WHO MUST USE PA SCHEDULE NRH?
A nonresident employee who performs services within and outside Pennsylvania is subject to PA personal income tax only on the net compensation for services performed within Pennsylvania. Your employer should report your PA gross taxable compensation in the “state” (PA) box on your Federal Form W-2, Wage and Tax Statement.

If your employer(s) did not report your PA wages, you must complete and submit a PA Schedule NRH. You must fill out this schedule for each employer that:

a. Did not report your PA gross taxable compensation on your Form W-2; or
b. Reported an incorrect amount as PA gross taxable compensation on your Form W-2; or
c. You incurred unreimbursed employee business expenses in earning or receiving PA gross taxable compensation.

You must complete Part I of this schedule and submit it with your PA-40.

If your employer properly reported the amount of your PA gross taxable compensation on your Form W-2, and you did not incur unreimbursed employee business expenses, you do not need to complete this schedule.

Part I provides two methods of apportioning your PA gross taxable compensation and your unreimbursed employee business expenses.

PART I. HOW TO APPORTION COMPENSATION (AND ALLOWABLE EMPLOYEE BUSINESS EXPENSES) FOR SERVICES PERFORMED BOTH WITHIN AND OUTSIDE PENNSYLVANIA.

SECTION A. WORKING DAY BASIS
Line 1. Report the total number of days in the taxable year you worked for your employer. For example, a complete year would be 365 days.

Line 2. Enter the total number of nonworking days during the taxable year you entered in Line 1. Nonworking days include weekends and holidays, as long as no work is performed on those days, as well as vacation days, sick days, leaves of absence due to illness or disability and days working for other employers or yourself.

Line 3. Subtract Line 2 from Line 1 to determine your working days during the taxable year.

Line 4. Report the total number of days you performed services or worked within Pennsylvania. NOTE: You are deemed to have worked outside Pennsylvania if your employer required you to perform your job duties outside Pennsylvania. If you work outside Pennsylvania for your own personal convenience or for tax purposes, such work days are to be included in the total for this line.

Line 5. Calculate your apportionment fraction for days worked in Pennsylvania by dividing Line 4 by Line 3. Calculate to six decimal places.

SECTION B. BUSINESS VOLUME BASIS
Line 6. Report the total amount of business you transacted for your employer within and outside Pennsylvania during the taxable year.

Line 7. Report the total amount of business you transacted for your employer based on the services you performed within Pennsylvania during the taxable year. NOTE: If the services you performed in Pennsylvania directly resulted in business transactions outside Pennsylvania, include such business in the total for this line.

Line 8. Calculate your apportionment fraction for business volume directly related to your services performed in Pennsylvania by dividing Line 7 by Line 6. Calculate to six decimal places.

SECTION C. PA GROSS TAXABLE COMPENSATION
Line 9. From your Form W-2, enter your gross compensation if your employer failed to separately report your PA earnings (or the correct amount of PA taxable compensation). NOTE: You must explain the reason you feel the amount on your Form W-2 is incorrect in a separate statement with this schedule.

Line 10. If you used the working day apportionment method, enter the percentage from Line 5.

Line 11. If you used the business volume apportionment method, enter the percentage from Line 8.

Line 12. Calculate your apportioned PA gross taxable compensation by multiplying Line 9 by either Line 10 or Line 11.

Follow the instructions in Section C to transfer the amount from Line 12 to Line 1c of your PA-40 or to Section E.

SECTION D. ALLOWABLE EMPLOYEE BUSINESS EXPENSES
Line 13. Report the amount of your total unreimbursed employee business expenses from PA Schedule UE. These expenses include those you incurred within and outside Pennsylvania in performing the services for your employer.
SECTION E. PA TAXABLE COMPENSATION

Compensation is paid in Pennsylvania if:

1. The individual performs service entirely within Pennsylvania; or
2. The individual performs services within and outside Pennsylvania, but the service performed outside Pennsylvania is incidental to the individual’s service performed within Pennsylvania; or
3. Some of the service the individual performs within Pennsylvania, and either the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is within Pennsylvania; or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of Pennsylvania.

Base of operations refers to the place or fixed center from which the individual works. An individual’s base of operations may be a business office or a place at which the employee is to receive directions and instructions if the contract of employment so specifies. In the absence of more controlling factors, an individual’s base of operations may be the place to which business mail, supplies and equipment are sent, or the place where business records are maintained.

Line 14. If you used the working day apportionment method, enter the percentage from Line 5.

Line 15. If you used the business volume apportionment method, enter the percentage from Line 8.

Line 16. Calculate your apportioned unreimbursed employee business expenses by multiplying Line 13 by either Line 14 or Line 15.

If you complete Section D, you must complete Section E.

SECTION E. PA TAXABLE COMPENSATION

Line 17. If your employer used the correct PA gross taxable compensation amount on your Form W-2, enter that amount.

Line 18. If you apportioned your PA gross taxable compensation, enter the amount from Section C, Line 12.

PART II. HOW TO APPORTION INCOME FROM BUSINESS OR FARMING DERIVED FROM SOURCES WITHIN AND OUTSIDE PENNSYLVANIA

List all places within and outside Pennsylvania where you operate your business, giving the street address, city and state. Also indicate the type of business.

Line 1. Real Estate and Tangible Property - In Column (A), TOTAL EVERYWHERE, enter the average value of the real and tangible personal property you owned or rented and used in your trade or business within and outside Pennsylvania. In Column (B), WITHIN PENNSYLVANIA, enter the average value of the real and tangible personal property you owned or rented and used in your trade or business in Pennsylvania. In Column (C), enter the decimal figure which results from dividing the dollar amount in Column (B) by the dollar amount in Column (A).

Property you owned is valued at its original cost with no allowance for depreciation. The average value is determined by adding the total value at the beginning of the year to the total value at the end of the year and dividing by two. The department may require averaging of monthly values to reflect the average value of property.

Property you rent is valued at eight times the gross annual rental rate. Gross annual rental rate does not include property subleased and not used to carry on the business.

Line 2. Wages, Salaries, Commissions and Other Compensations - In Column (A), TOTAL EVERYWHERE, enter total compensation paid within and outside Pennsylvania during the entire year. In Column (B), WITHIN PENNSYLVANIA, enter total compensation paid in Pennsylvania during the entire year. In Column (C), enter the decimal figure which results from dividing the dollar amount in Column (B) by the dollar amount in Column (A).

Compensation is paid in Pennsylvania if:

1. The individual performs service entirely within Pennsylvania; or
2. The individual performs services within and outside Pennsylvania, but the service performed outside Pennsylvania is incidental to the individual’s service performed within Pennsylvania; or
3. Some of the service the individual performs within Pennsylvania, and either the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is within Pennsylvania; or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of Pennsylvania.

Sales of tangible personal property are in Pennsylvania if:

1. The property is delivered or shipped from outside Pennsylvania to a purchaser in Pennsylvania, other than the U.S. government, regardless of the free on board point or other conditions of the sale; or
2. The property is shipped from Pennsylvania to any place and the purchaser is the U.S. government.

Sales, other than sales of tangible personal property, are in Pennsylvania if:

1. The income-producing activity is performed in Pennsylvania; or
2. The income-producing activity is performed within and outside Pennsylvania, and the greater proportion of the income-producing activity is performed within Pennsylvania (based on cost or performance).

Line 4. Add Lines 1, 2 and 3.

Line 5. Average - Divide the amount on Line 4 by the number of factors which apply; i.e. the number of entries in Column (A). Example: If you entered amounts only for property and sales in Column (A), you would divide the amount on Line 4 by 2.

Line 6. Enter total net profits from business or farm income for the tax year.

Line 7. Multiply the amount shown on Line 6 by the allocating fraction shown on Line 5. This is the portion of your net profits from business or farm income subject to tax in Pennsylvania. Enter the amount on Line 4 of PA-40.