-40ESR**, with the **Form REV-413I** (instructions) and **Form REV-414I** (worksheet).



IMPORTANT: If you are a PA resident working in a reciprocal agreement state and your employer is not withholding PA tax, you must make PA estimated tax payments.

NOTE: If you made 2002 estimated payments, the Department will send you 2003 forms. If you do not receive your forms by April 15, 2003, contact the Department district office nearest you, or one of the **Forms Ordering Services** on page 3.

Military Pay - Members of the Armed Forces

PA residents report military pay as taxable compensation, unless earning the military pay while on federal active duty or federal active duty for training outside Pennsylvania. 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. Do not include qualifying active duty military pay in PA taxable compensation. You must submit legible copies of your Form(s) W-2, and your military orders assigning you to federal active duty outside Pennsylvania. While your Form W-2 may state "active duty," it does not show where you performed your military service. For more information, request **Form REV-612, Military Pay for Pennsylvania Personal Income Tax Purposes**. Military personnel stationed abroad should use their APO or FPO address.



IMPORTANT: A PA resident in the U.S. Public Health Service, the National Oceanic and Atmospheric Administration, or the U.S. Foreign Service outside Pennsylvania is not on federal active duty as a member of the Armed Forces. His or her compensation is taxable for PA purposes.

Extension of Time to File

The Department will grant a reasonable extension of time for filing a PA PIT return. Unless a taxpayer is outside the United States, the Department will not grant an extension for more than six (6) months. An extension of time for filing will not extend the time for payment of the tax. Follow these procedures when applying for an extension of time to file:

- If you owe income tax on your PA tax return, you must submit your payment with a timely filed **Form REV-276, Application for Extension of Time to File**. If you pay by credit card, you can get an automatic four-month extension without mailing a **Form REV-276**. On the Internet, go to **www.revenue.state.pa.us** and link to the credit card service provider. By telephone, call toll-free 1-888-PATAXES.
- If you have an approved extension for filing your Federal Income Tax return, and you do not owe PA Personal Income Tax on your PA tax

return, the Department will grant you the same extension for filing your PA PIT return. You do not have to submit a **PA Form REV-276**, Federal Form 4868, or Form 2688 before the due date.

Mail your **Form REV-276**, with or without a payment, to:

PA Department of Revenue
Bureau of Individual Taxes
Dept. 280504
Harrisburg, PA 17128-0504

- If you do not have an extension for filing your Federal Income Tax return, you must request an extension on **Form REV-276**, and file it in sufficient time for the Department to consider and act upon it prior to the return due date.

When filing your PA tax return:

- Fill in the extension request oval at the top of your **PA-40**.
- If you did not file a **Form REV-276**, submit a copy of the federal extension, Form 4868 or Form 2688, with your PA tax return.
- If you electronically filed your federal extension, submit a statement with an explanation and the confirmation number you received.
- If you submitted **Form REV-276**, or electronically filed your PA extension and payment, you do not have to submit the extension paperwork with your PA tax return.

The Department will impose:

- An underpayment penalty if you do not pay at least 90% of your 2002 tax due by April 15, 2003; and the remaining balance with your PA return by the extended due date; and
- Interest on the amount you do not pay by April 15, 2003.

Amended Returns

Do not submit a photocopy of your original return. Use a **PA-40** from the same tax year you are amending. **EXAMPLE:** To amend for 2001, use a 2001 **PA-40**.

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

- Enter the amounts from your original return that you are not amending.
- Enter your amended amounts, and enclose a statement explaining the reasons you are filing amended information. Submit only the forms or schedules supporting your amended amounts.
- Calculate your amended total PA taxable income.
- Calculate your PA tax liability. If you received a refund on your original return, add that amount to your PA tax liability.
- Calculate your total payments and credits. If you paid tax with your original return, add that payment to your total payments and credits.
- 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

For more information, request **Form REV-630, Amending PA-40 Returns**.

Refunds from Amended Returns

You can file an amended PA return and request a refund if you overreported income or did not claim allowable credits or deductions. You must file your amended PA return within three years from the original due date.

Under PA law, a taxpayer must file a refund petition not later than three years following the date of payment. For a refund of tax shown on a timely filed PA tax return, the Department may not accept an amended return unless the taxpayer files the amendment within the three year statutory timeframe. The Department will accept an amended return within three years of an extended due date only when the taxpayer requests a refund of the tax paid after the statutory due date.

 **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. Under PA law, you must submit a **Form REV-65, Refund Petition**, no later than six months after the date shown on the assessment.

Underreported Income for Amended Returns

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.

Penalty and Interest

Penalties for Not Filing or for Filing a Late Return

PA law imposes 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 of the unpaid tax due for each month or fraction of a month. PA law 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.

 **IMPORTANT: Treasury Offset Program for Delinquent PA Income Taxes.** The Internal Revenue Service (IRS) will intercept Federal Income Tax refunds for delinquent PA income tax liabilities. The Department of Revenue will notify delinquent taxpayers about its intention to intercept their federal refund and allow them 60 days to pay their liabilities.

Penalties for Underpayment or for Late Payment

If you do not pay the full amount of your tax due with your return, PA law imposes a five percent underpayment penalty.

If you do not report taxable income that is more than 25 percent of the taxable income shown on your return, PA law 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. 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.

CAUTION: If any part of any underpayment of the tax is due to fraud, PA law imposes a penalty of 50 percent of the underpayment.

 **IMPORTANT:** If you filed late or did not pay your PA PIT on time, calculate your penalty and interest (visit the Department's home page to obtain the interest rate), and report the additional charges on Line 26. Additional penalty and interest can accumulate if you wait for the Department to send you a notice of these charges.

Other Penalties

PA law imposes a \$500 penalty on a taxpayer that files a frivolous return. A frivolous return is one that:

- Does not contain sufficient information for the Department to determine the correct liability; or
- Contains information indicating the liability is significantly incorrect; or
- Indicates that the taxpayer is filing in a manner to delay or impede the administration of the PA tax law.

PA law imposes a \$50 penalty on any person required to furnish an information return, for each information return that they do not file, or for each false or fraudulent information return.

Interest for Nonpayment or Late Payment

If you do not pay the tax due on or before the due date, PA law imposes interest from April 15, 2003 to the date of payment at the annual interest rate that the U.S. Secretary of the Treasury establishes as of January 1 of each calendar year.

 **FILING TIP:** Obtain the interest rate for 2003 from the Department's home page at **www.revenue.state.pa.us**. If you owe penalty and interest, report it on Line 26. The Department will verify your calculation.



BROCHURES

This Department has brochures that provide more information about PA taxes. You can order them directly from one of the Department's **Forms Ordering Services** on page 3, or by selecting the forms ordering option on the FACT Line at 1-888-PATAxes (728-2937).

(CAQ - Commonly Asked Questions)

REV-23	Practices and Procedures of the Board of Appeals
REV-502	FACT LINE 1-888-PATAxes
REV-527	Taxpayer's Bill of Rights
REV-571	CAQ – So You Are Moving to PA
REV-573	CAQ – Property Tax and Rent Rebate
REV-577	CAQ – Estimated Tax Payments
REV-580	CAQ – Employer Withholding
REV-581	CAQ – Personal Income Tax
REV-582	CAQ – Corporation Taxes
REV-584	CAQ – Inheritance Tax
REV-585	CAQ – Sales and Use Tax
REV-588	The Beginner's Guide for Starting a Business in PA
REV-591	CAQ – IFTA and Motor Fuel Taxes
REV-610	Voluntary Disclosure Program Guidelines
REV-611	CAQ – Determining Residency for PA Purposes
REV-612	CAQ – Military Pay
REV-614	CAQ – Scholarships, Fellowships, and Stipend
REV-615	CAQ – Reciprocal Agreements
REV-617	CAQ – Hiring Household Workers
REV-618	CAQ – Realty Transfer Tax
REV-625	CAQ – Sale of Your Principal Residence
REV-627	CAQ – Construction Contracts
REV-629	CAQ – How Nonresidents are Taxed
REV-630	CAQ – Amending PA-40 Returns
REV-631	CAQ – TAX BACK/Tax Forgiveness
REV-634	CAQ – Employee Fringe Benefits and Wage/Salary Supplements
REV-635	CAQ – S Corporations
REV-636	CAQ – Roth IRAs
REV-637	CAQ – Unreimbursed Allowable Employee Business Expenses
REV-663	CAQ – Sales Tax License Revocation Procedures
REV-671	Keystone Opportunity Zones: The Benefits of Living in a KOZ
REV-672	Keystone Opportunity Zones: How They Effect Business Owners
REV-695	Keystone Opportunity Zones: How Property Owners Benefit
REV-696	Who is an Independent Contractor
REV-745	Brochure – Electronic Filing
REV-748	Electronic Services for Businesses
REV-750	CAQ – Limited Liability Companies
REV-758	Brochure – PA PIT for College Students
REV-778	Brochure – What Are Your Tax Obligations (Transient Vendors)

DONATIONS

Do Something Wild



WILD RESOURCE CONSERVATION FUND

You have the chance to **"Do Something Wild"** and help protect Pennsylvania's nongame wildlife and native wild plants by making a contribution of all or a portion of your Pennsylvania tax refund. This special non-profit fund helps Pennsylvania'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, PO Box 8764, Harrisburg, PA 17105-8764.

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 Pennsylvania tax refund.



You can also send a direct contribution. Make your check or money order payable to: U. S. Olympic Committee, Development Office, One Olympic Plaza, Colorado Springs, CO 80909-5760.

GOVERNOR ROBERT P. CASEY MEMORIAL ORGAN AND TISSUE DONATION 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 Pennsylvania tax refund. 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: Governor Robert P. Casey Memorial Organ and Tissue Donation Awareness Trust Fund, PO Box 90, Harrisburg, PA 17108-0090.

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 Pennsylvania tax refund. You will assist future generations while honoring all who served our nation. KVM is a non-profit organization.

You can also send a direct contribution. Make your check or money order payable to: Korea/Vietnam Memorial, Inc., 2761 Distillery Rd, Fogelsville, PA 18051-2122.

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 Pennsylvania 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, Bureau of Administrative and Financial Services, P.O. Box 90, Harrisburg, PA 17108-0090.



PA SCHOOL DISTRICTS & CODES BY COUNTY

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

Part-Year Residents who moved out of Pennsylvania during 2002, use code 99999.

PA SCHOOL DISTRICTS & CODES BY COUNTY

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

Part-Year Residents who moved out of Pennsylvania during 2002, use code 99999.

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