

EMPLOYER WITHHOLDING INFORMATION GUIDE

**GENERAL INFORMATION
FOR WITHHOLDING
PENNSYLVANIA
PERSONAL INCOME TAX**



www.revenue.state.pa.us

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CUSTOMER SERVICE & TAXPAYER ASSISTANCE

General Information

Online Customer
Service Center www.revenue.state.pa.us
Taxpayer Service
and Information Center 717-787-1064
Toll-Free Automated Service
for Account Status 1-888-PATAXES (728-2937)
Services for Those with Special Speaking
and/or Hearing Needs (TT Only) 1-800-447-3020
For district office locations
and information please visit . . . www.revenue.state.pa.us.

Electronic Filing

e-Business Unit (717)-783-6277
Internet Filing – e-TIDES www.etides.state.pa.us
Telephone Filing – TeleFile 1-800-748-8299

Forms Ordering

All forms mentioned in this booklet are available at www.revenue.state.pa.us or from our 24-hour Forms Ordering Message Service by calling 1-800-362-2050.

Rules and Regulations www.pacode.com

EMPLOYER WITHHOLDING REQUIREMENTS

Pennsylvania law requires the withholding of Pennsylvania personal income tax from compensation of resident employees for services performed within or outside Pennsylvania. Pennsylvania personal income tax must also be withheld from compensation of nonresident employees for services performed within Pennsylvania, unless a nonresident lives in a state with which Pennsylvania has a reciprocal tax agreement (see Reciprocal Tax Agreements on Page 10 for details).

This guide is designed to help employers recognize and fulfill these requirements.

Definition of Employer and Employee

An employer is any individual, partnership, association, corporation, government body or other entity required under the Internal Revenue Code to withhold federal income tax from wages paid to an employee. If the person for whom an individual performs or performed services does not have control of the payment of the wages for such services, the person having control of the payment of such wages is also an employer.

An employee is an individual from whose wages an employer is required to withhold federal income tax.

How to Register

Register for Employer Withholding online by visiting www.paopenforbusiness.com. Registering online allows business owners to withhold employer taxes with the Department of Revenue and open Unemployment Compensation accounts administered by the Department of Labor & Industry.

To obtain a paper PA-100 form visit the department's website at www.revenue.state.pa.us, or call the 24-hour Forms Ordering Message Service at 1-800-362-2050.

Federal Employer Identification Number (FEIN)

Employers are required to provide their Federal Employer Identification Numbers (FEINs), to the Department of Revenue. An employer that has not yet received an FEIN from the federal government will be assigned a temporary Entity ID Number by the Department of Revenue until the FEIN is obtained and provided to the department.

Compensation

Compensation includes salaries, wages, commissions and every other item of receipt related to employment – whether received directly, through an agent, in cash, in property or

otherwise – unless specifically excluded (see Exclusions from Compensation, Page 3) Compensation includes, but is not limited to:

- Current, deferred or prepaid remuneration for services;
- Remuneration for refraining from services; and
- Amounts paid as a result of:
 - (A) Initiation, modification, rescission or breach of an employment contract;
 - (B) Unlawful practice with respect to terms, conditions or privileges of employment; or
 - (C) Unlawful discharge; failure or refusal to hire; or deprivation of employment opportunities.

Employee compensation is not limited to remuneration received for positive action, remuneration that is contractually enforceable or remuneration paid directly by the employer. Thus, employee compensation can include (but is not limited to):

- Tips and other amounts over which the employer does not have control, receipt, custody or payment;
- A bonus or sum in excess of salary given a professional athlete for signing with a team;
- Payments to current and former employees for a covenant not to compete; and
- Back or front pay for a period of time during which an individual was wrongfully separated from a job, and front pay paid in lieu of reinstatement.

Compensation can encompass many forms of remuneration, including, but not limited to:

- Salaries;
- Wages;
- Commissions;
- Bonuses and incentive payments, whether based on profits or otherwise;
- Fees;
- Tips; and
- Similar remuneration received for services rendered by an individual, whether directly or through an agent, and whether in cash or in property.

Compensation paid in any medium other than cash is valued at its fair market value. Some examples of mediums other than cash include:

- Foreign currency;
- Checks or other negotiable instruments;
- Freely transferable readily marketable obligations or other cash equivalents;
- Property interests;
- Below-market-rate loans; and
- Discharge of liabilities.

Exclusions from Compensation

Certain payments are not compensation, such as:

1. Damages (whether by suit or otherwise) for personal injuries or sickness and payments made under workers' compensation acts, occupational disease acts or similar legislation for injuries received while working;
2. Group term insurance policies purchased for employees, so long as the employer's program is not discriminatory (unlike the Internal Revenue Code, Pennsylvania does not have a \$50,000 threshold above which life insurance coverage becomes taxable as compensation);
3. Prizes and awards, unless the winner is required to render any substantial services as a condition to receiving the prize or award;
4. Scholarships;
5. Fellowships and stipends deemed nontaxable; and
6. An employee's personal use of employer-provided property or of employer-provided services (See Employee Fringe Benefits and Welfare Benefit Programs, Page 5).

TAXABLE COMPENSATION NOT SUBJECT TO WITHHOLDING

Withholding of Pennsylvania personal income tax is not required for remuneration paid to:

1. Agricultural workers whose remuneration is not subject to federal Social Security tax (FICA) withholding;
2. Duly ordained, commissioned or licensed ministers of a church in the exercise of their ministry; members of a religious order in the exercise of their ministry; and members of a religious order in the exercise of duties required by such order, so long as the ministers' and members' compensation is not subject to withholding for federal income tax purposes;
3. Domestic servants in a private home, local college club or local chapter of a college fraternity or sorority;
4. Casual employees for services performed that are not in the normal course of the employer's trade or business (federal limitations of less than \$50 and at least 24 days on the job per quarter apply);
5. Employees of foreign governments or international organizations who are citizens or residents of the U.S.;
6. Nonresident alien employees who are Pennsylvania residents for tax purposes, but who perform services outside the U.S.;
7. Newspaper carriers and news vendors under age 18 and others who are statutory employees for federal employment tax purposes;
8. Seamen engaged in interstate or international trade, and nonresident individuals engaged in interstate transportation activities such as railroad crews, airplane crews or truck or bus drivers, to the extent pay is exempt from withholding under federal law.

Miscellaneous Provisions

Payments received as consideration for terminating employment before reaching normal retirement age or refraining from the performance of services also constitute taxable compensation. Such payments are subject to withholding if the payor is an employer required to withhold federal income tax from the wages or compensation paid to the employee during the taxable year.

EMPLOYEE FRINGE BENEFITS AND WELFARE BENEFIT PROGRAMS

Employee fringe benefit programs – such as pensions, profit-sharing and stock bonus plans – and simplified employee plans (SEPs) are established by employers to provide additional compensation to participating employees upon or after separation from service, the completion of a fixed period of participation, the lapse of a fixed number of years, or a showing of financial hardship.

Employee welfare benefit programs are established by employers to provide benefits to employees or their beneficiaries, such as child care facilities; life, accident or health insurance coverage; legal services; medical benefits; supplemental unemployment compensation (SUB); tuition reductions; disability benefits, strike benefits” and dismissal pay.

Nontaxable Benefits

Generally, payments made by employers for employee welfare benefit plans that provide medical, dental or vision care for their employees are not considered taxable compensation for Pennsylvania purposes. Further, supplemental unemployment compensation benefits and most group-term life insurance premium payments should not be included in compensation. Other payments not subject to withholding include the following:

- Amounts received for the permanent loss or loss of use of a part or function of the body, or permanent disfigurement;
- Amounts calculated with reference to the nature of a sickness or injury and without regard to the period the employee is absent from work;
- Amounts (other than regular wages or sick leave pay), calculated with regard to the period the employee is absent from work due to sickness or disability; and
- Amounts paid to the beneficiaries or estate of an employee who died.

The personal use of an employer’s property (leased or owned) or a service provided by the employer is not considered taxable compensation. Nontaxable items include the personal use of a company car, accounting services or childcare provided – not reimbursed – by the employer.

Generally, an employer provides a service or property when the company assumes the financial responsibility for the liability or payment. In other words, the expense is billed to the company, and the company is responsible for the payments. For example, a company seeking to provide transportation as a nontaxable benefit for its employees could use a company van to transport them. The benefit becomes taxable when the company reimburses employees for bus fare to commute or provides a transportation allowance.

Federally excludable no-additional cost services, qualified employee discounts, working condition fringe benefits or qualified transportation fringe benefits are not considered taxable so long as the employee does not have the choice between cash and the benefit, or the employee does not reduce his/her salary in order to receive the benefit. For example, a program under which an employee is furnished parking facilities, use of company grounds, picnic areas or a workout facility, at no reduction in the employee's salary and where the employee is not reimbursed for the benefit, provides benefits not considered compensation, and thus, not subject to withholding.

Taxable Benefits

Non-cash benefits, which are reportable as compensation under Internal Revenue Service rules, are generally taxable for Pennsylvania personal income tax purposes and are therefore subject to withholding. Taxable benefits include, but are not limited to:

- Payments made by the employer to help employees with adoption expenses;
- Payments made by the employer to help employees with additional medical or dental expenses not covered by medical insurance, unless allowable as an ordinary, reasonable, and necessary business expense (medical expenses paid under a qualifying self-insured medical reimbursement account such as a medical savings account, are not taxable);
- Life insurance payments made by the employer on employees' dependents;
- Amounts paid by the employer for non-job related educational assistance provided to employees or their dependents;
- Amounts paid to employees in lieu of using vacation days; and
- Payments by employers into pension plans, 401(k) plans or other retirement plans – made pursuant to the employee's election, by salary reduction agreement or through periodic payroll deductions, – are taxable to employees and should be included in Pennsylvania gross wages on their W-2 forms.

Employer Contributions

Contributions by an employer to employee deferred payment programs and welfare benefit programs on behalf of such employees generally are excludable from the employee's income to the extent the contributions constitute reasonable compensation for services and are not subject to withholding. Pennsylvania tax law makes no distinction between stockholder-employees or officers and other employees.

Pennsylvania tax law regarding simplified employee plans (SEP) differs from federal law. For Pennsylvania income tax purposes, employer contributions to a SEP are excludable from the compensation of an employee and are not subject to withholding. For federal income tax purposes, an employer contribution to a SEP must be included in gross income and then deducted by the employee.

BUSINESS EXPENSES

Reimbursement for Expenses

All reimbursements and allowances paid to employees are compensation unless:

- The expenses reimbursed are allowable business expenses;
- Employees are required to and do account for these expenses to the employer; and
- The employer reimbursed its employee in the exact amount of the allowable business expense.

Further, a fixed mileage allowance or per diem living expense allowance that does not exceed applicable federal limits is not reportable compensation, and therefore is not subject to withholding.

Allowable Business Expenses

To be an allowable business expense, the expense must be ordinary, actual, reasonable and necessary. This means the expense must be:

- Customary and accepted in the industry or occupation in which the employee works;
- Directly related to the taxpayer's present occupation, as opposed to an occupation he plans to enter in the future;
- Reasonable in amount (not excessive); and
- Necessary to enable the employee to perform properly the duties of employment.

Expense Reimbursements

The following expense reimbursements are compensation subject to withholding:

- Personal, living or family expenses
- Dues to fraternal organizations, professional societies, chambers of commerce and recreational clubs

- Dues and subscription costs to publications, even when the publications are related to your trade or profession
- Political candidate or campaign contributions
- Charitable contributions
- Commuting expenses
- Cost of meals while working late, unless while traveling overnight away from home
- Occupational privilege taxes or assessments and other local, county, state, federal and foreign taxes
- Childcare or elder care expenses
- Life, disability and health insurance premiums
- Contributions to deferred compensation plans and other pension plans
- Legal fees (except to recover back wages), fines, penalties and bad debts
- Bribes, kickbacks and other illegal payments
- Job hunting or other employment pursuit expenses
- Malpractice insurance premiums, except when required by law or by the employer as a condition of employment
- Moving expenses for selling or purchasing a house; breaking a lease; house hunting; securing temporary lodging prior to moving; seeking new employment; moving for your own convenience; relocating to a new job or workplace less than 35 miles farther than your old commute from home to work; or moving anywhere other than within or into Pennsylvania
- Educational expenses except when required by law or by the employer
- Capital expenditures

Vouchered Reimbursements

The following vouchered reimbursements are not compensation and are not subject to withholding.

1. Union dues, assessments and initiation fees if:
 - a. Such payments are a condition of continued membership in the union, and membership is related directly to the employee's present job; or
 - b. Such payments are required to be deducted from regular wages under an agency shop agreement.
2. The cost incurred by an employee to purchase and maintain uniforms or work clothing to protect the employee from bodily injury if they are both:
 - a. Of a type specifically required by the employer as a condition of employment; and
 - b. Not adaptable to general usage.
3. Expenditures for required small expendable tools and supplies not furnished by an employer.
4. Trade, professional or occupational licenses or fees required as a condition of employment (including malpractice insurance and fidelity bond premiums where required by law or employer).

5. Expenses for travel, meals and lodging on business trips; transportation expenses (but not commuting); and business expenses incurred by outside salesmen.
6. Office or work area expenses if:
 - a. The duties of employment require a suitable work area;
 - b. A suitable work area is not provided by the employer;
 - c. The work area used constitutes a principal place of work; and
 - d. The work area is used regularly and exclusively to perform the duties of employment.
7. Expenses paid or incurred by an employee for moving him/herself, the immediate family, household goods and personal effects, provided the transfer is in the interest of and benefits the present employer, and is from one permanent duty station to another.
8. Education expenses only if:
 - a. The education specifically is required by law or by the employer to retain an established employment status or rate of compensation; and
 - b. The education is not part of a program for a new occupation, trade or business, even if the employee does not intend to enter that new occupation, trade or business. Education costs voluntarily paid or incurred merely to maintain or improve skills are not allowable business expenses.
9. Business gifts.

COLLECTION OF TAXES

Tax is to be withheld as employees are paid, even on supplemental compensation not paid daily, weekly, semiweekly, semimonthly, monthly or quarterly. An employer is not permitted to deduct from the compensation of an employee just from the last payment for a deposit period; rather the employer is to withhold from each paycheck issued.

Instructions for Withholding From Resident Employees

1. When a Pennsylvania resident performs services in Pennsylvania, the employer must withhold Pennsylvania personal income tax from the employee's compensation. Where the employer is subject to Pennsylvania withholding requirements and a Pennsylvania resident is rendering services as the employer's employee wholly in another state, the employer must withhold on the entire compensation paid to the employee, unless the other state has an income tax and the employer is withholding the other state's tax.
2. When a Pennsylvania resident is performing services partly within and partly outside the commonwealth, one of the following provisions applies:

- If the other state has an income tax and the employer is withholding such tax, the employer also must withhold Pennsylvania income tax on compensation for services rendered within the commonwealth. Compensation attributable to services within the commonwealth is a proportion of the total compensation, determined by dividing the number of working days in Pennsylvania by the total number of working days, then multiplying the result by total compensation.

$$\text{Pennsylvania Compensation} = \frac{\# \text{ of PA Working Days}}{\text{Total \# of Working Days}} \times \text{Total Compensation}$$

- If the other state does not have an income tax, the employer must withhold Pennsylvania income tax on all compensation paid to the employee.
3. The commonwealth imposes tax on earnings of traveling salespersons or other employees whose compensation depends directly on the volume of business transacted by them within the commonwealth. The amount of compensation subject to Pennsylvania withholding is determined by dividing Pennsylvania sales volume by total sales volume, then multiplying the result by total compensation.

$$\text{Pennsylvania Compensation} = \frac{\$ \text{ Volume in PA}}{\$ \text{ Total Volume}} \times \text{Total Compensation}$$

Instructions for Withholding From Nonresident Employees

1. When nonresidents perform services in Pennsylvania, their employers must withhold Pennsylvania income tax from their compensation, except when reciprocal tax agreements apply (see Page 10).
2. When nonresidents perform services partly within and partly outside the commonwealth, only compensation for services performed within the commonwealth is subject to Pennsylvania withholding. To determine Pennsylvania compensation, use the formulas detailed above, Instructions for Withholding from Resident Employees.

Employers must withhold on all compensation paid to nonresidents who work within and outside of Pennsylvania, unless the employer maintains adequate records to accurately determine the amount of compensation from Pennsylvania sources.

The employer may determine the portion of compensation allocable to Pennsylvania on the basis of the preceding year's experience, on the basis of an estimate for the preceding year's experience or on the basis of an estimate for the current year made by the employee or his employer. The employer shall make any necessary adjustment during the year to assure the proper amount is withheld for the year.

Reciprocal Tax Agreements

The Commonwealth of Pennsylvania has reciprocal tax agreements with Indiana, Maryland, New Jersey, Ohio, Virginia and West Virginia. These agreements provide that:

1. If a Pennsylvania resident employee receives compensation for services performed in one of these six states, the employer in that state withholds the Pennsylvania personal income tax from compensation received and remits that tax to Pennsylvania.
2. If a nonresident employee from one of these states receives compensation for services performed within Pennsylvania, no withholding of Pennsylvania personal income tax is required provided an Employee's Non-Withholding Application Certificate (REV-419 EX) is filed by the nonresident employee with the Pennsylvania employer. The Pennsylvania employer withholds the income tax of the state in which the nonresident employee resides and pays the tax to that state.

CALCULATION OF WITHHOLDING

For each payroll period, an employer must calculate the tax to be withheld from an employee's compensation by multiplying such compensation subject to withholding by the current percentage rate, which can be found by visiting the department's Online Customer Service Center at www.revenue.state.pa.us. A payroll period is a period for which a payment of compensation ordinarily is made to an employee by his employer, and payroll periods may be daily, weekly, semiweekly, semimonthly, monthly, quarterly, semi-annually or annually. If an employee receives supplemental or other compensation, an employer must determine the tax to withhold by adding the supplemental or other compensation for the current payroll period and multiplying this amount by the withholding rate.

PAYMENT OF TAXES WITHHELD

Every employer withholding tax must pay the tax required to be deducted and withheld for each quarter to the department on a quarterly, monthly, semimonthly or semiweekly basis. The payment schedule is determined as follows:

1. **Quarterly:** If the aggregate amount required to be deducted and withheld for each quarterly period reasonably can be expected to be less than \$300, the employer must remit the tax quarterly on or before the last day of April, July, October and January for the four quarters ending the last day of March, June, September and December.
2. **Monthly:** If the aggregate amount required to be deducted and withheld for each quarterly period reasonably can be expected to be \$300 or more, but less than \$1,000, the employer must remit the tax monthly on or before the 15th day of the succeeding month for January to November and on or before Jan. 31 for the month of December.

3. **Semimonthly:** If the aggregate amount required to be deducted and withheld for any quarterly period reasonably can be expected to be \$1,000 or more, but less than \$5,000, the employer must remit the tax semimonthly within three banking days after the close of each semimonthly period. The semimonthly periods end on the 15th and last days of each month.
4. **Semiweekly:** Effective June 1, 2010, where the aggregate total amount required to be deducted and withheld for each quarterly period reasonably can be expected to be \$5,000 or more per quarter or \$20,000 or more per calendar year, the employer must remit the tax semi-weekly based on the instructions below.

When the employer's payroll date is Wednesday, Thursday or Friday, the remittance is due on the following Wednesday after that payday. When the employer's payroll date is a Saturday, Sunday, Monday or Tuesday, the remittance is due the following Friday after that payday.

Payment frequency change request: A change to a more frequent payment basis must be requested 15 days prior to the beginning of any quarter by logging into your e-TIDES account, or completing the Tax Account Information Change/Correction Form (REV-1705 AS), and faxing it to 717-783-4124 or mailing it to the following address:

PA Department of Revenue
PO Box 280901
Harrisburg, PA 17128-0901

An employer may change to a less frequent payment schedule only at the beginning of a calendar year, so long as the amount required to be deducted and withheld for each quarter is reasonably expected to be less than the criteria amount for the current payment schedule.

Filing Reconciliation Returns (W-3)

Pennsylvania W-3 quarterly reconciliation returns must be filed online using e-TIDES or by phone using TeleFile (1-800-748-8299). Every employer required to deduct and withhold tax must file a quarterly return of income tax withheld on or before the last day of April, July, October and January for each three-month period ending the last day of March, June, September and December. Employers that remit withheld taxes on a monthly or semimonthly schedule must file the quarterly reconciliation return, W-3.

INTEREST AND PENALTIES

Interest

If any amount of tax required to be withheld is not reported and paid in full on or before the due date, simple interest will be charged daily from the date the tax is due and payable to date of payment. The rate of interest will be announced

annually by the Department of Revenue and will continue for the calendar year regardless of any subsequent change in the federal interest rate in a calendar year. Interest is calculated by multiplying the late paid or unpaid tax by days delinquent, then by the daily interest rate. The daily interest rate equals the annual interest rate divided by 365. For interest rates, see REV-1611, Interest Rates and Calculation Methods for All Taxes.

Penalties

Failure to file a quarterly return may result in the imposition of additional tax of 5 percent per month of the underpayment for each month or fraction thereof (maximum penalty of 25 percent).

If a false or fraudulent return is filed, an amount equal to 50 percent of any underpayment will be added to the tax. Failure to pay withheld taxes to the Department of Revenue on or before the due date for filing a quarterly reconciliation return will result in an additional tax of 5 percent per month of the underpayment for each month or fraction thereof (maximum penalty of 50 percent).

Personal Responsibility

All taxes withheld pursuant to law or under color of law constitute a trust fund. If withheld tax is not paid to the department or is misapplied, an employee or representative of the employer who has a duty to collect/pay tax or prepare tax documents; an officer, director or partner of the employer; and a person who receives trust fund monies may be held personally liable for payment.

Any person required to collect, account for and pay any income tax who willfully fails to truthfully do so, or anyone who attempts to evade or defeat such tax or its payment, is liable for a penalty equal to the total of tax evaded, not collected, not accounted for, and not paid.

Criminal Prosecution

Any person who willfully fails or refuses to collect and remit tax, fails to pay the tax, fails to file a return, files a fraudulent or false return or presents for payment of tax a check that is returned to the commonwealth as uncollectible, may be subject to criminal prosecution.

ELECTRONIC FILING: RETURNS AND PAYMENTS

The Department of Revenue offers two safe, convenient and free electronic filing options for employer withholding, available 24 hours a day, seven days a week.

e-TIDES (Electronic Tax Information and Data Exchange System) is an Internet-based, customer driven filing system that allows multiple users within or outside your business to file returns, make payments and view filing history.



First time e-TIDES users must register at www.etides.state.pa.us by creating a User ID and Password for a tax account.

- Select "Enter e-TIDES."
- Select "Register" located at the bottom of the page.
- Review the e-signature agreement and select "I Agree" to create a User ID and Password.
- Be sure to record your User ID and Password in a secure location.
- Select "Register Enterprise" from the left-navigation.
- Choose the appropriate tax type and select "Next."
- Review the agreement and select "I Agree" to proceed.
- Enter your Account Number, Entity ID and Type of Entity ID, then select "Next."
- Select "File" at the bottom of the page and begin using e-TIDES.

TeleFile (1-800-748-8299) is a toll-free, touch-tone telephone filing service, which requires no registration.



All filers must provide the following information:

- Eight-digit Pennsylvania Employer Withholding Account ID Number;
- Nine-digit Entity ID (EIN, SSN or number issued by the Department of Revenue); and
- Eight-digit Tax Period End Date (Refer to REV-1716 for a complete listing).

If making a payment (501 deposit): semiweekly, semi-monthly and monthly filers must:

- Enter the total amount of Pennsylvania tax withheld for the tax period being reported; and
- Provide appropriate banking information, including routing number, account number and account type.

If filing a Quarterly Reconciliation (W-3), filers must report:

- Total compensation subject to Pennsylvania tax for the quarter;
- Total amount of Pennsylvania tax withheld per period (semiweekly, semimonthly and monthly filers only);
- Total amount of Pennsylvania tax withheld for the quarter; and
- Total deposits for the quarter (including verified overpayments).

If filing an Annual Reconciliation (W-2 Transmittal), filers must report:

- Total number of individual W-2s, up to 10; more than 10 W-2s must be reported using e-TIDES, or by another department-approved filing method;
- Total compensation subject to Pennsylvania tax for each quarter;
- Total Pennsylvania income tax withheld for each quarter;
- The nine-digit Social Security number, total Pennsylvania compensation and total Pennsylvania income tax withheld for each W-2; and
- The eight-digit tax period end date (See REV-1716, Employer Withholding Administrative Due Date Reminder Card, for a complete listing).

A confirmation number will be provided as proof of filing. Please record this number and retain it for four years.

Technical support for both electronic filing methods is available by calling 717-783-6277.

Electronic Payment is required for all payments of \$20,000 and more.

Electronic Payment Methods

Taxpayers may pay electronically using any of the following methods

- Automated Clearing House (ACH) debit
- ACH credit
- Credit/debit (Official Payments Corp. charges a 2.49 percent convenience fee, \$1 minimum charge, per credit card transaction. Debit card convenience fees start at \$3.95 per transaction.)

Penalty

Failure to comply with electronic payment requirements may result in an assessment of a penalty equal to 3 percent of the total tax due, not to exceed \$500. The penalty may be imposed on all payments of \$20,000 or more that are not made electronically to the Department of Revenue.

OVERPAYMENTS AND REFUNDS

Verified overpayments for a quarter will be credited to the current quarter after any outstanding collectible liabilities are offset, and notification will be sent to the employer.

AMENDED RETURNS

If an error is discovered after a return was filed, a taxpayer can correct the error by filing an amended return.

- If the error results in an overpayment, an amended W-3 R must be filed within three years of the date the original payment was received in order to receive a credit or refund.

- If a payment was remitted with an original return, include the amount of payment in total deposits for the quarter.
- If a credit was received from an original return, deduct that amount from the total deposits for the quarter.
- If the amended return results in a balance due, remit the tax due with the amended return. Late charges may apply.
- If, in any filing period, more than the correct amount of tax is deducted from any wage payment, the employer is authorized to make the appropriate adjustment in withholding for a subsequent period or periods in the same taxable year. If the over-withholding is not offset by the last withholding period of the year, the employee shall report the amount actually withheld on his yearly income tax return.

WITHHOLDING STATEMENTS (W-2)

An employer must complete two copies of the Wage and Tax Statement (Form W-2) for each employee to satisfy Pennsylvania tax requirements. One copy must be furnished to the employee, and one copy must be submitted to the Department of Revenue. The W-2s must contain the following information:

1. "Pennsylvania" printed, stamped or typed on the form;
2. The employer's name, address and Employer Identification Number (EIN);
3. The employee's name, address and Social Security number;
4. The total amount of compensation subject to Pennsylvania personal income tax for the entire tax year; and
5. The total amount of Pennsylvania tax withheld. The total amount of tax withheld must be shown in the box on the form for "State Tax Withheld" and this block must specifically be identified as withheld tax for the Commonwealth of Pennsylvania.

General Information and Specifications: W-2 and 1099 Filing

The Department of Revenue does NOT require the submission of most 1099's for individual personal income tax purposes, unless there is PA income tax withheld.

(EX: 1099-A, 1099-B, 1099-INT, 1099-DIV, 1099-MISC.) Pennsylvania only requires those who issue 1099-Rs and 1099-M's to provide copies to the state and should be filed electronically. For Pennsylvania personal income tax purposes, the department requires those who issue 1099-Rs and 1099-M's to file them by Jan. 31. If they do not have withholding, they should not be reported through e-TIDES, Mag Media, or any other form of digital media. They should be mailed to:

Bureau of Individual Taxes 1099-R Form (or 1099-M Form)
PO Box 280509, Harrisburg, PA 17128-0509

Participation and Acceptability

Pennsylvania follows the Social Security Administration's magnetic media reporting specifications according to the MMREF-1 format, except as modified and described below.

Filing Requirements

- Each entity with a unique employer identification number (EIN) must file as a separate employer.
- Regardless of the federal due date, W-2s must be filed in Pennsylvania by Jan. 31 following the tax year being reported.
- A transmittal form, REV-1667, must be completed and submitted with each W-2/1099 report.
 - For example, if submitting reports for 32 different employer accounts (32 different EINs), it must enclose 32 REV-1667 forms in the same sequence they appear on the employer's tapes, cartridges, listings and/or paper.
 - Screen printouts from e-TIDES are not acceptable replacements for REV-1667.
- Employers that file 250 or more W-2 or 1099 forms are required to file electronically or magnetically.
- Zip files and magnetic media formatted in American Standard Code for Information Interchange (ASCII) are unacceptable and will be returned to the transmitter unprocessed.

Accepted Filing Methods Based Upon Number of Employees

| Taxpayers Filing 250 or More W-2's or 1099's Must File Electronically or Magnetically |
|--|
| e-TIDES (file upload specifications) |
| Compact Disc |
| Email to ra-btftw2@pa.gov |
| Tape Cartridge |

| Taxpayers Filing Fewer Than 250 W-2's |
|--|
| e-TIDES (file upload specifications) |
| Compact Disc |
| Email to ra-btftw2@pa.gov |
| Tape Cartridge |
| Paper W-2 forms* |
| TeleFile (if less than 10 W-2's), 1-800-748-8299 |

***Acceptable Paper W-2 sizes**

- 8¹/₂ X 5¹/₂ inches
- 8¹/₂ X 2¹/₂ inches
- 4¹/₄ X 5¹/₂ inches
- 7¹/₂ X 2³/₄ inches
- 8¹/₂ X 2³/₄ inches
- 6¹/₂ X 2¹/₂ inches
- 3³/₄ X 5 inches
- 3³/₄ X 5¹/₄ inches

***Unacceptable Paper W-2s**

- All onion skin W-2s (Employer Copy "D")
- W-2s that are very tiny (most acceptable sizes are listed below)
- W-2s without field labels (e.g. "Employee SSN", "EIN", "15", "16" etc.)
- W-2s where data is printed on labels or data is unreadable for some other reason
- W-2s with dark background
- Blank W-2s
- "Grand-Total" pages

Magnetic Cartridge Tape Requirements

Magnetic cartridge tapes (550 feet per cartridge) must be recorded in Extended Binary Coded Decimal Information Code (EBCDIC).

- Lower-case letters are not acceptable.
- AS 400 system cartridges are not acceptable.
- Acceptable cartridge sizes:
 - 3490 (36 track)
 - 3590 (unencrypted)
 - 3592 (unencrypted)
- External label must be affixed to tape and indicate:
 - Name of program (e.g. EM 28 PA W-2 Report)
 - Tax year
 - Pennsylvania account number as shown on W-2 transmittal form
 - Name of employer
 - Tracks (tracks must be nine; cartridge is 18)
 - Density (must be 1,600 or 6,250; cartridge is 38,000 Bytes Per Inch (BPI))
 - Parity (odd or even)
 - Indication whether or not internal tapes are labeled
 - Sequence and total number of items sent (e.g. 1 of 3, 2 of 3, etc.)
- Internal tape labels and tapemarks:
 - Labeled and unlabeled magnetic reel tape reports are acceptable.

- Tapemarks must indicate the beginning of data reported and the end of data reported.
- Logical record length, physical records and blocking factor:
 - For MMREF-1, each record must be a uniform length of 512 characters.
 - The block size must be a multiple of 512 characters and must not exceed
 - 23,040 characters.
 - Blocking factor may not exceed 45.

Test Tapes

The department does not require test tapes. However, a transmitter interested in submitting a test tape should:

- Photocopy W-2 Transmittal Form REV-1667 and include test totals on it.
- Note "TEST" on the tape and W-2 Transmittal Form.
- Mail to the address under the private carrier, listed below.

Tape Rejections

If the department rejects your tape, it will not be returned to you with information regarding the reason(s) for rejection.

CD and Email

- This method should only be used after one of the other electronic systems have been pursued but cannot be processed due to format or programming issues. For more details on these types of filing methods please call the W-2 Forms/Reports Processing Section at 717-787-7635.

Where to File Annual W-2 Reports

Complete and send transmittal forms, along with all magnetic cartridges and/or paper W-2 or 1099 forms to one of the following addresses:

If using the U.S. Postal Service:

PA Department of Revenue
PO BOX 280412
Harrisburg PA 17128-0412

If using a private carrier:

PA Department of Revenue
Bureau of Business Trust Fund Taxes
PO BOX 280904
W-2 Tape Unit
Harrisburg PA 17128-0904

Request for Extension of Time to File

To request a filing extension, call 717-787-7635 or fax a request to 717-783-4124.

All W-2 forms must be submitted to the PA Department of Revenue by Jan. 31 following the year of compensation, or 30 days from the termination of business, if the business terminated during the calendar year. An employee whose employment is terminated before the close of a calendar year may request, in writing, the employer to furnish him a W-2 form at an earlier time. If there is no reasonable expectation on the part of both employer and employee of further employment during the calendar year, then the employer shall furnish the W-2 form to the employee on or before the 30th day after the date of the request, or the 30th day after the date on which the last payment of wages is made, whichever is later.

Any employer who willfully furnishes a false or fraudulent W-2 form, willfully fails to furnish a statement in the prescribed manner or time or fails to show the information required is liable for a penalty of \$50 for each failure.

1099 FILING REQUIREMENTS

Record-Keeping for Over-collections

To comply with regulatory requirements, an employer must maintain records for each and every payroll period and employee of how much, if any, of the tax that was deducted or collected during the payroll period was deducted or collected in addition to the tax required to be deducted and withheld during the payroll period for the payroll period. The records must provide a breakdown for each of the following:

- Amounts deducted pursuant to a written agreement under 61 PA Code § 113.3(b);
- Amounts deducted pursuant to 61 PA Code § 113.7(2) for an under-collection in another "withholding period";
- Amounts deducted in error; and
- Over-collections repaid to employees for which the employer has obtained a written receipt from the employee showing the date and amount of repayment.

These records must be retained until the payroll period is processed by the department.

Record-Keeping for Under-Collections:

To comply with regulatory requirements, an employer must maintain records for each and every payroll period and employee of each of the following:

- How much, if any, of the tax required to be deducted during the payroll period for the payroll period was not deducted during the payroll period; and
- How much, if any, of the tax required to be deducted during the payroll period for the payroll period was deducted during a subsequent payroll period.

These records must be retained until the payroll period is processed by the department.

Other Record-Keeping Requirements

All Non-Withholding Applications, including an Employee's Statement of Non-residence in Pennsylvania and Authorization to Withhold Other States' Income Tax must be retained until the payroll period is audited by the department.

BROCHURES & FORMS

| | |
|----------|---|
| REV-419 | Employees Non-Withholding Application Certificate |
| REV-580 | Employer Withholding |
| REV-588 | Starting a Business in Pennsylvania, A Beginners Guide |
| REV-611 | Determining Residency for PA Personal Income Tax Purposes |
| REV-612 | Military Pay for PA Personal Income Tax Purposes |
| REV-617 | Hiring Household Workers in PA |
| REV-631 | Tax Forgiveness for PA Personal Income Tax |
| REV-637 | Unreimbursed Allowable Employee Business Expenses for PA Personal Income Tax Purposes |
| REV-1705 | Tax Account Information Change/Correction Form |
| REV-1706 | Business Account Cancellation Form |



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