

**INSTRUCTIONS FOR APPORTIONING
INCOME BY NONRESIDENT INDIVIDUALS
PA SCHEDULE NRH (FORM PA-40NR)**

PA-40NRH (09-95)
PA DEPARTMENT OF REVENUE

1995

COMMONWEALTH OF PENNSYLVANIA

BUREAU OF INDIVIDUAL TAXES

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

WHO MUST USE PENNSYLVANIA SCHEDULE NRH?

A nonresident employe who performs services both within and outside Pennsylvania is subject to the Pennsylvania Personal Income Tax only on the net compensation for services performed within Pennsylvania. If you are an employe, you usually know the amount of your gross compensation for services performed in Pennsylvania because your employer is required to report your Pennsylvania gross compensation on the state or Pennsylvania copy of your Federal Form W-2, Wage and Tax Statement.

If your employer:

- a. Did not report your Pennsylvania gross compensation on your Form W-2; or
- b. Reported an incorrect amount as Pennsylvania gross compensation on your Form W-2; or
- c. You incurred unreimbursed employe business expenses in earning or receiving Pennsylvania gross compensation, then you must complete PART I of this schedule and attach it to your PA-40NR.

You must complete and attach a PA Schedule NRH for each employer for whom you performed services both within and outside Pennsylvania.

If your employer properly reported the amount of your Pennsylvania gross compensation on your Form W-2 and you did not incur unreimbursed employe business expenses, you do not need to complete or attach this schedule to your PA-40NR.

PART I provides two methods of apportioning your Pennsylvania gross compensation and/or your unreimbursed employe business expenses based on how your compensation for services rendered in Pennsylvania is determined by you or your employer.

SECTION A apportions your Pennsylvania gross compensation or unreimbursed employe business expenses on a "Working Days in Pennsylvania Basis" if your compensation depends directly on the number of days you performed services in Pennsylvania.

SECTION B apportions your Pennsylvania gross compensation or unreimbursed employe business expenses on a "Business Volume Basis" if your compensation depends on the amount of business transacted from your services performed in Pennsylvania.

You should use the business volume apportionment method if you can; otherwise, use the working day apportionment method, BUT NOT BOTH METHODS. Use the percentage you calculate and apply it to your Pennsylvania gross compensation and/or your allowable Pennsylvania unreimbursed employe business expenses.

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. Nonworking days include weekends, holidays, 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 actual working days during the taxable year.
- Line 4.** Report the total number of days you actually 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 three decimal places.

SECTION B. BUSINESS VOLUME BASIS

- Line 6.** Report the total amount of business you transacted for your employer both 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, such business is includable 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 three decimal places.

SECTION C. GROSS PENNSYLVANIA COMPENSATION

- Line 9.** From your Form W-2, enter your gross compensation if your employer failed to separately report your Pennsylvania earnings, (or the correct amount of Pennsylvania compensation). **NOTE:** You must explain the reason you feel the amount on your Form W-2 is incorrect in a separate statement attached to 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 gross Pennsylvania compensation by multiplying Line 9 by either Line 10 or Line 11.

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

SECTION D. ALLOWABLE EMPLOYE BUSINESS EXPENSES

- Line 13.** Report the amount of your total unreimbursed employe business expenses from Pennsylvania Schedule UE-1. These expenses include those incurred both within and outside Pennsylvania in performing the services for this employer.
- 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 employe business expenses by multiplying Line 13 by either Line 14 or Line 15.

If you completed PART D, you must complete PART E.

SECTION E. PENNSYLVANIA TAXABLE COMPENSATION

- Line 17.** If your employer used the correct Pennsylvania gross compensation amount on your Form W-2, enter that amount.
- Line 18.** If you had to apportion your Pennsylvania gross compensation, enter the amount from SECTION C, line 12.
- Line 19.** If your employer reimbursed you for some of your expenses, but not in the exact amount or on a per diem basis, and that reimbursement is not already included in your Form W-2, enter the amount of your reimbursements multiplied by the percentage from Line 5 or Line 8 on this line.
- Line 20.** Add all completed lines above and enter the total here. This is your apportioned Pennsylvania gross compensation.
- Line 21.** Enter the amount of your apportioned unreimbursed employe business expenses from SECTION D, Line 16.
- Line 22.** Subtract Line 21 from Line 20. This is your net taxable Pennsylvania compensation. Transfer this amount to, and include it with any other Pennsylvania compensation on Line 1c of your PA-40NR.

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

Part II of PA Schedule NRH is for apportioning income from a business, profession or farming. If the business, profession or farm income of a non-resident individual is derived from sources both within and outside Pennsylvania and the accounts and records accurately reflect income from within Pennsylvania, the taxpayer must report the taxable income allocated to Pennsylvania based upon such accounts or records. If the business or farm income of a nonresident is derived from sources both within and outside Pennsylvania and accounts and records clearly reflecting income from within Pennsylvania are not maintained, Part II of PA Schedule NRH must be completed to determine the business or farm income derived from Pennsylvania.

In Part II, the nonresident will compute a decimal figure which is applied to his total net profit from business or farming to determine the amount of income derived from sources within Pennsylvania. The decimal figure is derived from formula which consists of an average of the sum of three fractions: the first fraction based on tangible property, the second on wages, salaries and commissions, the third on sales.

List all places both within and outside Pennsylvania where you carry on business, giving the street address and city and state. Also indicate 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 if reasonably required to reflect average value of property.

Property rented is valued at 8 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's service is performed entirely within Pennsylvania; or
2. The individual's service is performed 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 is performed 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.

The term "base of operations" refers to the place or fixed center from which the individual works. An individual's base of operations may be his business office, or a place at which the employe is to receive his directions and instructions if his contract of employment so specifies. In the absence of more controlling factors, an individual's base of operations may be the place to which he has his business mail, supplies and equipment sent, or the place where he maintains his business records.

- Line 3.** Sales - In Column (A), TOTAL EVERYWHERE, enter your total sales within and outside within Pennsylvania during the entire year. In Column (C), enter the decimal figure which results from dividing Pennsylvania during the entire year. In Column (B), WITHIN PENNSYLVANIA, enter your total sales the dollar amount in Column (B) by the dollar amount in Column (A).

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 United States Government, regardless of the f.o.b. point or other conditions of the sale; or 2) the property is shipped from Pennsylvania to any place and the purchaser is the United States 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 2 of PA-40NR.

PA SCHEDULE NRH COMPENSATION APPORTIONMENT

1995

NAME AS SHOWN ON YOUR PA-40NR RETURN:	SOCIAL SECURITY NUMBER
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**Enter the name, address and employer identification number of your employer.
A separate PA Schedule NRH must be completed for each employer.**

EMPLOYER'S NAME	EMPLOYER'S IDENTIFICATION NUMBER
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EMPLOYER'S ADDRESS

CITY	STATE	ZIP CODE
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PART I. APPORTIONMENT METHODS

Nonresidents must choose either the Working Day Basis or the Business Volume Basis in order to apportion their income expenses or both. The Business Volume Basis must be used when income depends directly on the amount of business earned or received when in Pennsylvania. Otherwise, the Working Day Basis must be used. A nonresident may not use both methods in determining apportionment.

SECTION A. WORKING DAY BASIS (Use only if Business column cannot be used).

1. Total number of days in the tax year	1.	
2. Total number of nonworking days		
a. Saturdays, Sundays and Holidays	a.	
b. Sick, illness or disability days	b.	
c. Vacation or leave days, with or without pay	c.	
Total number of nonworking days (Add Lines a, b and c and enter on Line 2)	2.	
3. Total number of days worked in the Tax year (Subtract Line 2 from Line 1)	3.	
4. Total number of days worked within Pennsylvania during the the tax year	4.	
5. Working days apportionment fraction (Divide Line 4 by Line 3. Calculate at at least 3 decimal place)	5.	

SECTION B. BUSINESS VOLUME BASIS

6. Total volume of business transacted during the tax year	6.		00
7. Total volume of business transacted directly due to activity in Pennsylvania	7.		00
8. Business volume apportionment fraction (Divide Line 7 by Line 6. Calculate to at least 3 decimal places)	8.		

APPORTIONED COMPENSATION AND/OR EMPLOYE BUSINESS EXPENSES

If the Form W-2 provided by your employer did not show the amount of gross compensation you earned or received in Pennsylvania or if the amount shown as Pennsylvania gross compensation is incorrect, you must apportion your income on Line 9. If your employer properly reported your PA gross compensation on your Form W-2, do not complete this section.

9. Gross compensation from Form W-2 or pay stubs	9.		00
10. Working days apportionment percentage from Line 5 PART I above	10.		%
11. Business volume apportionment percentage from Line 8 in Part I above (use percentage from either Line 5 or Line 8, but not both)	11.		%
12. Apportioned PA gross compensation (Multiply Line 9 by either Line 10 or Line 11)	12.		00

If you did not incur any allowable employe business expenses, include the amount from Line 12 on Line 1c of your PA-40NR Nonresident Income Tax Return. If you did incur allowable employe business expenses, you must complete Section D.

SECTION D. ALLOWABLE EMPLOYE BUSINESS EXPENSES

In order to apportion your business expenses for PA purposes, you must complete PA Schedule UE-1, **Allowable Employee Business Expenses**. Do not include any expenses on PA Schedule UE-1 which are not allowable under PA law. **READ THE INSTRUCTIONS CAREFULLY.**

13. Total allowable expenses from PA Schedule UE-1	13.		00
14. Working day apportionment percentage from Line 5 in PART I above	14.		
15. Business volume apportionment percentage from Line 8 in Part I above (use the percentage from either Line 5 or Line 8, but not both)	15.		
16. Apportioned PA allowable employe business expenses (multiply Line 13 by either Line 14 or Line 15)	13.		00

SECTION E. PA TAXABLE COMPENSATION

If your employer reported the correct amount of your PA gross compensation on your Form W-2, enter that amount on Line 17. If you completed Section C to determine your allocable PA compensation, enter the amount from Line 12 on Line 18. You should not have amounts on both Line 17 and Line 18 unless you received more than one Form W-2 from the same employer. On Line 19 enter any reimbursements for expenses which you received but which were not included in your Form W-2. Subtract your expenses from your gross compensation to determine your PA taxable compensation.

17. Correct PA gross compensation from W-2	17.		00
18. Apportioned PA compensation from Section C, Line 12 above	18.		00
19. Apportioned reimbursements for expenses not included in your Form W-2	19.		00
20. Total PA gross compensation (add either Line 17 and/or Line 18 to Line 19)	20.		00
21. Apportioned PA employe business expenses from Section D, Line 16 above	21.		00
22. Net taxable/apportioned PA compensation (subtract Line 21 from Line 20)	22.		00

Include the amount from Line 22 on Line 1c of your PA-40NR. Attach a copy of this PA Schedule NRH, your completed PA Schedule UE-1 and your Form(s) W-2 to your PA-40NR.

Name as shown on your PA-40NR Return:	Social Security Number
PART II	FOR TAX YEAR

COMPUTATION OF PENNSYLVANIA NET PROFITS FROM BUSINESS, PROFESSION OR FARM INCOME – If the business, profession or farm income of a nonresident is derived from sources within and outside Pennsylvania and accounts and records do not clearly reflect income from within Pennsylvania, complete Part II of this schedule and attach to form PA-40NR.

NET PROFITS FROM BUSINESS OR FARM APPORTIONMENT FORMULA

List all places BOTH WITHIN AND OUTSIDE PENNSYLVANIA where you carry on business. Federal Employer Identification Number

(1) STREET ADDRESS	(2) CITY AND STATE	(3) TYPE OF BUSINESS

DESCRIPTION OF ITEMS USED AS FACTORS	(A) TOTAL EVERYWHERE	(B) WITHIN PENNSYLVANIA	(C) DIVIDE (B) BY (A) TO OBTAIN DECIMAL – CARRY TO AT LEAST SIX PLACES
1. Real estate and tangible property	\$ 00	\$ 00	
2. Wages, salaries, commissions and other compensation	\$ 00	\$ 00	
3. Sales	\$ 00	\$ 00	
4. Total (add Lines 1 through 3)			\$ 00
5. Allocating percentage (express in decimal) – divide Line 4 by three (3). If only two of the above factors apply, divide by 2. If only one applies, enter figure from Line 4.			\$ %
6. Total net profits from business, profession or farm income for the tax period.			\$ 00
7. Net profits from business, profession or farm allocated to Pennsylvania (multiply Line 6 by Line 5). Enter here and on Line 2 of PA-40NR.			\$ 00

INSTRUCTIONS FOR PENNSYLVANIA SCHEDULE NRH PART II

On Pennsylvania Schedule NRH list all places both within and outside Pennsylvania where you conduct business activity or farming. Show the street address, city, state and the type of business, profession or farming..

Line 1. Tangible Property – In column (A), TOTAL EVERYWHERE, enter the average value of the real and tangible personal property owned or rented and uses in business or farming, within and outside Pennsylvania. In Column (B), WITHIN PENNSYLVANIA, enter the average value of the real and tangible property owned or rented and used in business or farming 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).

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

Line 3. Sales – In Column (A), TOTAL EVERYWHERE, enter total sales within and outside Pennsylvania during the entire taxable year. In Column (B), WITHIN PENNSYLVANIA, enter total sales within Pennsylvania during the entire taxable year. In Column (C), enter the decimal which results from dividing the dollar amount in Column (B) by the dollar amount in Column (A).

Line 4. Add Lines 1, 2 and 3.

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

Line 6. Enter total net profits from business or farming for the entire taxable year. Do not include income from other partnerships or estates or trusts.

Line 7. Multiply the amount on Line 6 by the allocating fraction shown on Line 5. This is the portion of net profits from business or farming subject to tax in Pennsylvania. Enter the amount on Line 2 of PA-40NR.