

1995 PA-40R

Department of Revenue
Bureau of Individual Taxes
Harrisburg, PA 1712-0003

Pennsylvania Individual Income Tax Form PA-40R, Payment Voucher and Instructions For Residents and Part-Year Residents

1995 PA-40R

NEW FOR 1995 RETURNS

PA-40R Tax Return. Your 1995 PA-40R is personalized with your Social Security Number(s), Name(s) and Address. The Department is not using labels. If any of the preprinted information is wrong, make your corrections in the space provided on the tax return.

Payment Voucher. Beginning this year, the Department is providing you with a preprinted form with which to pay any Pennsylvania Personal Income Tax due. When you file your return, you will place this coupon with your check in the **same envelope**. The Department will use this coupon to process your payment with automated equipment. Using your **Form PA-V** will save time and tax dollars. Follow the **Form PA-V** instructions, and the **Mailing Instructions**. If you owe no tax, you will not need your **Payment Voucher**.

Tax Forgiveness on PA Schedule SP. In response to many questions and suggestions, the instructions for claiming **Tax Forgiveness** have been rewritten and both **PA Schedule SP** and the **SP Worksheet** have been revised. There is only one Eligibility Income Table to use. Dependent spouses and children of *taxpayers who are eligible for Tax Forgiveness* will still be able to claim **Tax Forgiveness**. Read all the instructions before you complete your **PA Schedule SP**.

PA-40EZ. A new short form is available for taxpayers whose income and credits are limited to **Compensation, Interest, Dividends, Withholding, Estimated Payments and Tax Forgiveness**. The **PA-40EZ is not included in this booklet**. See Forms Ordering on this page to obtain a PA-40EZ.

REMINDERS FOR 1995 RETURNS

School District Code. Enter the code of the school district in which you resided as of December 31, 1995. Based on these codes, information is provided to the PA Department of Education for use in calculating school district subsidies. Using a wrong or incorrect code may affect your school district's funding. See the instructions. If you do not know in which school district you lived on December 31, 1995, contact the nearest school or local government office.

Supporting Documents Checklist. The PA Department of Revenue requires supporting schedules and forms for all income and [losses] reported and all credits claimed. Use the checklist on the right side of your return to insure that you have attached all necessary supporting documents. If you have more than one schedule or form (Federal W-2 or PA Schedules RK-1), please indicate the number so the Department will know that we have received everything. Using the checklist and attaching all documents will expedite the processing of your return. Read the instructions for each class of income and type of credit so you will know which form and/or schedule is required.

Math Errors. Double check all your calculations before completing your return. **Remember:** you may not deduct a [loss] in one class of income from income in another class, and spouses may not offset [losses] between themselves even if in the same income class. Complete the **Tax Due** and **Overpayment** lines. If you have an **Overpayment**, be sure your refund, credit and donation line amounts are accurate.

Do not enter cents on any line of your PA-40R. Not using cents reduces math errors, processing time and costs. See the instructions for rounding amounts.

Mailing Instructions. See page 11 for information about using the Department provided envelope, the pre-addressed mailing labels, and assembling your tax return. Also read the U.S. Postal Service recommendations concerning additional postage.

Taxpayer Assistance. The PA Department of Revenue, the Internal Revenue Service and volunteer organizations work together to provide assistance in preparing tax returns.

Temporary Offices. Each year the PA Department of Revenue establishes many temporary offices to help taxpayers. Office locations may be published in local newspapers or are available by calling a Revenue district office.

Free Income Tax Preparation Service. Individuals who are elderly, on a fixed income, disabled or housebound can receive free assistance in preparing uncomplicated Federal, State and Local Income Tax returns. This assistance is provided by volunteers working through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Contact the PA Department of Revenue district offices for information, or call the Internal Revenue Service toll free number (1-800-829-1040) for the location of assistance sites.

Free Federal Tax Assistance from the Internal Revenue Service.

- Federal tax account or technical information: 1-800-829-1040.
- Recorded Tele-Tax Service on 150 Federal tax topics or 1995 tax refund information: 1-800-829-4477.
- Federal tax forms/publications ordering: 1-800-829-FORM (3676).
- Taxpayers unable to solve Federal tax account problems through normal contacts may be eligible for help from the Problem Resolution Program: 1-800-829-1040.
- Faster IRS refunds through Electronic Filing: 1-800-829-1040.

Forms Ordering. You may order any Pennsylvania tax form or schedule by calling the special 24-hour answering service numbers for forms ordering: **In Pennsylvania 1-800-362-2050, outside Pennsylvania and within local Harrisburg area (717) 787-8094, TDD# (717) 772-2252 (Hearing Impaired Only)**. Address written requests to: PA Department of Revenue, Tax Forms Service Unit, 2850 Turnpike Industrial Drive, Middletown, PA 17057-5492. All material will be mailed directly to you.

PA-IRS EXCHANGE. The agreement between the Department and the Internal Revenue Service for the exchange of tax information is used to insure that taxpayers are properly reporting Pennsylvania and Federal Income. It is not used for current tax return filing. If you are notified by the IRS that you did not properly file your Federal Income Tax Return, you should review your PA Personal Income Tax Return to determine if you **MUST** file an amended tax return with the Department. If the IRS adjustment also applies to your PA Personal Income Tax Return and you do not file an amended Pennsylvania return, you may be subject to additional charges when contacted by the Department.

REVENUE DISTRICT OFFICES

Altoona

Cricket Field Plaza
615 Howard Avenue
Altoona, PA 16601-4867
(814) 946-7310

Bethlehem

44 East Broad Street
Bethlehem, PA 18018-
5998(610) 861-2000

Bradford

Second Floor
86 Boylston Street
Bradford, PA 16701-2011
(814) 368-7113

Doylestown

Suite 104
444 Jacksonville Road
Warminster, PA 18974-4861
(215) 443-2990

Erie

Sumner Nichols Building
Room 216
155 West Eighth Street
Erie, PA 16501-1012
(814) 871-4491

Greensburg

Second Floor
15 West Third Street
Greensburg, PA 15601-3003
(412) 832-5283

Harrisburg

Lobby
Strawberry Square
Harrisburg, PA 17128-0101
(717) 783-1405

Indiana

827 Water Street (Rear)
Indiana, PA 15701-1799
(412) 357-7600

Johnstown

Central Park Commons Bldg.
Second Floor
428 - 430 Main Street
Johnstown, PA 15901-1823
(814) 533-2495

Lancaster

160 East King Street
Lancaster, PA 17602-2869
(717) 299-7581

New Castle

Room 201
101 South Mercer Street
New Castle, PA 16101-3837
(412) 656-3203

Newtown Square

Suite 1
90 South Newtown Street
Road (Route 252)
Newtown Square, PA 19073-
4092
(610) 3534051

Norristown

Stoney Creek Office Center
4th Floor
151 West Marshall Street
Norristown, PA 19401-4739
(610) 270-1780

Philadelphia

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

Pittsburgh

State Office Building
Suite 104
300 Liberty Avenue
Pittsburgh, PA 15222-1210
(412) 565-7540

Pottsville

110 East Laurel Blvd.
Pottsville, PA 17901-2527
(717) 621-3175

Reading

Room 239
625 Cherry Street
Reading, PA 19602-1186
(610) 378-4401

Scranton

Suite 305, Samters Building
101 Penn Avenue
Scranton, PA 18503-1970
(717) 963-4585

Sunbury

335 Market Street
Sunbury, PA 17801-3466
(717) 988-5520

Washington

George Stewart Building
75 East Maiden Street
Washington, PA 15301-4963
(412) 223-4550

Wilkes-Barre

Suite 261
290 South Pennsylvania Blvd.
Wilkes-Barre, PA 18701-3398
(717) 826-2466

Williamsport

322 Locust Street
Williamsport, PA 17701-6085
(717) 327-3475

York

Second Floor
130 North Duke Street
York, PA 17401-1113
(717) 845-6611

Who Must File a Return? You must complete and file a 1995 PA Personal Income Tax Return if:

1. You received total Pennsylvania gross taxable income in excess of \$35 during 1995 even if no tax is due with your PA-40R; and/or
2. You incurred a [loss] from transactions as an individual, sole proprietor, partner or shareholder of a PA S corporation.

Every person who is charged with the care of the property of a decedent who died in 1995 or of a minor child or disabled individual who cannot prepare his or her own return must complete and file a PA Personal Income Tax Return on behalf of that individual, if that person met the circumstances described above.

Taxable Income. Pennsylvania's Personal Income Tax for the 1995 calendar year and for all fiscal years beginning in 1995 is levied at the flat rate of 2.8% on these eight separate classes of income:

1. Compensation received for services rendered (see page 8);
2. Interest (see page 9);
3. Dividends (see page 9);
4. Net Profits from a Business, Profession or Farm (see page 10);
5. Net Gains or Income from Sale or Disposition of Property (see page 11);
6. Rents, Royalties, Patents and Copyrights (see page 11);
7. Income from Estates and Trusts (see page 12);
8. Gambling and Lottery Winnings (see page 12).

PA-40EZ or PA-40R? You must use the PA-40R in this booklet if you report the following kinds of income and credits:

Income:

- Any Income or [Loss] from a Partnership or PA S Corporation;
- Net Income or [Loss] from the Operation of a Business, Profession or Farm;
- Net Gain or [Loss] from the Sale, Exchange or Disposition of Property;
- Net Income or [Loss] from Rents, Royalties, Patents and Copyrights;
- Estate and Trust Income; and/or
- Gambling and Lottery Winnings

Credits:

- Total Credit for Taxes Paid to Other States or Countries; and/or
- Employment Incentive Credit

You must file the PA-40R in this booklet if you are filing as a Part-Year Resident or if married and you and your spouse are not both residents of Pennsylvania. You also must file the PA-40R if you are filing on a fiscal year basis.

The PA-40EZ replaces the PA-40A short form. If you are able to file the Federal Forms 1040A or 1040EZ with the Internal Revenue Service, you should be able to file the PA-40EZ with the PA Department of Revenue. Only residents who are calendar year filers and report the following kinds of income and credits can use the PA-40EZ:

Income:

- Compensation from services rendered;
- Interest Income; and
- Dividend Income

Credits:

- Pennsylvania Income Taxes Withheld;

- Estimated Payments and Credits; and
- Tax Forgiveness from PA Schedule SP

Joint Income-Joint Returns. If two or more persons, such as you and your spouse, own income-producing property, including real estate, savings accounts or stock, as joint tenants in common, you must each report your share of the income from the property. In Pennsylvania, spouses may file a joint return for convenience. However, on a joint return, one spouse cannot offset income, gain or profit in any class of taxable income with any [loss] of the other spouse in the same or any other class of taxable income. **Important.** On a joint return, both spouses are equally liable for the Pennsylvania Personal Income Tax shown, even if only one spouse had a liability. If one spouse owes tax and the other does not, you should consider filing separate returns.

Costs and Expenses. Pennsylvania law does not allow any personal expenses, itemized deductions, personal exemptions or standard deductions. You may only deduct allowable costs and expenses directly incurred in earning or receiving income. **Important.** Interest, Dividends and Gambling and Lottery Winnings are gross income classes - you may not deduct any expenses in calculating your income in these classes.

Gains and [Losses]. You cannot offset income, gain or profit from one class of taxable income with a [loss] in any other class of taxable income. You cannot carry-forward or carry-back gains or (losses) to other tax years. **If you experience a net [loss] in an income class, enter the dollar amount of the [loss] in brackets on the appropriate line on form PA-40R.** You must attach a completed schedule even if you incurred a [loss] in a class of income.

Pennsylvania Estimated Personal Income Tax. If your 1995 tax exceeds \$70, you may need to file a 1996 declaration and pay Estimated Tax. You must file a Declaration of Pennsylvania Estimated Tax when your taxable income, not subject to employer withholding, reasonably can be expected to exceed \$2,500. You then pay the tax in installments which are due for most individuals on April 15, June 15, September 15 and January 15. **Important.** If you are a Pennsylvania resident working in a reciprocal state and your employer is not withholding Pennsylvania Personal Income Tax, you are also subject to making Pennsylvania Estimated Tax payments. You should advise your employer to withhold Pennsylvania Personal Income Tax or obtain Pennsylvania Estimated Forms and make installment payments to avoid possible penalty.

Exceptions are:

1. If you expect to obtain at least two-thirds of your total 1996 estimated gross income from farming for the period, you have the option of filing your declaration and paying your Pennsylvania Estimated Tax at any time up to March 1, 1997.
2. If your total Pennsylvania Estimated Tax for 1996 is \$100 or less, you have the option of filing your declaration and paying your Pennsylvania Estimated Tax at any time up to January 15, 1997.

The estimated tax declaration and installment payments must be made on the PA-40ES form. These forms are being sent to taxpayers who made a declaration for the 1995 taxable year. If you do not receive your PA-40ES forms by March 1, 1996, contact a Revenue district office. Forms Ordering information is on page 11.

If you are filing Pennsylvania Estimated Taxes for the first time, request the replacement Pennsylvania Estimated Tax Form (PA-40ESR). Specific instructions for estimating your Pennsylvania Personal Income Tax and filing the forms are explained in Form REV-413I.

Important. To avoid problems and delays in processing your income tax return, you should file your annual Pennsylvania Personal Income Tax Return(s) in the same manner in which you made your Pennsylvania Estimated Tax installment payments. If you and your spouse made joint estimated payments, please file a joint return. If you and your spouse made separate estimated payments, please file separate returns claiming the proper amounts on each return.

Type Filer. Your filing status depends on whether you are single or married.

Single. You must file as single if either of the following is true as of the end of your taxable year:

1. You were never married; or
2. You were divorced or widowed and not remarried.

You must file as single if your spouse was deceased by the end of the taxable year.

Married, Filing joint Return. You and your spouse, even if living apart, may file a joint return, but only if **all** of the following three conditions are met:

1. Your taxable years begin on the same date and end on the same date; and
2. Neither of you is claiming the Pennsylvania Employment Incentive Payment Credit; and
3. Your spouse was living on January 1, 1996.

A spouse is not required to file a joint return if the spouse did not receive total taxable gross income in excess of \$35. If you file jointly, both you and your spouse will be liable for any taxes owed.

Married, Filing Separate Returns. You and your spouse each may file a separate return instead of a joint return. You and your spouse must file separate returns if:

1. Your taxable years begin on different dates or end on different dates; or
2. You or your spouse are claiming the Pennsylvania Employment Incentive Payment Credit.

Married, One Spouse a Resident or Part-Year Resident and One Spouse a Nonresident. If one spouse is a resident or part-year resident and the other spouse a nonresident, you and your spouse must file separate PA returns, unless both of you elect to be taxed as resident taxpayers on a PA-40R and you meet all the other requirements for filing a joint return (see Married, Filing Joint Return above).

Deceased or Final Return. A separate tax return for a deceased individual must be filed as Deceased by the executor, administrator or other person charged with caring for the decedent's property. A joint return may not be filed. Report all income earned, received or credited to the decedent from the beginning of the tax year to the date of death.

If you lived in Pennsylvania for all of 1995 but permanently moved from Pennsylvania, you file as Final.

Residency. You may have to pay income tax as a Pennsylvania resident even if you are not considered a Pennsylvania resident for other purposes. For income tax purposes, you must consider both where you were domiciled and where you maintained a permanent place of abode during your taxable year.

Your domicile is your fixed and permanent home to which you always have the intention of returning whenever absent, even though you may live elsewhere. You can have only one state of domicile at any given time. Your state of domicile does not change until you move to another state or country with the sincere intention of making your permanent home there and abandoning your previous domicile. If you move to another state or country, but intend to stay there only for a fixed or limited time (no matter how long), your domicile does not change. Some factors to consider in determining your place of domicile are:

- Where are you registered to operate a motor vehicle?
- Where are you registered to vote?
- Where do you actually reside?
- Where does your family reside, and where, do your children attend school?
- Where are your bank accounts and other property located?
- Where is your principal place of business or work?
- Where do you maintain memberships in your church or synagogue or fraternal organizations and clubs?

A Permanent abode is a house, apartment, dwelling place or other residence you maintain as your household for an indefinite period, whether you own it or not. An abode is not permanent if you occupy it only during a fixed or limited period of time for a particular purpose. Barracks, bachelor officer's quarters, quarters on ships and other living accommodations provided by your employer for a definite period do not qualify as a permanent abode. College dormitories, fraternity houses, sorority houses and off campus rentals by enrolled college students do not qualify as a permanent abode.

Resident. For tax purposes, residency in Pennsylvania may be established in two ways:

1. If you are domiciled in Pennsylvania, you are considered a resident unless you meet **all three** of the following conditions:

- You did not maintain a permanent abode in Pennsylvania yourself or your family; and
- You did maintain a permanent abode outside Pennsylvania throughout the entire taxable year; and
- You did not spend in the aggregate more than 30 days of the taxable year in Pennsylvania.

2. If you maintain a permanent abode in Pennsylvania and spend a total of more than 183 days of the taxable year in Pennsylvania even though you are not domiciled in the Commonwealth, you are considered a resident.

How Residents Are Taxed. If you are a resident, you are taxed on all taxable income received from any source. You are allowed a Resident Credit (Line 14 on your PA-40R) for any tax imposed by and paid to other states or countries, based upon income that is also subject to Pennsylvania Personal Income Tax. See the instructions for claiming your Total Credit For Taxes Paid To Other States or Countries .

Pennsylvania Residents Working in Indiana, Maryland, New Jersey, Ohio, Virginia or West Virginia. If you are a Pennsylvania resident and work in one or more of these states, Your compensation is taxed by Pennsylvania and not by any of these states. The resident credit does not apply for compensation from these states. It is your responsibility to notify your employer that you are a resident of Pennsylvania and that the income tax for any of these states should not be withheld from your pay. Your employer should withhold Pennsylvania Personal Income Tax from your compensation and forward it to the Pennsylvania Department of Revenue.

If your out-of-state employer did not withhold Pennsylvania tax, you must report your compensation as taxable income to Pennsylvania and pay the tax. You may be required to file a Declaration of Estimated Tax. If another state's tax was withheld, you may file for a refund from the other state. You will not receive the Resident Credit for any tax you may pay on your compensation to these six states. **Important.** The Reciprocal Agreements which Pennsylvania has with these six states apply **only** to compensation and withholding and **do not** apply to any other class of income.

Example. In 1995, Mike, a resident of Pennsylvania, worked in New Jersey. He also received rental income from his New Jersey summer cottage. Mike must report as Pennsylvania taxable income both his compensation and the rental income he realized. He cannot receive a credit for income tax paid to New Jersey on his compensation from his employment, but he may claim a credit against his Pennsylvania tax liability for income tax paid to New Jersey on the rental income from the cottage.

Dual Residency. Special Rules for Pennsylvania Residents Working in Indiana, Maryland, New Jersey, Ohio, Virginia or West Virginia. If you are domiciled in Pennsylvania (a resident) and you are considered a tax resident (a resident for income tax purposes) of Indiana, Maryland, New Jersey, Ohio, Virginia or West Virginia, you may claim a Resident Credit for taxes paid to that state on your compensation. The reciprocal agreements with these states are not applicable since you are a tax resident in **both** Pennsylvania and the other state. You must attach a copy of the tax return you filed with the other state to explain that you were taxed as a resident in that state in order to claim the Pennsylvania resident credit.

Example. Dan is domiciled in Pennsylvania for the entire taxable year. He also maintained a permanent place of abode in Maryland and spent in the aggregate 230 days of the 1995 taxable year in Maryland. Maryland considers Dan to be a Maryland resident for income tax purposes. He earned \$10,000 in compensation working in Maryland. Dan must report his compensation as Pennsylvania taxable income, but may claim a credit for income tax paid to Maryland on the same compensation because he is domiciled in Pennsylvania and is a resident of Maryland.

Part-Year Residents. Part-year residents use the same return as residents. You are a Part-year resident for Pennsylvania Personal Income Tax purposes if you changed your permanent residence during the tax year from:

1. A place outside Pennsylvania to Pennsylvania with the intent of residing here permanently; or
2. Pennsylvania to a place outside Pennsylvania with the intent of residing there permanently.

Example. Mary lived and worked in New York all her life. She obtains a new job in Pennsylvania. She sells her New York home and then moves to Pittsburgh on June 1. She opens a bank account and registers to vote from her Pittsburgh address. Mary is a part-year resident and is taxed as a Pennsylvania resident for all income she earns and receives for the last seven months of the year. She is not taxed by Pennsylvania on her compensation from New York during the first five months of the year.

How Part-Year Residents are Taxed. If you are a part-year resident, you are subject to the Pennsylvania Personal Income Tax as a resident for that part of the year you were a resident. If you earned income from sources inside Pennsylvania during that part of the tax year you were a nonresident, you are subject to Pennsylvania Personal Income Tax on that income (unless it is compensation covered by a reciprocal agreement). In such a case, both your taxable income as a resident and your taxable income as a nonresident should be entered on the same return in order to compute your total tax liability. **Part-year residents who moved from Pennsylvania after the end of the year must complete the school district code, if you were not a Pennsylvania resident on December 31, 1995, enter 99999.**

Members of the Armed Forces

Pennsylvania Resident Members of the Armed Forces. Military pay earned by Pennsylvania residents is fully taxable unless received while on Federal active duty or Federal active duty for training outside the Commonwealth. Income received by a Pennsylvania resident for military service performed inside Pennsylvania, even if on Federal active duty or Federal active duty for training, is fully taxable as compensation.

Military Service Performed Outside Pennsylvania.

1. Income received for military service outside Pennsylvania while on active duty as a member of the armed forces of the United States is not taxable as compensation and may be deducted, if included in your Form W-2. Attach an explanation along with copies of your orders.
2. Reservists and National Guardsmen ordered to active duty for training pursuant to Title 10 or Title 32 of the U.S. Code shall be presumed to be on Federal active duty. Military pay received for such service is not taxable when the active duty training is performed outside Pennsylvania.

Note. A Pennsylvania resident on active duty with the U.S. Public Health Service is considered to be on Federal active duty and his or her compensation is not includable in taxable Compensation if earned outside Pennsylvania. A written explanation should be provided in lieu of copies of orders. A Pennsylvania resident in the U.S. Foreign Service is not considered to be on Federal active duty and his or her income is includable in Pennsylvania taxable compensation.

If you are domiciled in Pennsylvania, you are considered to be a Pennsylvania resident, even if you spend no time during the taxable year in this Commonwealth. You must file a resident tax return. However, your income is not taxable for Pennsylvania Personal Income Tax purposes if you meet the exception as explained under Resident.

Evidence of Active Duty. Residents must provide proof that the military income excluded from taxable income was earned outside Pennsylvania while on Federal active duty. The Department of Revenue will accept as Proof the authority section of the military orders directing the Pennsylvania resident to Federal duty outside Pennsylvania. If the authority for reporting to active duty is based on a Federal statute, such as 32 U.S.C. §§316, 502, 503, 504, or 505, Federal active duty is presumed. However, if the authority for reporting to active duty is based on a Pennsylvania statute, such as 51 P.S. §§508 or 3102, state active duty will be presumed and such income is considered taxable compensation.

Important. Residents must file a Pennsylvania Personal Income Tax Return and attach their military Form(s) W-2 and copies of their orders as evidence of active duty military pay earned outside Pennsylvania.

Nonresident Members of the Armed Forces. You are a nonresident for Pennsylvania tax purposes if you are not a resident as previously defined. If you are a nonresident, you will need to obtain a 1995 Pennsylvania Nonresident Income Tax Forms and Instructions booklet, PA-40NR. See Forms ordering. Military personnel who are not domiciliaries of Pennsylvania but who are serving inside this Commonwealth are exempt from Pennsylvania Personal Income Tax on their military pay. However, such nonresidents and their family members are subject to the Pennsylvania Personal Income Tax on other non-military income earned or received from Pennsylvania, as any other nonresident would be taxed.

Members of Partnerships And PA S Corporations Reporting Income. If you are a member of a partnership or a shareholder in a PA S Corporation, you must report your share of income whether it was distributed to you or not. You report your share of the income from the partnership or PA S Corporation in the same class in which the partnership or PA S Corporation received the income.

- Each partner in a business, profession or farm must attach to his or her PA-40R a copy of REV-1675, PA Schedule RK-1, for every partnership in which he or she is a member. If your partnership does not provide a PA Schedule RK-1 and all you receive is a Federal Schedule K-1, you must classify the income or [loss] as best as you can. Read the instruction for each class of income in this booklet.
- Each shareholder in a PA S Corporation must attach to his or her PA-40R a copy of REV-1682, PA Schedule RK-1 for every PA S Corporation in which he or she is a shareholder. Do not attach Federal Schedules K-1.

Nonresident partners and shareholders must file the PA-40NR and have the option of filing a group or consolidated nonresident return with other nonresidents. To obtain the nonresident forms and instructions booklet, see Forms Ordering.

Taxable Year

Calendar Year. You must report all taxable income received or accrued from January 1, 1995, through December 31, 1995, unless you file on a fiscal year basis for Federal Income Tax purposes.

Fiscal Year. If you file on a fiscal year basis, you must report all taxable income received or accrued during your taxable year.

When To File?

Calendar Year Taxpayers. Returns for calendar year filers must be postmarked by midnight Monday, April 15, 1996. The U.S. Postal Service postmark date on the envelope is proof of timely filing. Don't be late! Late filing can result in your paying penalty and interest.

Fiscal Year Taxpayers. If you file on a fiscal year basis, your PA-40R is due on or before the fifteenth day of the fourth month following the close of your fiscal year or the next business day if the due date falls on a Saturday, Sunday or holiday.

Extension Of Time To File. An extension of time to file your return does not extend the time to pay the tax. An extension to file cannot exceed six (6) months unless the taxpayer is outside the United States. The amount reasonably estimated to be the Pennsylvania Personal Income Tax due must be paid in full with your extension request. Important: A copy of your Federal or Pennsylvania extension(s) of time to file must be attached to the **front** of your PA-40R

when you file. Placing your extension forms behind your PA-40R may result in correspondence or a billing notice from the Department.

There are two ways to obtain an extension of time to file:

1. If you are granted an extension of time for filing your Federal Income Tax return, you automatically will be granted the same extension for filing your Pennsylvania Personal Income Tax Return. For an automatic four month extension, attach a copy of the completed Federal Form 4868 to your PA-40R when you file. For extensions over four months, also attach a copy of the letter or form granting the Federal extension.
2. If you have not been granted an extension of time for filing your Federal Income Tax return, you may request an extension for filing your Pennsylvania Personal Income Tax Return by submitting an Application for Extension of Time to File (form REV-276). This form can be obtained by calling the Forms Ordering telephone numbers listed on the cover. The extension application must be received in sufficient time for the Department to consider and act upon it prior to the date your return is due. Mail the extension application and any payment due to: PA Department of Revenue, Bureau of Individual Taxes, Dept. 280504, Harrisburg, Pennsylvania 17128-0504.

Remember. With an extension, you must pay in full on or before the original due date the amount reasonably estimated to be your Pennsylvania tax due. Enter this estimated payment on Line 12c of your PA-40R when you file your return. Underpayment penalty will not be charged if the amount you pay on or before the original due date is at least 90% of the total tax actually due, and the remaining balance is paid with a timely filed return. However, interest will be charged on the amount not paid by the original due date.

You will not receive an approval letter from the Department if your request for extension has been accepted. Only if the Department has a question concerning your request will you receive correspondence.

Filing Amended Returns. It is not necessary to attach a complete copy of your original return. Use a Pennsylvania tax return from the same tax year you are amending. For example: to amend for 1994 and 1995, use a 1994 and a 1995 PA-40R.

Clearly print **AMENDED RETURN** at the top. Follow these steps:

1. Enter the amounts from your original return which you are not amending.
2. Enter your amended amounts. Explain the reason you are filing an amended return and attach the amended forms or schedules supporting your amended amounts.
3. Calculate your amended Total PA Taxable Income.
4. Calculate your PA Tax Liability. If you received a refund on your original return, **add that amount to your PA Tax Liability.**
5. Calculate your Total Credits and Payments. If you paid tax with your original return, **add that payment to your Total Credits and Payments.**
6. Calculate your amended Tax Due or Overpayment. If an overpayment, be sure to complete Lines 19a through 19d.

The Department will take your original refund or payment into account when reviewing your amended return. Be sure to sign your amended return.

Mail your amended return, with all explanations and attachments, to: PA Department of Revenue, Bureau of Individual Taxes, Dept. 280502, Harrisburg, PA 17128-0502.

Refunds. To receive a refund if you overreported your income or are entitled to credits or deductions which you failed to claim, you must file an Amended Pennsylvania Personal Income Tax Return within three years from the date your original return was due. The Department will accept amended returns filed within three years of the extended due date if an extension was granted.

Important. An amended return may not be filed after an assessment has been issued if the amendment relates to the same taxable year and item of income, gain, deduction or [loss] involved in the assessment. In this instance, you must either file a timely petition for

reassessment or pay the assessment and file a timely refund petition to claim your refund. You may order the Petition, REV-65, by calling the Forms Ordering telephone numbers.

Underreported Income. If at any time after you file your return, you discover that you have underreported your income tax or erroneously claimed credits or deductions to which you are not entitled which would increase your taxable income, you must correct the error within 30 days by filing an Amended Pennsylvania Personal Income Tax Return. You must pay the additional tax, plus applicable penalty and interest.

Records Must Be Maintained. All amounts reported on your return and accompanying schedules are subject to verification and audit by the Pennsylvania Department of Revenue. Books and records must be maintained for at least 4 years after filing, to verify any information you reported on Pennsylvania Personal Income Tax Returns.

Penalties For Not Filing Or For Filing A Late Return. If you do not file your return on or before the due date, or if you do not file your return on or before the date to which an extension has been granted, then for each month or fraction of a month your return is late a 5% penalty will be imposed, unless reasonable cause for late filing is shown. The maximum penalty is 25%. The minimum penalty is \$5. Any person who attempts to evade or defeat their Pennsylvania Personal Income Tax responsibility may be prosecuted.

Interest for Nonpayment or for Late Payment of Your Tax. If you do not pay the tax due on or before the due date, interest will be computed from the date the tax was due and payable to the date of payment. The annual interest rate is that rate established by the U.S. Secretary of the Treasury and which is in effect on January 1 of each calendar year.

Penalties For Nonpayment Or For Late Payment Of The Tax.

- If you do not pay the full amount of your tax due with your return, a 5% underpayment penalty will be imposed.
- If you fail to report an amount of taxable income which is more than 25% of the taxable income shown on your return, an additional penalty of 25% of the tax due on the unreported income will be imposed.

These penalties will be imposed if the underpayment of tax is due to negligence or intentional disregard of rules and regulations but without intent to defraud.

- If any part of any underpayment of the tax is due to fraud, 50% of the underpayment will be added to the tax.

Important. You may be assessed **both** late filing and underpayment penalty if you file your return after the due date (or extended due date) and do not pre-pay your tax liability with your return.

Any taxpayer who files a return which does not contain sufficient information on which to determine the correct liability or which contains information which indicates the liability is significantly incorrect and the return is filed frivolously or in a manner to delay or impede the administration of the tax law shall pay a \$500 penalty. Any person required to furnish an information return who furnishes a false or fraudulent return shall be subject to a penalty of \$50 for each failure.

Rounding Amounts to Whole Dollars and Entering [Losses]. On your tax return and schedules, you **must**:

- Round money amounts to whole dollars. Any amount which is less than 50 cents is eliminated. Any amount which is 50 cents or more is increased to the next dollar amount. Using whole dollars expedites the processing of tax returns.
- Enter the dollar amount of a net [loss] in brackets on your PA-40R []. Do not use the word LOSS.

Pennsylvania and Federal Schedules and Forms. You may be able to file copies of Federal Schedules B, C and F instead of the corresponding Pennsylvania schedules. Remember, however, that the Federal amounts may not be correct for Pennsylvania purposes. See the instructions for each class of Pennsylvania income to determine if you can use a Federal schedule. You may use Federal Schedule E **but not** for reporting income or [loss] from partnerships, S corporations, estates or trusts.

You may not use Federal Schedules D, 2119 or K-1 (if a PA Schedule RK-1 was provided) or Forms 3903 and 3903F. You may not use Federal schedules or forms if you are filing as a part-year resident.

Reproducing Pennsylvania Returns and Schedules. You may make copies of all the Pennsylvania tax returns and schedules in this booklet, except for your Form PA-V.

Specific Instructions for PA-40R. Read all these instructions carefully.

Please file the return with the preprinted information. The other PA-40R is for your records.

Tax Year. Check the Fiscal Year filer box only if you are not a calendar year taxpayer. Enter the beginning and ending dates of your fiscal year. If you are filing a return for a deceased person, check this box and enter the date of the decedent's death on the Ending line.

Social Security Number, Name and Address. Review the preprinted information on your PA-40R. Make any necessary corrections in the space provided. If you have a blank return, print or type your name (last name first) and your complete address including zip code in the change area. If a husband and wife use different last names, please separate the names as in the following example: Smith, Paul L. and Weston, Joan A. If married, enter your spouse's Social Security Number, even if filing separately.

Type Filer. Enter your filing status.

Residency Status. If you are a part-year resident, indicate the time (from month/day to month/day) you were a resident. To determine if you are a resident, nonresident, or part-year resident, see page 2.

School District information. Enter the name and code number of the school district where you lived December 31, (see pages 18 and 19 for school district names and code numbers). If you do not know the name of the school district in which you lived at the end of 1995, contact the nearest school or your local government office. If you are filing as a part-year resident and you moved to a place outside Pennsylvania during 1995, use code 99999.

Option Not To Receive A 1996 Pennsylvania Tax Booklet. If you paid a preparer who did not use the forms provided by the Department to complete your 1995 Pennsylvania Personal Income Tax Return, check this box. You will not receive a booklet next year.

Line Instructions for Reporting income and [Loss]

Miscellaneous or Other Income. Pennsylvania law does not define a **Miscellaneous or Other** class. All income must be classified and reported on the appropriate line of your PA Tax Return. Generally, **Miscellaneous or Other** income is either payments for services rendered (**Compensation**) or derived in the ordinary course of business activities (**Net Income or [Loss] from the Operation of a Business, Profession or Farm**). Include this income on the appropriate line of your Pennsylvania Personal Income Tax Return and attach your Form 1099-MISC., statement, schedule or other explanation of the income. Some examples of **Miscellaneous or Other** income which are classified as **Compensation**:

- Damage awards and settlements (other than in personal injury cases) constitute taxable income to the extent the payments represent back wages or other uncollected entitlement to taxable income;
- Honorariums;
- Fees received by executors (unless in the business of being an executor);
- Fees received by directors of corporations (unless in the business of being a director);
- Severance pay received as consideration for terminating employment before reaching normal retirement age;
- Covenant not to compete (for refraining from the performance of services);
- Jury fees; and ,
- Expert witness fees.

Line 1a. Gross Pennsylvania Compensation. Enter the total of your Pennsylvania taxable compensation from your Form(s) W-2 and other statements.

Do not use Federal wages.

Form W-2 Wage and Tax Statement. A copy of Form W-2 for each employer must accompany your PA-40R as evidence of your compensation and taxes withheld. If you worked for more than one employer during the year, you should have more than one Form W-2. You must provide copies of all Form(s) W-2. If the Pennsylvania taxable compensation you report on Line 1a differs from that on your Form W-2, you must explain this difference in a separate written statement or schedule. Attach this explanation to the back of your return.

Use only the wages reported in the **Pennsylvania or state** block of your Form W-2. If you are unable to furnish a Form W-2 or the Federal substitute W-2, Form 4852, attach copies of evidence of compensation paid and taxes withheld (such as pay stubs) along with a statement explaining the reason you do not have a Form W-2.

Compensation means remuneration received for services whether directly or through an agent and whether in cash or in property. Compensation includes salaries, wages, tips, gratuities, commissions, bonuses, incentive payments, vacation or holiday pay, termination or severance pay, sick pay (unless excludable), reimbursements and allowances in excess of allowable business expenses, and payments realized in the form of property or a discharge of indebtedness, unless specifically excludable from compensation. Compensation paid in any medium other than cash is valued at fair market value.

Sick pay and disability benefits, other than regular wages, are not taxable for Pennsylvania purposes. Payments made by third party insurers for sickness or disability are not taxable. Where sick pay represents regular wages or sick leave pay, the income is taxable to the employee.

Reimbursement For Expenses. You must report all reimbursements and allowances paid by your employer as compensation **unless**:

1. The expenses for which you are reimbursed are allowable employe business expenses; **and**
2. You are required to, and do account for these expenses to your employer; **and**
3. You are reimbursed by your employer in the exact amount of the allowable business expenses; **and**
4. You do not report these expenses on PA Schedules UE-1 or UE-2.

See instructions for reporting employe business expenses.

Although you must be able to substantiate travel expenses as to time, place and business purpose, you meet the above requirements when you receive a fixed mileage allowance or a per diem living expense allowance which does not exceed applicable limits as defined for the Federal Income Tax Return.

Exclusions from Compensation. Certain income is not taxable as compensation. Examples are:

1. Social Security benefits, public assistance and unemployment compensation;
2. Qualifying old age or retirement benefits;
3. Payments received under workers compensation acts, occupational disease acts or similar legislation for injuries received while working and damages received (whether by suit or otherwise) for personal injuries or sickness. If the payments you received for injuries received while on the job are included in your Form W-2, attach an explanation;
4. All premiums for group term life insurance policies purchased for employees,
5. Prizes and awards unless the winner is required to render any substantial services as a condition to receiving the prize or award;
6. Federally taxable noncash fringe benefits realized from an employee's personal use of his employer's property or services,

such as an employee's personal use of his employer's vehicle or airplane.

Gifts. Gifts made from detached or disinterested generosity are not taxable. However, transfers of cash or property made pursuant to an obligation to provide payment for compensable services or as an inducement to perform compensable services are taxable compensation, **not** gifts.

Scholarships, Fellowships and Stipends. Scholarships and fellowship awards made on the basis of need or academic achievement for the purpose of encouraging or allowing the recipient to further his educational development and not as compensation for past or present services or in expectation of future employment are not taxable. If you believe your scholarship or fellowship award meets this requirement, you must attach an original detailed description of the program under which the scholarship, fellowship or stipend was granted. This must be an original letter and signed by your department head or other official. **Important.** You must attach to your return a detailed description of the program under which the award was granted. A form letter is not acceptable.

Fellowship awards and stipends constitute compensation for services if the recipient is required to apply his skill and training to advance research, creative work or some other project or activity, unless the recipient can show that:

1. The benefits resulting from the services of the recipient are so minimal, given the actual services performed or expected to be performed, that they constitute no realistic basis for compensation; **or**
2. The activities of the recipient are so closely and directly supervised and immediately controlled by regular faculty members so as to constitute a burden on the institution which would offset any benefit it receives from the recipient's activities; **or**
3. The recipient is a candidate for a degree and the same activities are required of all candidates for that degree as a condition to receiving such degree.

Stipends paid to medical interns and residents pursuant to an internship or residency program that conforms with the "Essentials of an Approved Internship" or the "Essentials of an Approved Residency" as established by the American Medical Association are taxable.

Pennsylvania Differences from Federal Rules for Compensation. On Form W-2, an employee's Pennsylvania taxable compensation will usually be different from his or her Federal taxable wages. Pennsylvania taxable compensation is usually higher than Federal taxable wages. Below are described some of the major reasons for differences on your Form(s) W-2.

Employe Contributions to Employer Retirement, Pension and Other Deferred Compensation Plans. Your payments, whether voluntary or mandatory and whether direct or through withholding, into your employer's retirement plan are not excludable from your gross Pennsylvania taxable compensation. This is true even if your contributions are not taxable for Federal purposes. You may not exclude, or take as an expense, any payments you make into a retirement plan. **Reason.** Pennsylvania does not tax commonly recognized retirement benefits. If you meet the requirements of the retirement plan, your benefits are not taxable.

Early Retirement Incentive Plans. Payments received as an inducement for early retirement are taxable as compensation. Such payments are not considered as part of a qualifying retirement plan. Your employer should include these incentive payments on Form W-2 and withhold Pennsylvania Personal Income Tax. Even if you move out of Pennsylvania, these incentive payments are taxable.

Sick Pay and Disability Pay. If you receive periodic payments for sickness or disability, including payments from third party insurers, your employer should not include those payments in your Pennsylvania taxable compensation. If your employer does include sick or disability pay in your Form W-2 compensation and withhold Pennsylvania tax, you must provide an explanation from your employer stating the number of days and amount of nontaxable sick or disability pay included. **Exception:** Sick leave pay or payments equal to your full regular wages are taxable for Pennsylvania purposes.

Fringe Benefits. Pennsylvania law does not have language similar to Federal law concerning employe benefits plans (cafeteria plans).

For Pennsylvania purposes, if an employer pays or reimburses you for a personal expense or gives you cash, or the option to select cash instead of a benefit, the value of the benefit, or the cash, is included in your Pennsylvania taxable compensation. **Taxable benefits** include cash, reimbursements for dependent care expenses, life insurance on dependents, the option to receive cash or take any other benefit, including nontaxable benefits and tuition reductions for dependents. **Nontaxable benefits** include health, eye and dental care, group term life insurance and personal use of employer property, such as a car, recreational facility, housing and dependent care facilities.

Clergy and Statutory Employes. Pennsylvania has no special rules for these or any other type of employes. Housing allowances paid to clergy are always included in Pennsylvania taxable compensation. The fair market value of the use of employer owned property (car and housing) is not included in taxable compensation. Employes may take allowable employe business expenses on a PA Schedule UE, not a PA or Federal Schedule C. Pennsylvania law does not make any exception for any specific type of employe or job situation.

Individual Retirement Arrangements Contributions. No exclusion is provided for contributions to Individual Retirement Arrangements **except:**

1. Direct employer contributions; and/or
2. Amounts rolled over from another IRA or from a qualifying old age or retirement benefit program where the transferred amounts are not includable in income for Federal Income Tax purposes.

Undistributed Income on IRA Assets. Undistributed income including interest and other earnings on assets held is not includable in income.

Withdrawals from IRA's. Amounts withdrawn from an IRA are includable in income to the extent that contributions and income earned on such contributions were not taxed previously, except:

1. Payments, including lump sum distributions, made on or after retirement after reaching the age of 59 1/2 years;
2. Payments received at regularly recurring intervals during periods of disability by reason of disability;
3. Payments paid to the estate or designated beneficiary of the participant by reason of the participant's death;
4. Payments which are rolled over into another IRA or into a qualifying old age or retirement benefit program, where the transferred amounts are not includable in income for Federal Income Tax purposes.

Line 1b. Unreimbursed Employe Business Expenses. The specific instructions for PA Schedule UE-1 and UE-2 begin on page 11. Enter your unreimbursed employe business expenses from your PA Schedule(s) UE. If you are not reimbursed for an allowable business expense, or if the amount of your reimbursement does not cover the entire amount of the allowable expenses you incurred, you may reduce your taxable compensation by the amount of your unreimbursed expenses. You must use a PA Schedule UE. If the amount of your reimbursement is more than the amount of the allowable business expense you incurred, the excess is taxable as compensation. Include the excess on Line 1a and explain with your PA Schedule UE.

Example. Joe is a salesman. He earns gross compensation of \$30,000 during the year. He incurred allowable business expenses of \$3,000. He was reimbursed by his employer in the amount of \$3,500. Joe must report the excess reimbursement of \$500 as compensation. His total taxable compensation is \$30,500. If Joe had been reimbursed in the amount of \$2,000 by his employer, his taxable compensation would be \$29,000. For both examples, Joe must complete a PA Schedule UE.

What Are Allowable Employe Business Expenses? Allowable expenses on PA Schedule UE are different than allowable business expenses on a PA or Federal Schedule C, E, F, 1065, PA-65, PA-20S, 1120S, etc. To be an allowable employe business expense, the expense must be:

1. Ordinary - customary and accepted in the industry or occupation in which you work; **and**

2. Actual - incurred in 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.

You did not incur an allowable business expense during the year if you:

1. Received a fixed mileage allowance or a per diem living expense allowance and you did not, nor did your employer, include the allowance in income;
2. Were required to account for your expenses to your employer and you were reimbursed by your employer in the exact amount of your expenses.

Do not include such reimbursements in Gross Compensation or claim such expenses on PA Schedule UE.

What Expenses Are Not Allowable and Not Deductible from Compensation?

1. Personal, living or family expenses;
2. Dues to fraternal organizations or professional societies, Chambers of Commerce or recreational club memberships;
3. Dues and subscriptions to publications, including trade and professional publications;
4. Political candidate or campaign contributions;
5. Charitable contributions;
6. Commuting expenses;
7. Cost of meals while working late, unless while traveling away from home overnight on business;
8. Occupational privilege taxes or assessments and other local, county, state, federal and foreign country taxes;
9. Child care or elderly care expenses;
10. Life, disability income and health insurance premiums;
11. Contributions to deferred compensation plans or other pension plans;
12. Legal fees (except to recover back wages), fines, penalties and bad debts;
13. Bribes, kickbacks or other illegal payments;
14. Job hunting or other pursuit of employment expenses;
15. Malpractice insurance premiums, except when required by law or by the employer as a condition of employment. See PA Schedule UE-1, Part D;
16. Moving expenses, "except when moving for the convenience of the employer." See PA Schedule UE-1, Part G;
17. Educational expenses, except when required by law or by the employer. See PA Schedule UE-1, Part H;
18. Capital expenditures. Depreciation may be allowable in determining expenses on PA Schedule UE-1. Federal depreciation or cost recovery deductions are acceptable for Pennsylvania purposes to compute allowable business expenses. See specific instructions for each part of PA Schedules UE-1 and UE-2.

Use Of The Allowable Business Expense Schedules UE-1 and UE-2. The specific instructions for PA Schedules UE-1 and UE-2 are on page 11. This booklet contains both Allowable Business Expenses Schedules. PA Schedule UE-1 is for claiming all allowable business expenses incurred by employees and individuals earning nonemployee compensation. If you are claiming your actual travel and mileage expenses or office in home, moving, education or miscellaneous expenses, you must use PA Schedule UE-1. PA Schedule UE-2 is for claim-ing certain common employe business expenses. If you

are claiming on-ly union dues, work clothes and uniforms, small tools and supplies, professional license fees or insurance and/or travel and mileage expenses from Federal Form 2106 as allowable business expenses, you may use PA Schedule UE-2 which is on the back of your PA-40R.

Even when filing jointly, a separate PA Schedule UE must be filed for:

1. Each taxpayer, if both spouses incurred unreimbursed allowable business expenses;
2. Expenses incurred for different employers (a separate PA Schedule UE for each employer is required; you may not combine expenses);
3. Expenses incurred in more than one specific occupation.

Important. Sole proprietors, partners, shareholders or other self-employed individuals do not use either PA Schedule UE-1 or UE-2 to claim any expenses.

Line 1c. Taxable Compensation. Subtract the amount shown on Line 1b from the amount shown on Line 1a and report the difference on Line 1c. Line 1c represents your taxable compensation.

Line 2. Taxable Interest. Include all interest income received during the taxable year from savings and loan associations, credit unions, bank deposits, bonds, certificates of deposit, interest-bearing checking accounts, tax refunds or other obligations on Line 2 of your return. Generally, Federal Form 1099, Interest Income, issued by financial institutions will indicate the amount of interest received or credited from or by such institutions. Interest received on GNMA and FNMA certificates is taxable for Pennsylvania purposes. If over \$1,000, a PA Schedule A must be completed and filed.

Tax Exempt Interest. Interest which you receive from direct obligations of the Commonwealth of Pennsylvania or its political subdivisions and direct obligations of the United States government is not taxable income and should not be reported. Interest from Series E, F, G, H and EE bonds, Federal treasury bills and notes is not taxable. Interest received from obligations of other states or countries is taxable income.

For a complete list of exempt obligations, request form numbers REV-1643 by calling the Forms Ordering numbers on the front page.

Exempt interest is included in Eligibility Income for Tax Forgiveness purposes.

Distributions from Money Market and Mutual Funds and Other Investment Companies. Distributions from the earnings and profits of money market or mutual funds and investment trusts and companies must be reported as dividend income (see Line 3) and not interest income.

Forfeited Interest Penalty. You may offset forfeited interest penalty in-curred for premature redemption or withdrawal of a time savings account or certificate of deposit against only the interest income from that account or certificate. You cannot offset such interest penalty against other interest income. If the total penalty exceeds the interest on an account or certificate, the excess may be taken as a [loss] on PA Schedule D.

Undistributed Interest Income from Individual Retirement Arrangements.

Instructions for PA Schedule A. All Pennsylvania taxable interest income must be reported on your return. When your interest income exceeds \$1,000, you must complete and file a PA Schedule A. You are not required to attach your Federal Forms 1099-INT.

Line 3. Taxable Dividends. All dividend income is reported on Line 3 in the taxable year in which it is received or credited. A resident shareholder must report as taxable dividend income any distribution by a business corporation or business association out of its earnings and profits, without regard to the manner in which the business derived the income. For Pennsylvania tax purposes, a business association is an unincorporated business enterprise which is organized in a manner similar to a business corporation. Business corporations or business associations include, but are not limited to, business trusts, federally qualified real estate investment companies, mutual funds and other federally regulated investment companies. If over \$1,000, a PA Schedule B must be completed and filed.

Note. If you are a shareholder in a Subchapter S corporation in another state which is NOT also a PA S corporation, you report only the cash or property you actually received (your distributions) as **Dividend Income on your PA-40R**. You do not report the amount of your distributable income and you may not claim a credit for any tax paid to the other state on this income.

Example. B Corporation, a Subchapter S corporation for Federal Income Tax purposes, distributes all of its earnings and profits for the year to its sole stockholder Carolyn, a resident of Pennsylvania. The corporate earnings and profits were derived from a department store operated by the corporation, from Federal and state obligations and other securities, and from rental properties. B corporation is not a PA S corporation. Notwithstanding the source of such earnings and profits, the distribution represents taxable dividend income to Carolyn in the taxable year received.

Dividend Reinvestment Plans. An individual who, pursuant to a stock dividend reinvestment plan, chooses to receive a dividend in the form of stock rather than cash or other property must report as dividend income the stock's fair market value as of the date it is paid.

Dividend Income Does Not Include:

1. Dividends distributed by a corporation to its stockholders in the form of stock if the distribution is not treated as personal income for Federal Income Tax purposes.
2. Distributions designated as "return of capital" by utility companies or other corporations. Such distributions serve to reduce the basis of your stock in the corporation. Once your basis is reduced to zero, any further distributions are taxed as gain from the sale or disposition of property.
3. "Dividends" paid by savings and loan associations, mutual savings banks, cooperative banks and credit unions on deposits or withdrawals from accounts. They must be reported as interest. (See Line 2 instructions.)
4. Ordinary dividends paid by a mutual fund or a registered investment company and designated as being "Exempt-interest Dividends" for Pennsylvania Personal Income Tax purposes in the written notice issued to the shareholder. You may exclude the portion of total dividends which are designated by the fund or company as being from exempt Pennsylvania obligations and exempt Federal obligations. The amount designated as capital gains is fully taxable as dividend income for Pennsylvania Personal Income Tax purposes.

Note. This rule applies to PA S corporations only, not for C corporations. Report only the amount remaining after subtracting the exempt Pennsylvania and Federal ordinary dividends from the total dividends.

Instructions for PA Schedule B. All Pennsylvania taxable dividend income must be reported with your return. When your total dividend income exceeds \$1,000, you must complete and file a PA Schedule B. You are not required to attach your Federal Forms 1099-DIV.

Line 4. Net Income or [Loss] from the Operation of a Business, Profession or Farm. Include on Line 4 the total of all PA Schedules C, F and RK-1. Also include the Pennsylvania net profit or [loss] from PA Schedule C-F Reconciliation for those Federal schedules you elect to use on which certain adjustments **must** be made for Pennsylvania Personal Income Tax purposes. If using Federal schedules, other than Federal Schedule K-1, but you choose not to take advantage of those adjustments allowable, but not mandatory, for Pennsylvania Personal Income Tax purposes, include the Federal amount of income or [loss] on Line 4.

If married and electing to file a joint return, you and your spouse must each determine your own net profit or [loss] separately. If you each realize a total net profit, add your total net income together and report that total on Line 4. If you each realize a net [loss], add your total [losses] together and report that total in brackets on Line 4. If one spouse has a net profit and the other a net [loss], enter only the net profit on Line 4.

Sole proprietors who had profit or [loss] from a business or profession, must complete and attach a PA Schedule C. Sole proprietors who had profit or [loss] from a farm must complete and attach a PA Schedule F. If you have income from a partnership or PA S Corporation, whether distributed or not, you must attach the PA Schedule RK-1 you received. **Note.** If you are a shareholder in a PA

S Corporation in another state which is NOT also a PA S corporation, you only report cash or property you actually received (distributions) as Dividend Income on Line 3; however, you are not entitled to any credit for tax paid on your distributed/distributable income reported to the other state.

PA and Federal Schedules. Attach all PA Schedules C, F, RK-1 and C-F Reconciliation. Indicate in the checklist on the right side of your PA-40R the number of each schedule attached. If you do not receive a PA Schedule RK-1, you must classify the income shown on the Federal K-1 using Pennsylvania Personal Income Tax rules. Read all instructions for each class of income carefully and report your income properly. If attaching a Federal Schedule C, F or K-1, include those schedules in the number.

What is a Business or Profession? Not every income-producing activity constitutes a business or profession. For Pennsylvania Personal Income Tax purposes, a business or profession has certain common characteristics. You realize income from a business or profession if you meet each of the following:

1. You market your products, goods and/or services to your customers in a marketplace; and
2. You regularly and continuously conduct your commercial activities; and
3. You do not limit or restrict your commercial activities to certain related or unrelated customers.

Net profit or [loss] is computed solely from those items of revenue, cost, expense or liability which you receive from or incur in:

1. The ordinary course and operation of your business, profession or farm activities; or
2. Securities employed as working capital in the ordinary operation of your business, profession or farm; or
3. Accounts and notes receivable from the sales of products and/or services in the ordinary operation of your business, profession or farm; or
4. Assets which serve an operational function in the ordinary operation of your business, profession or farm.

Allowable expenses must be those ordinary, necessary and reasonable expenses currently paid or incurred during the taxable year which are directly related to and necessary for the production and marketing of your products, goods and services. Only business expenses are allowable. Personal expenses are not deductible.

The following activities do not constitute the operation of a business, profession or farm:

1. A sale, discontinuation or abandonment of a business or segment thereof;
2. An isolated or nonrecurring transaction which is not normal or routine business activity;
3. The ownership or disposition of assets which are held for long-term investment purposes;
4. Trading in securities for personal purposes;
5. A nonoperating interest in coal, oil, gas or minerals in place, unless they serve an operational function in the operation of the owner's business;

Note: Income or [Loss] from these activities is reportable within other classes of Pennsylvania income.

6. The payment of any tax imposed on, or measured by, gross or net earned or unearned income.

PA Schedule C-F Reconciliation. The specific instructions for PA Schedule C-F Reconciliation are on page 13. If you choose to report your gain or [loss] from a Federal business schedule, be aware that Pennsylvania rules differ from Federal rules in arriving at net taxable income or [loss] for Pennsylvania Personal Income Tax purposes. Pennsylvania law determines net profit or [loss] under generally

accepted accounting principles and practices. Use this schedule to make adjustments to your Federal amounts.

Pennsylvania Profit or [Loss] from PA Schedules RK-1. If you are a partner in a partnership or a shareholder in a PA S corporation, you will receive a PA Schedule RK-1 from each business. The PA Schedule RK-1 will show your share of ordinary income or [loss], as well as any income or [loss] for the other Pennsylvania income classes. If you received any guaranteed payments from the business operations of your partnership or PA S corporation, you generally must add those payments to the amount of your ordinary business income or [loss] shown on your PA Schedule RK-1. All allowable expenses and adjustments are to be made by the partnership or PA S corporation. However, if under the partnership or PA S corporation agreement, you are required to incur direct business expenses for which you will not be reimbursed, you must itemize those expenses on a separate schedule or statement. The expenses claimed must be ordinary, necessary, reasonable and directly related to the business activity of the partnership. Expenses not allowable for Pennsylvania Personal Income Tax purposes, personal expenses and "expenses incurred for your own convenience" are not deductible.

Line 5. Net Gain or [Loss] from the Sale, Exchange or Disposition of Property. Include on Line 5 the total of your PA Schedule(s) D. Also include gains and [losses] from other PA schedules which are reported in this income class.

If married and electing to file a joint return, you and your spouse must each determine your total Pennsylvania net gain or [loss] separately. If you each realize a net gain, add your total net gains together and report that total on Line 5. If you each realize a net [loss], add your total [losses] together and report that total in brackets on Line 5. If one spouse has a net gain and the other a net [loss], enter only the net gain on Line 5.

You must report each sale, exchange or disposition of any kind of property, including land, buildings, a residence, and any other real or tangible personal property. You must also report the sale, exchange or disposition of stocks, bonds, ownership interests in partnerships and business enterprise, contracts of insurance, annuities, contracts of insurance with refundable accumulated refundable reserves payable upon lapse or surrender and any other intangible personal property.

- Gain on the disposition of property is recognized only in the taxable year in which the amount realized from the disposition of the property exceeds the adjusted basis of such property.
- [Loss] on the disposition of property is recognized only in the year in which the transaction is closed and completed by some identifiable event which fixes the amount of the [loss] so there is no possibility of any eventual recovery.
- [Loss] is recognized only with respect to transactions entered into for profit such as investments, business property and real estate.

Example. If you realize a [loss] on the sale of your personal residence or if you sell your personal automobile at a [loss], you may not offset other gains with such [losses].

Capital Gain Distributions. Capital gain distributions you receive from mutual funds or other regulated investment companies are taxable as Dividends on Line 3 of your PA-40R.

Exempt Obligations Issued Before February 1, 1994. Net gains from the sale, exchange or disposition of the following pre-February 1, 1994 obligations are not subject to Pennsylvania Personal Income Tax:

1. Direct obligations of the United States Government, such as Federal treasury bills and treasury notes;
2. Obligations of certain agencies, instrumentalities and territories of the U.S. Government;
3. Direct obligations of the Commonwealth of Pennsylvania and its political subdivisions.

Any [loss] realized on the disposition of the above obligations may not be used to offset any other gains.

If the Above Obligations Were Originally Issued On or After February 1, 1994, under legislation enacted in 1993, the gain or [loss] realized on the sale, exchange or disposition of such obligations must

be reported. Gains are taxable and [losses] may be used to offset other gains.

Important. Net gains and [losses] from the disposition of obligations of other states and countries are subject to the Pennsylvania Personal Income Tax.

PA Schedule D. The specific instructions for PA Schedule D are on page 13.

Line 5a. Amount of Gain Excluded on PA Schedule PA-19. Enter the amount from Line 21 of PA Schedule PA-19 if you were eligible for this exclusion.

Line 6. Rents, Royalties, Patents and Copyrights. Total your income or [loss] from all PA Schedule(s) E (you may use Federal Schedule E for Part I only) and all PA Schedule(s) RK-1 you receive as a partner or shareholder in a PA S corporation. You may offset net gains and [losses] in determining this line. If a net [loss] is realized, enter the amount in brackets on Line 6. Rental income is income you receive for the use of your real or tangible property. Royalty income is income you receive upon the extraction of coal, oil, gas or other minerals or for the use of your patent or copyright. Attach all PA Schedule(s) E and indicate in the column on the right side of your PA-40R the number of schedules attached.

Gross rents and royalties includes all items of gross income or receipts from rents, royalties, patents, copyrights, secret processes, formulas, good will, trademarks, trade brands, franchises and similar property derived in the form of rents and royalties except:

1. Income or receipts from the sale, exchange or other disposition of rental property, royalty rights, copyrights, secret processes, patents, formulas, good will, trademarks, trade brands, franchises and similar property; and
2. Income or receipts from operating oil, gas or mineral interests includable in the computation of net profits from a business, profession or farm or otherwise derived in the ordinary course of and from the operation of a business.

Allowable Deductions. Only expenses paid or incurred during the taxable year which are ordinarily incurred in 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 are deductible. Such expenses include advertising, cleaning and maintenance, agent commissions, insurance, legal fees, management fees, interest, repairs, supplies, utilities, depreciation and depletion. Deductions allowable under MACRS including the IRC Section 179 additional first year depreciation allowable for small businesses, are acceptable depreciation deductions for Pennsylvania.

No deduction is allowed for your own labor, capital investment or capital improvements. No deduction is allowed for personal expenses or any part of an allowable deduction which is personal.

Rents vs. Net Profits. The leasing of tangible property would constitute a business only if:

1. You offer the use of your property on a commercial basis to others in a marketplace and at least one of the following applies:
 - The average period of customer use is 30 days or less; or
 - Your property is customarily made available for use only during defined business hours; or
 - In addition to the property you also provide significant services to your lessee; or
 - You incur significant operating expenses in making the property available for lease; or
 - The leasing activity is incidental to a real estate sales business; and
2. You offer the use of your property with the intention of realizing a profit; and
3. The leasing of your property is characterized by regularity and continuity of activities.

Generally, you provide significant services when you provide services for the lessee's convenience and such services are not ordinarily or

customarily incurred in leasing property. For example: providing heat, lighting, electric service, elevators, cleaning public access and exit areas, collecting trash, and maintenance of the property in a usable rentable condition are not usually significant services. However, providing maid service, room service, valet parking, decorating assistance, delivery services, transportation services and concierge services are significant.

Rents vs. Sales. A lease with an option to buy real property in Pennsylvania may be a purchase contract. If so, the payments received are reportable as net gains from the sale or other disposition of property. You must complete and file a PA Schedule D. If you give up all mineral rights or ownership rights to Pennsylvania property or your patents or copyrights, the payments you receive are reportable as net gains from the sale or other disposition of property. You must complete and file a PA Schedule D.

PA Schedule E. The schedule is self explanatory. If making Pennsylvania adjustments to your Federal rent, royalty, patent or copyright income, attach an explanation.

Line 7. Estate and Trust Income. Cash and property acquired from an estate or trust by gift, bequest, devise or inheritance are not taxable. Income received by the estate or trust on its assets which is currently distributable or, in fact, is paid or credited to a beneficiary of the estate or trust is taxable to the beneficiary. If you are a beneficiary of one or more estates or trusts, you must complete PA Schedule J to report the income you received and identify the name and address of each estate or trust.

PA Schedule J. The schedule is self-explanatory. Do not use a Federal Schedule K-1 if you receive one.

Line 8. Gambling and Lottery Winnings. Enter the amount of gambling and lottery winnings, excluding (losses) and winnings in the Pennsylvania State Lottery.

- **Losses.** You may not offset [losses] incurred on or after July 21, 1983 in the Pennsylvania State Lottery against lottery winnings. You may offset other gambling and lottery [losses] against your gambling and lottery winnings.
- **Expenses.** No expenses which are attributable to gambling and lottery winnings are deductible.

Schedule of Gambling and Lottery Winnings. Attach the same schedule, explanation or information to your PA-40R that you provided with your Federal Income Tax return.

Line 9. Pennsylvania Taxable Income. Total all income lines and enter the result. A [loss] in one class of income may not be used to reduce income in the other classes.

Line 10. Tax Liability. Multiply your Pennsylvania taxable income amount (Line 9) by 2.8% (0.028). Enter the result here. This amount is your Pennsylvania tax liability before adjustment for your tax payments and credits.

Line Instructions for Payments and Credits

Line 11. Total Pennsylvania Income Taxes Withheld. Enter the total of Pennsylvania tax withheld as shown in the Pennsylvania or state box of your Form(s) W-2. Attach your Form(s) W-2 to the back of your PA-40R.

If your employer withheld more than 2.8% from your wages, attach an explanation.

Lines 12a through 12d. 1995 Estimated Payments and Credits. Enter on Line 12a the credit from your 1994 overpayment. Enter on Line 12b the total of your 1995 estimated income tax installment payments. Do not include any payment of tax due which you made with your 1994 Pennsylvania Personal Income Tax Return. Enter on Line 12c any payment you made with your request for an extension of time to file your 1995 PA-40R. Add the amounts on these lines and enter the total on Line 12d.

Note.

- If married and you and your spouse made separate estimated income tax installment payments, you should each file separate returns claiming your own payments.

- If married and you and your spouse made your estimated payments jointly, you should file a joint return. Filing in this manner will avoid processing delays and correspondence from the Department.

If you are not filing in the same manner as you made your estimated payments, attach to the front of your return a statement signed by both you and your spouse explaining how you wish your payments applied and authorizing the Department to make the necessary adjustments to your estimated account(s). For married couples with a joint estimated account but filing separately, the Department may delay processing until both tax returns are received and recorded on our computer processing system.

Lines 13a through 13d. Tax Forgiveness. You must complete your PA Schedule SP and SP Worksheet before you can complete these lines. The specific instructions for these schedules begin on page 15.

Line 13a. Household Members from Line 4, Part II of PA Schedule SP. Enter the number of household members listed in Part II.

Line 13b. Eligibility Income from Line 1, Part III of PA Schedule SP. If single or married filing separately (including dependents of persons eligible for Tax Forgiveness), enter your Eligibility Income only. If married, filing jointly, and you and your spouse both qualify for Tax Forgiveness, enter your combined Eligibility Income.

Line 13c. Total Household Income from Line 21, Step 5 of SP Worksheet. This amount is for information purposes and will not affect your eligibility for Tax Forgiveness.

Line 13d. Tax Forgiveness from Line 6, Part III of PA Schedule SP.

Line 14. Total Credit for Taxes Paid to Other States or Countries. If you paid tax to another state or country on income also taxable on your PA-40R, you may claim a credit up to the amount of your Pennsylvania tax liability on that income. PA Schedule G and instructions are not in this booklet.

You must submit a complete PA Schedule G and a signed copy of the tax return you filed in the other state or country.

Line 15. Employment Incentive Payments Credit. Persons and corporations who employ welfare recipients may be eligible for an "Employment Incentive Payments Credit." PA Schedule W and instructions can be obtained by calling the Forms Ordering telephone numbers on the cover or the Department of Revenue district office in your area. A completed PA Schedule W must accompany a return claiming this credit.

Line 16. Total Payments and Credits. Total the payment and credit lines and enter the result here.

Tax Due or Overpayment

Line 17. Tax Due. If Line 10 is more than Line 16, subtract Line 10 from Line 16 and enter the difference as your tax due on Line 17. You must pay the amount of tax due in full with your return.

Line 18. Overpayment. If Line 16 is more than Line 10, subtract Line 16 from Line 10 and enter the difference as your overpayment on Line 18.

Important. The Department may apply your overpayment to any tax liability you owe for previous tax years.

Lines 19a through 19d. Application of Overpayment. If you have an overpayment of \$1 or more, you may request that all or any part of that overpayment be refunded to you (Line 19a), credited to your 1996 estimated tax account (Line 19b), donated to the Wild Resource Conservation Fund (Line 19c), or donated to the U.S. Olympic Committee, PA Division (Line 19d). See page 22 for additional information regarding the Wild Resource Conservation Fund and the U.S. Olympic Committee, Pennsylvania Division.

The total of Lines 19a through 19d must equal Line 18.

Review Your Return. Carefully double check your return to make sure that:

1. You have reported your Social Security Number(s) correctly.

2. You have reported all your income and claimed all credits to which you are entitled.
3. You have checked all the entries on your form and have not made mathematical errors. Errors increase return processing time.
4. You have attached all necessary and appropriate supporting forms and schedules.

Taxpayer's Signature and Verification. You must sign and date your return. You have not filed a valid return unless the return is signed. Your signature on the return verifies that you have examined your Pennsylvania Personal Income Tax Return and, under penalty of perjury, you certify that, to the best of your knowledge, every statement is true, correct and complete. You may submit a photocopied return, but the document must contain your original signature(s). A husband and wife who choose to file a joint return must both sign the return. Include the area code and telephone number where you may be called between the hours of 8:30 a.m. and 4:00 p.m.

Occupation. State your occupation. If married, also enter your spouse's occupation.

Preparer's Signature and Telephone Number. If you paid someone to prepare your tax return, the preparer must sign your return and enter his or her name and telephone number.

You Have Now Completed Your 1995 PA-40R Return. Be sure your name and social security number are on all forms and schedules which accompany your return.

How To Pay. The balance of tax due shown on your PA-40R must be paid in full with your return. Make check or money order payable to PA Department of Revenue. Include your social security number on the check or money order. See the instructions for using your PA Payment Voucher.

Bad Check. If your check is returned to the Department unpaid, you will be subject to a 10% bad check penalty (minimum of \$10) and possible criminal prosecution in addition to other penalties and interest.

Mailing Instructions. To insure your return is mailed properly:

1. Remove all three labels along perforation from envelope flap; and
2. Choose the correct label that applies to your return. See the descriptions below; and
3. Moisten and affix only the correct label on the front of the return envelope enclosed for your convenience.

Type of Return	City & State	Extended Zip Code
PAYMENT Enclosed	HBG., PA	17129-0004
REFUND/CREDIT	HBG., PA	17129-0003
NO PAYMENT	HBG., PA	17129-0002

Please do not use these mailing labels to send other correspondence to the PA Department of Revenue. Using these labels for other purposes will delay our response to you.

Assembling Your Return. Please place your tax return and the schedules and forms you used in this sequence. Staple in the upper left hand corner.

- Pennsylvania or Federal Extension, if requested
- PA-40R and PA Schedules UE-2, SP
- Federal Form(s) W-2, staple to the back of your PA-40R

Attach schedules and forms in this sequence:

- PA Schedule UE-1
- PA Schedule A/B, PA Schedule D

- PA Schedule(s) C and/or F (Federal Schedules if used)
- PA Schedule E, PA Schedule C-F & J
- Explanation of any gambling or lottery winnings
- 8 PA Schedule W
- PA Schedules RK-1 (Federal K-1 only if no Pennsylvania schedule provided)
- All other supporting schedules and documents

Important. Do not insert your Form PA-V and payment **until after** you have placed your complete PA-40R return in your envelope. **Do not staple your check or money order to your Form PA-V or to your return.**

Mailing Your Return. The U.S. Postal Service requires sufficient postage on your envelope. The Post Office may return envelopes without sufficient postage. If your envelope contains more than five (5) pages, it may require additional postage. Oversized envelopes may also require additional postage. Also, it is important that your envelope include your complete return address in the upper left corner.

Schedule Instructions

Specific Instructions for Completing PA Schedule UE-2 and Parts A through K of PA Schedule UE-1

Part A. Union Dues. Union dues, assessments and initiation fees are allowable business expenses if:

1. Such payments are a condition of continued membership in the union and membership is related directly to your present job; or
2. Such payments are required to be deducted from regular wages under an agency shop agreement.

Part B. 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:

1. Of a type specifically required by the employer to be purchased as a condition of continued employment; and
2. Not adaptable to general usage.

Part C. Small Tools and Supplies. Expenditures for small tools and supplies which are required to perform the duties of your job, but which are not provided by your employer are allowable business expenses. If any of the required tools or supplies has a useful life of more than one year, its cost is depreciated or amortized, if it cannot be currently expensed under IRC Section 179. PA Schedule UE-1 must be completed to claim depreciation expenses (Part I).

Part D. 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.

Part E. Employee Travel and Mileage Expenses. Expenses for travel, meals and lodging which were incurred in performing the duties of your job are allowable business expenses. Transportation expenses, but not commuting to and from any job, incurred in performing the duties of your job are allowable business expenses. Business expenses incurred by outside salespersons are also allowable.

You may use the PA Schedule UE-2, on the back of your PA-40R, if you are only claiming expenses from Lines 1, 2, 3 and 5 of your Federal Form 2106 and you are not claiming any of the other expenses in Part F through I of this schedule. If you are claiming your actual expenses, or have expenses from Line 4 of Federal Form 2106, you must complete this PA Schedule UE-1. Important. If using Federal Form 2106, you must itemize your expenses from Line 4 in Part J of PA Schedule UE-1. You must also itemize any other miscellaneous business expenses. The Department will not accept the Federal 1040 PC Format Return.

You will need to refer to your Federal Form 2106 to complete Part E. The Department accepts the standard mileage rate used by the IRS see Line E4. If your employer reimburses you at a per mile rate which

is less than the Federal allowable rate, you may not claim the difference on PA Schedule UE-1, Part E. You may however claim your actual expenses incurred. On PA Schedule UE-1, report your total actual travel and mileage expenses and the amount of reimbursements received from your employer. Claim the difference.

Note. If you are claiming only the above unreimbursed employe business expenses, use PA Schedule UE-2 on the back of your PA-40R. Total the expenses of Parts A through E from PA Schedule UE-2, and enter on Line 1b of PA-40R. If you are claiming any other allowable business expenses, complete Parts F through K on PA Schedule UE-1.

Specific Instructions for Completing PA Schedule UE-1. For Parts A through E, see instructions above. Complete applicable parts of PA Schedule UE-1 accordingly.

Part F. Office or Work Area Expenses. Answer the questions on Lines F1, F2 and F3. If you answer all three questions YES, complete Part F to determine your office or work area expenses. Your office or work area expenses are allowable business expenses if:

1. The duties of your employment require a suitable work area apart from your employer's premises; and
2. Your employer does not provide a suitable work area; and
3. You must provide your own work area as a condition of employment; and
4. The work area you use is your principal place of work; and
5. Your work area is used regularly and exclusively to perform the duties of your employment.

Part G. Moving Expenses. Answer the questions on Lines G1, G2 and G3. If you answer all three questions YES, complete Part G to determine your allowable moving expenses. Expenses paid or incurred in moving yourself, your immediate family, your household goods and your personal effects are allowable business expenses if:

1. The move is made for the benefit of your current employer; that is, you work for the same employer before and after your move; **and**
2. The move is from one permanent duty station to another permanent duty station.

Other allowable moving expenses include: cost of transportation to the new home (you may use actual out-of-pocket costs or \$.09 per mile), storage of household goods, meals and lodging on the way (including such costs on the day you arrive) and parking fees and tolls.

Moving expenses incurred in starting a new job are personal and not allowable. Reimbursement received for such personal expenses is includable in taxable compensation. Other personal expenses which are not allowable include: costs incurred in the sale or purchase of a home, breaking a lease expenses, pre-move house hunting, temporary lodging prior to moving, and any costs or expenses not directly related to moving.

Example 1. Dave is employed by XYZ Corp. in York. In 1995, Dave is reassigned to Erie by XYZ Corp. Dave incurs \$2,500 in moving expenses. XYZ Corp. reimburses Dave for \$1,900 of his costs. Dave's salary in 1995 was \$35,000. Dave's Form W-2 for 1995 shows \$36,900 of taxable compensation in the State or Pennsylvania Block. Dave may deduct \$2,500 on PA Schedule UE-1 on Line 1b. He will then report taxable wages of \$34,400 on Line 1c.

Example 2. Theresa accepts a position with a new employer in Harrisburg. She incurs \$900 in moving expenses in starting her new job, for which her new employer reimburses in full. Theresa's salary remains at \$35,000. Theresa's 1995 Form W-2 must show taxable employe compensation of \$35,900 and she may not claim any moving expense deduction because her moving expenses were not incurred for the same employer.

Distance Test. Your new workplace must be at least 50 miles farther from your old residence than your old workplace was. For example, if your old workplace was 3 miles from your old residence, your new workplace must be at least 53 miles from your old residence. Measure distance using the shortest of the most commonly traveled routes.

Military Personnel. If you are in the military service, you do not have to meet the distance test if the move is due to a permanent change of duty station. If you, your spouse and dependents are moving to or from different locations, you may consider all moving as one move.

Part H. Education Expenses. Answer the questions on Lines H1, H2 and H3. Follow the instructions for the questions and, if your expenses are allowable, complete Part H. The Pennsylvania test for allowable education expenses is different from the Federal test. For Pennsylvania purposes, costs for education expenses which you pay or incur are allowable business expenses if:

1. The education is specifically required by law or by your employer to retain an established employment status or rate of compensation; and
2. The education is not, part of a program which would qualify you for a new occupation, trade or business, even if you have no intention of entering that new occupation, trade or business.

Example 1. Helen is an armed security guard. State law requires that every five years she must take courses on the proper use of a firearm. If she fails to take the courses, Helen will lose her license to carry a weapon and, therefore, lose her job as a security guard. Helen may claim costs of the courses in Part H of her PA Schedule UE-1.

Example 2. Kathy is a pharmacist. State law requires every pharmacist to obtain a specific number of continuing education credits every other year to retain their license as a pharmacist. If she fails to obtain these credits, she will lose her license and, therefore, her job as a pharmacist. Kathy may claim the cost of her continuing education credit courses on her PA Schedule UE-1. **Note.** A deduction for travel expenses is not allowed if such expenses would be deductible only on the grounds that the travel itself constitutes a form of education.

Part I. Depreciation. Do not report depreciation for vehicles, offices or work areas here. See the specific parts of PA Schedule UE-1 above. Depreciation is the amount you can claim over the useful life of property used in performing the duties of your employment. An expense is allowable if the property:

1. Has a useful life exceeding one year; **and**
2. Is required to be regularly and predominantly used to perform the duties of employment; **and**
3. Is not provided or supplied by your employer.

Federal depreciation or current expensing deductions are acceptable for Pennsylvania purposes in computing allowable business expenses for depreciation. You may use any other generally accepted depreciation method as long as it is consistently used. Once you have selected a depreciation method, it may not be changed.

Part J. Miscellaneous Expenses. Enter here those expenses which you would also report on Line 4 of Federal Form 2106. You must itemize and describe in detail the expenses you are claiming. Attach a separate sheet if necessary. Expenses which may be claimed in this Part include:

1. Breakage fees or cash shortages required to be paid to your employer;
2. Fees or income included in your Pennsylvania taxable compensation on your Form W-2 which you are required to give to your employer as a condition of employment;
3. Costs incurred by blind employes to pay readers who assist them in performing their job duties;
4. Business gifts which are ordinary, necessary, reasonable and actually incurred for business purposes. (Pennsylvania does not follow Federal limits on such expenses.)

If you are a statutory employe for Federal Income Tax purposes, remember that Pennsylvania does not have a similar provision. For Pennsylvania Personal Income Tax purposes, you must claim your expenses in Part J of PA Schedule UE-1. You may use your Federal schedule or form, but you must also make the adjustments necessary to comply with Pennsylvania rules.

Part K. Use This Part To Determine Your Total Allowable Business Expenses.

Line K1. Total Expenses. Add the expenses you are claiming in each part of your PA Schedule UE-1. Enter the total on Line K1. If you are a part-year resident who continued employment in Pennsylvania and incurred expenses after moving from Pennsylvania, you must complete PA Schedule NRH. To obtain a PA Schedule NRH, see Forms Ordering on page 1.

Line K2. Reimbursements. You must include in gross compensation all reimbursements or payments for any business expenses you incurred, including your reimbursements for the expenses you are claiming on your PA Schedule UE-1. If your employer included your reimbursements in the amount of Pennsylvania taxable wages on your Form W-2, you may not enter that reimbursement here. If your employer DID NOT include your reimbursements in your W-2 wages, enter the amount received on Line K2.

Line K3. Net Amount. If your employer reimbursed you in an amount more than Your expenses, the excess payments are income and must be added to your compensation on Line 1a of your Pennsylvania Personal Income Tax Return. If your employer reimbursed you in an amount less than your expenses, the excess expenses are deductible on Line 1b of your Pennsylvania Personal Income Tax Return.

Retention of Records. The Department may require you to substantiate the amount and nature of any allowable business expenses you claim. You should retain necessary documents, receipts, vouchers or other records for at least 4 years to substantiate your expenses. You have the burden of proving that any expenses claimed are ordinary, actual, reasonable and necessary.

Specific Instructions for PA Schedule C-F Reconciliation. If you choose to report the gain or [loss] from Federal business schedules, use this schedule to account for the differences between Pennsylvania and the IRS in arriving at net taxable income or [loss] for Pennsylvania Personal Income Tax purposes:

Part A. Enter the identification information requested. Be sure to provide the Federal EIN.

Part B. Copy the gross income information from your Federal Schedule C, F or Form 1065 for Lines 1a, 1b, 1c and 2.

Line 1d. Enter here any income which must be reported as business or farm income for Pennsylvania Personal Income Tax purposes, which may be reported elsewhere on your Federal return. For example: interest from short term investments to generate working capital; net gain or [loss] from the sale of assets in the ordinary course of business or other proceeds directly attributable to this income class. Deduct income which is not reportable for Pennsylvania Personal Income Tax purposes. For example: [loss] from the sale of assets used in business.

Line 3. Total the amounts from Lines 1c plus 1d, less Line 2 and enter the result.

Part C. Enter your business expenses total from your Federal schedule or form on Line 4.

Part D. Make any necessary adjustments to your business expenses. If reducing an expense item, please indicate by using brackets []. If increasing an expense amount, enter the difference between the Federal amount and the Pennsylvania allowable amount. The most common differences between Pennsylvania and Federal expenses are explained below. You must make adjustments for those lines marked with * *. For Pennsylvania Personal Income Tax purposes, expenses must be ordinary to the business or farm activity, necessary to operate the business or farm, reasonable in amount and not excessive and directly related to the business or farm activity. Personal expenses are not allowable.

- 5a. The Federal limitation on business meals and entertainment does not apply. You may deduct 100% of these expenses.
- 5b. Sales tax on depreciable business assets may be currently expensed for Pennsylvania Personal Income Tax purposes. On

disposition, your Pennsylvania basis will be different than your Federal basis.

- 5c. Charitable contributions made from your business and publicly acknowledged by the recipient are allowable deductions. Personal donations are not allowable for Pennsylvania. Personal Income Tax purposes.
- 5d. You may use the capitalization rules established by your trade, profession or industry under its generally accepted accounting principles and practices instead of the Federal accounting rules. As with depreciation, once elected, it must be consistently applied.
- 5e. You may use any generally recognized and accepted depreciation method for your business or farm activity, including IRC Section 179 current expensing and the special rules for the construction of handicap accessible facilities. Once a method is elected, you must consistently follow that depreciation method.
- *5f.* The Federal labor hired deduction or Federal wage deduction does not apply for Pennsylvania purposes. If claimed, these deductions must be added back to your wage expense.
- *5g.* If you are claiming the Pennsylvania Employment Incentive Payments (EIP) Credit (Line 15 of your PA-40R), you must reduce your total wages expense by the amount of your EIP credit.
- *5h.* Contributions you make as a self-employed individual to your own pension plan (such as an IRA or Keogh plan) are not allowable expense in determining net profit or [loss] nor an allowable expense against any other taxable income. Contributions you make to your employees' retirement plans and welfare benefits plans are allowable business expenses.
- *5i.* Contributions to your own health or welfare benefits plan are not allowable expenses in determining net profit or [loss] nor allowable expenses against any other taxable income. Contributions you make to your employees' retirement plans and welfare benefits plans are allowable business expenses.
- *5j.* Federal, state and local taxes may be deducted, but not taxes based on gross or net income; Federal income taxes; taxes paid to other states or foreign countries based on income; estate taxes; inheritance, legacy, succession and gift taxes and assessments for betterments and improvements. You also may not deduct the one-half of self-employment tax which the IRS allows.
- 5k. Other. Itemize expenses which are allowable under GAAP or FASB rules but are not allowable or limited under Federal rules.

If making any of these Pennsylvania adjustments, complete and attach the PA Schedule C-F Reconciliation to your Federal schedule(s).

Line 6. Total Lines 5a through 5k and enter the net amount. If a negative amount, enter in brackets [].

Line 7. Total Line 4 and Line 6 and enter the net amount. Enter negative numbers in

brackets [].

Part E. Line 8. Subtract Line 7 from Line 3. Your Pennsylvania Personal Income Tax net profit or [loss] should be different from your Federal schedule. Include this amount on Line 4 of your PA-40R.

Specific Instructions for PA Schedule D. You must use the PA Schedule D. Unless the specific instructions require a different Pennsylvania schedule, report all sales, exchanges or dispositions of property on PA Schedule D, Line 1 and the net total gain or [loss] from those transactions on Line 2. Spouses should complete separate PA Schedules D, unless selling jointly owned property.

Line 1. Columns a through e.

- **Column a.** List and describe the property sold or otherwise disposed of for cash or other property. For example: 60 acres of land in Dauphin County or 100 shares of ABC Inc. common stock.
- **Column b.** Enter the month, day and year you sold the property.
- **Column c.** Enter the month, day and year you acquired the property.
- **Column d.** Enter the gross sales price or fair market value of cash and/or property you received less applicable expenses of sale.
- **Column e.** Enter the Adjusted Basis of the property sold.
- **Column f.** If the property is income-producing property acquired as an investment (for example: capital stock, interest in a partnership or other business, a rental property or a patent or copy-right) or if you held the property in connection with a business, profession or occupation when you disposed of it (and it is not inventory or an operational asset), subtract Column e from Column d and then enter either the gain or the [loss] or zero in Column f.

If the property was other than income-producing property:

1. If the adjusted basis is less than Column d, subtract Column e from Column d and enter the gain in Column f; or
2. If the adjusted basis is greater than Column d, you do not have either a gain or a [loss]. Enter zero in Column f.

Line 2. Add Column f and enter the total. You may offset gains and [losses] to calculate

Line 3. Installment Sales from PA Schedule D-1. Enter your taxable gain from each PA Schedule D-1, Computation of Installment Sale Income (form REV-1689). If you need a PA Schedule D-1, see Forms Ordering on page 1. The installment method of reporting gains from the disposition of tangible personal property or real estate, whether the sale is an isolated transaction or is from the inventory of a dealer or broker, may be elected if at least one payment is to be received in any taxable year after the taxable year of the sales transaction. If the installment method is not elected, you must report all of the gain from the sale in the taxable year of the sale on your PA Schedule D or PA Schedule C or F.

Important. The installment method is **not allowed** for:

1. Reporting gains from the sale of, intangible personal property; or
2. Transactions where the object is the lending of money or the rendering of services.

Election. You must make an election to use the installment sale method. The Department will deem the election to have been made in the following instances:

1. If you report an isolated transaction as an installment sale at the time of filing your PA-40R by:
 - a) using PA Schedule D-1 (REV-1689) to calculate the gain to be reported; and
 - b) including the gain on your PA Schedule D; and
 - c) identifying the transaction on your PA Schedule D as an installment sale.
2. If you report other transactions by:
 - a) using PA Schedule C or F; and
 - b) identifying the transaction **as** an installment sale.

Once the election is made, you will not be allowed to change your method of reporting in subsequent years.

Important. Interest received which is directly from the installment sale contract or agreement is included as gain on PA Schedule D-1 or included as business income on PA Schedule C or F.

Repossession of Property. Where property is sold under an installment contract and you repossess the property upon default of the

buyer in a subsequent tax year, you must adjust your basis in the property by the amount of gain you previously reported. You may not amend your tax return for the taxable year in which the installment sale was originally reported.

Example. Ben purchased his vacation home in 1984 for \$30,000 and sold it in 1994 for \$50,000, under an installment agreement. The installment sales contract requires the buyer to make payments of \$5,000 each year for ten years, starting in 1994. On his 1994 PA-40R he reported his taxable installment gain of \$2,000. The buyer defaults on the agreement in 1995, before Ben receives the next installment payment. Ben may not amend his 1994 PA-40R. He must adjust his basis in the property to \$32,000, which is his original cost of \$30,000 plus the \$2,000 of gain he reported on his 1994 Pennsylvania Personal Income Tax Return. When Ben resells his vacation home, he will use a basis of \$32,000, thus reducing his gain on a future sale.

Line 4. Taxable Return of Capital Distributions. As a shareholder you must report as a taxable gain, in the taxable year in which received or credited, the excess of the fair market value of any return of capital distribution over the adjusted basis of your stock. A return of capital distribution is any distribution which is not made by a business corporation out of its earnings and profits. The basis of stock or shares shall be decreased (but not below zero) by any distribution which is not taxable as a Dividend on Line 3 of your PA-40R.

Example. B Corporation distributes from its capital account \$100,000 to Karen, the only stockholder. Karen's adjusted basis in her stock is \$75,000. Since the distribution is not from the corporation's earnings and profits, it is not considered a taxable dividend to be reported on Line 3 of her PA-40R. Karen must, however, reduce her basis in her stock by \$75,000 to zero. The remaining \$25,000 of the \$100,000 return of capital distribution must be reported as a taxable gain on Karen's PA Schedule D.

From the total return of capital distributions, subtract the amount of previously unrecovered basis and enter the difference as taxable gain on Line 4.

Line 5. Sale of Property Acquired Before June 1, 1971, PA Schedule D-71. Gain or [loss] on the sale, exchange or disposition of property which you bought or acquired before June 1, 1971 is determined by subtracting the adjusted basis or the alternative basis, whichever is larger, from the cash and/or property you received. A separate schedule is used to report the disposition of property you acquired before June 1, 1971, PA Schedule D-71 (REV-1742). Obtain this schedule by calling the Forms Ordering telephone numbers on page 1. If the property you acquired before June 1, 1971 was your residence, do not report the gain or [loss] on PA Schedule D-71, but on your PA Schedule PA-19, Sale of Residential Property. See instructions below.

Line 6. Sale of Residential Property, PA Schedule PA-19. You must use PA Schedule PA-19 if you realize cash or property on the sale, exchange, taking by eminent domain, destruction or other disposition of your residential property. Obtain this schedule by calling the Forms Ordering telephone numbers on page 1. If you sell your residence at a [loss], report zero (0) on Line 6 of PA Schedule D.

Important. Pennsylvania law does not permit the postponement of gain when you use the proceeds from the sale of your residence to purchase another residence. **If you sell your residence you must report the gain on your PA-40R.**

Age 55 and Over Exclusion of Gain on the Sale of a Principal Residence. Pennsylvania law allows a one-time elective exclusion of gain on the sale of a residence by an individual age 55 or over. Pennsylvania rules are similar to, but not exactly the same as the Federal exclusion. Use PA Schedule PA-19 to determine if you qualify for an elective exclusion of up to \$100,000 of the gain you realized.

Line 7. Net Gain or [Loss] from PA Schedule RK-1. As a partner, you will receive a PA Schedule RK-1 (or a Federal Schedule K-1). As a shareholder in a PA S corporation, you will receive a PA Schedule RK-1. These schedules show your share of any gain or [loss] realized by your partnership or Pennsylvania S corporation from its sale, exchange or disposition of property. Add the gain(s) and [loss] from each PA Schedule RK-1 and enter the net gain or [loss].

Line 8. Net Pennsylvania Taxable Gain or [Loss]. Total all amounts from the above lines. You may offset gains and [losses] on

PA Schedule D. Enter the result on Line 5 of your PA-40R. Remember to complete the checklist on your PA-40R.

Specific Instructions for Claiming Tax Forgiveness on PA Schedule SP

General Information. Read **ALL** the following instructions.

What is Tax Forgiveness? Special Tax Forgiveness is a credit against Pennsylvania Personal Income Tax which allows eligible taxpayers to reduce all or a part of their Pennsylvania Personal Income Tax liability. To qualify for this credit, you must calculate your own taxable income, nontaxable income, exempt income and total support income. If married, your spouse must also determine these kinds of incomes.

Who Is Eligible For Tax Forgiveness? A claimant must meet the following requirements to qualify for Tax Forgiveness. You must:

1. have Pennsylvania Taxable Income; **and**
2. have personally provided at least one-half of your own Total Support in 1995; **and**
3. meet the Eligibility Income limitations.

If you do not have any Pennsylvania Taxable Income, you have no tax liability to forgive. You may still qualify for Tax Forgiveness if you meet the other two requirements. Your dependent spouse also qualifies if he or she meets **ALL** of the above requirements.

If you meet **ALL** the requirements, then your Eligibility Income, and the number of your dependents, if any, will determine your Tax Forgiveness credit. If you are eligible for Tax Forgiveness, your dependent family members may also qualify for Tax Forgiveness. See **Who is a Dependent for Tax Forgiveness?** below.

If you **do not qualify** for Tax Forgiveness, your dependents **do not qualify** for Tax Forgiveness.

Who is a Dependent for Tax Forgiveness? A dependent is a spouse, natural child, adopted child, grandchild or foster child who lived in your household for all of 1995 and who received at least one-half of his or her support from an eligible claimant for Tax Forgiveness. A full time student is a dependent if a dependent for Federal income tax purposes.

To determine who is a dependent, use the SP Worksheet.

Joint or Separate Returns. If both you and your spouse each qualify for Tax Forgiveness, you have the option of filing together or separately. **If one of you is a dependent of the other, you must file separate returns.** Your dependent children who have Taxable Income must also file separate Pennsylvania Tax Returns to obtain Tax Forgiveness.

General Instructions for the SP Worksheet. You must complete the SP Worksheet. Complete **ALL** information for yourself (YOUR Column) and, if married, your husband or wife (**SPOUSE** Column), even if filing separately. Also complete the **JOINT** Column.

For the purpose of claiming Tax Forgiveness, family members include you, your spouse and your dependent children who lived in the same household in 1995.

Pennsylvania Personal Income Tax law does not exempt a child from filing a tax return and paying any tax due. However, if a child is a dependent of a person eligible for Tax Forgiveness, that child is also eligible to receive the Tax Forgiveness credit. Generally, the income received by a child is not included in determining Total Income.

Remember: If a child has taxable income and is a **Dependent** of a person eligible for Tax Forgiveness, that child must file a separate Pennsylvania tax return and his or her own Pennsylvania Schedule SP.

Line Instructions for the SP Worksheet.

Step 1. Taxable Income. Enter your Pennsylvania Taxable Income on Line 1, **YOUR** Column. Enter the amount of your spouse's

Pennsylvania Taxable Income on Line 1, **SPOUSE** Column, even if filing separately.

Step 2. Nontaxable Income. For each line, compute and enter the total income received in each category. Nontaxable Income includes income that is not taxable under Pennsylvania law or regulations. Nontaxable Income may or may not be income that is taxable for Federal Income Tax purposes. Read each description carefully. For each Column, enter the amounts received by you and your spouse.

Line 2. Cash Payments and Support Received. This amount includes nontaxable cash or property received for personal use. Include direct contributions from spouses, children, parents and others, such as cash received from a parent to buy clothing. This amount does not include monies exchanged to pay household expenses, such as deposits to joint accounts or rental-like payments from children living at home.

Line 3. Nontaxable Interest Dividends and Gains. Include income from investments in direct obligations of the Federal Government, Pennsylvania and political subdivisions of Pennsylvania, even if received through a mutual fund or other regulated investment company. If issued before February 1, 1994, enter any gains realized from sales of these obligations. Include that portion of gain on property acquired before June 1, 1971, which is not taxable. Also include nontaxable income received as a beneficiary of an estate or trust.

Line 4. Alimony. This is the amount of Federally taxable alimony received.

Line 5. Insurance Proceeds and Inheritances. This amount includes the total proceeds received from life or other insurance policies. Also include inherited cash or property received.

Line 6. 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. Add winnings from the Pennsylvania State Lottery here.

Line 7. Nonresident Income. Enter the total of all income received while residing outside Pennsylvania. This amount includes income that would otherwise be taxable if earned and received in Pennsylvania.

Line 8. Nontaxable Military Income. This amount represents the difference between total military income earned and the amount reported as taxable to Pennsylvania on your Pennsylvania Tax Return.

Line 9. Gain Excluded on Sale of a Personal Residence. Enter the amount from Line 5a of PA-40R.

Line 10. Educational Assistance. Include the total value of nontaxable scholarships, fellowships and stipends received.

Line 11. Total Nontaxable Income. Add Lines 2 through 10 in each Column and enter the total.

Step 3. Eligibility Income. Eligibility Income is the total amount of your Pennsylvania Taxable and certain Nontaxable Income. Eligibility Income does not include the kinds of income described in Exempt Income below. Eligibility Income is the amount used to determine if you qualify for Tax Forgiveness.

Line 12. Eligibility Income. Add Lines 1 and 11 in each Column and enter the total. Follow the instructions on the SP Worksheet.

Step 4. Exempt SP Income. Exempt SP Income includes all other non-taxable cash or property received and used in providing support to the household. These kinds of incomes may or may not be taxable for Federal Income Tax purposes. In each Column, enter the amounts received by you and your spouse, even if filing separately.

Line 13. Social Security and Railroad Retirement Benefits

Line 14. Retirement, Pension and Annuity Benefits

Line 15. Welfare Benefits

Line 17. Unemployment Compensation Benefits

Line 18. Child Support Payments

Line 19. Cash or Property From Other Household Members. Include monies exchanged to pay household expenses, such as deposits to joint accounts and rental-like payments from children living at home.

Line 20. Total Exempt SP Income. Add Lines 13 through 19 in each Column.

Step 5. Total Support Income is the total of Eligibility Income and Ex-empt SP Income. If you did not have enough Total Support Income to pro-vide at least one-half of your own support, you are a dependent. The same applies to your spouse. It is presumed that a dependent child does not provide at least one-half of his or her own support.

Line 21. Total Support Income. Add Lines 12 and 20 in each Column.

Step 6. Average Support Cost. In order to determine whether you provide more than one-half of your own support, it is necessary to calculate the Average Support Cost for each family member. This is a mathematical calculation that presumes your income and expenses to support yourself, your spouse and dependent children were equally distributed during 1995. Complete each line in Step 6. Comparing Line 21 to Line 24 determines whether you are a dependent or not. The same comparison applies to your spouse.

Line 22. Number of Household Members. Enter the number of family members including yourself, your spouse and your dependents. Do not include any other persons who may live in your household. The Special Tax Forgiveness rules exclude other persons, even if you may claim those other persons as dependents for Federal Income Tax purposes.

Line 23. Average Support Cost. Divide Line 21, JOINT Column, by Line 22. Round the result to the nearest whole dollar. This amount represents each family member's share of the income available for support.

Line 24. Minimum Support Cost. Multiply Line 23 by 50% (0.5). Round the result to the nearest whole dollar. This is the amount that you, and your spouse, will compare to your Line 21 to determine if you, and your spouse, are a Claimant or a Dependent.

Step 7. Determining Claimant and/or Dependent Status. A Claimant is eligible for Tax Forgiveness depending on Eligibility Income and allowable dependents, if any. Answer the Questions for Lines 25 and 26 on your SP Worksheet. Follow the instructions for each applicable Question.

A Dependent is not eligible for Tax Forgiveness unless he or she is dependent of a Claimant eligible for Tax Forgiveness.

Specific Instructions for the Pennsylvania Schedule SP.

After completing your SP Worksheet, you will know who in your household is a Claimant and who is a Dependent. You must now certify how you are filing your Pennsylvania Tax Return and claiming Tax Forgiveness.

Part 1. Certification of Eligibility

Note: The Department is no longer providing a "T" filing status - the joint claim for Tax Forgiveness. With the combined Eligibility Income Table, on page 19, this filing status is no longer needed.

Section A: Filing as "S", Single or "M", Married, Filing Separate Returns. Check either Box 1 (Claimant) or Box 2 (Dependent). The box you check depends on your answer to Question 25 of your SP Worksheet.

Box 1. If you are a Claimant, check Box 1 and enter your spouse's name and Social Security Number in the space provided, even if filing separately. Compare your Eligibility Income from Your Column, Line 12 of your SP Worksheet to the Eligibility Income Table on page 19.

Example 1: You are single with no dependents (only 1 family member). Compare your Eligibility Income to the first (1) line. If your Eligibility Income is \$6,300 or less, you receive 100% Tax

Forgiveness. If your Eligibility Income is more than \$7,200, you do not qualify for any Tax Forgiveness.

Example 2: You are married and your spouse is your dependent (2 family members). Your spouse has no Eligibility Income. Compare your Eligibility Income to the second (2) line. If your Eligibility Income is \$9,300 or less, you receive 100% Tax Forgiveness. If your Eligibility Income is more than \$10,200, you do not qualify for any Tax Forgiveness. As a dependent of an eligible claimant, your spouse also qualifies for Tax Forgiveness. But since your spouse had no Eligibility Income, there is no need for your spouse to file separately. You should file jointly and complete Section B of PA Schedule SP.

Remember: A dependent spouse may not claim any other dependents.

Example 3: You are single with a dependent child. You use the second (2) line of the Eligibility Income Table because there are 2 members in your household.

Example 4: You are married with a dependent spouse and 2 dependent children. You have all the income in the household. You use the fourth (4) line of the Eligibility Income Table because there are 4 members in your household. With Eligibility Income of \$15,300 or less, you receive 100% Tax Forgiveness. With more than \$16,200, you receive no Tax Forgiveness.

Box 2. If you are a Dependent of a person eligible for Tax Forgiveness, check Box 2. Enter the name and Social Security Number of the person claiming you on their PA Schedule SP. In order for you to qualify for Tax Forgiveness, the person claiming you as a dependent must be eligible for Tax Forgiveness. If that person cannot file a PA Schedule SP, neither can you.

Compare your Eligibility Income to the Eligibility Income Table. As a Dependent, you will **ALWAYS** use the first (1) line. If your Eligibility Income is within the limitations of the Eligibility Income Table, continue completing PA Schedule SP.

Example 5: You are an eligible dependent. If your Eligibility Income is \$6,300 or less, you receive 100% Tax Forgiveness. If your Eligibility Income is more than \$7,200, you do not qualify for any Tax Forgiveness.

Important. As a Dependent, you may not claim any other dependents.

Section B: Filing as "J", Married, Filing a Joint Return. Check Box 3 if **BOTH** you and your spouse are claimants based on your SP Worksheet AND you both elect to file a joint claim for convenience.

To determine whether you and your spouse should file jointly or separately for Tax Forgiveness, compare your total and individual Eligibility Income amounts to the Eligibility Income Table.

Also use this filing status if one of you is a claimant and the other is a dependent with no taxable income. The dependent spouse would otherwise not have to file a Pennsylvania Tax Return since he or she has no tax to pay (or forgive). Since the other spouse must file to claim Tax Forgiveness, this JOINT status may be used.

If you and your spouse have no dependent children, you will use the second (2) line of the Table. Compare your JOINT Eligibility Income to the second line (2 members of the household) of the Eligibility Income Table.

Example 6: If your combined income is \$9,300 or less, on a joint claim you and your spouse receive 100% Tax Forgiveness. If your combined Eligibility Income is more than \$9,300, you should consider filing separate returns. Filing separately provides the maximum amount of Tax Forgiveness allowable.

Example 7: You have \$6,750 of Eligibility Income. Your spouse has \$5,900. You have no dependent children. On separate returns, you receive Tax Forgiveness of 50% and your spouse receives 100%. On a joint claim with \$12,650 of Eligibility Income, you receive no Tax Forgiveness.

If you and your spouse have dependent children, you use the line on the Table that equals the number of allowable members in your household.

Example 8: You and your spouse have 2 children. Compare your Joint Eligibility Income to the fourth line (4 members of the household)

of the Eligibility Income Table. If your combined amount is \$15,300 or less, on a joint claim you and your spouse receive 100% Tax Forgiveness.

Remember: To receive the most Tax Forgiveness allowable, you may wish to file separate returns.

How Many Dependents May Be Claimed? In order to claim a dependent child, you must provide at least one-half of their support. Divide your Total Support Income amount (Line 21 of your SP Worksheet) by the Average Support Cost (Line 23 of your SP Worksheet). Round the result to the nearest whole number. This represents the number of persons you support with your income, including yourself.

Example 9: You have income of \$10,800 and your wife has \$8,800. You have 3 dependent children. Together, you do not qualify for any Tax Forgiveness since \$19,600 exceeds the maximum income for a family of 5 (\$19,200). Your Average Support Cost is \$3,920 (\$19,600 ÷ 5). You can support yourself and 2 children (\$10,800 ÷ \$3,920 = 2.7, rounded to 3). Your spouse can support herself and 1 child (\$8,800 ÷ \$3,920 = 2.21 rounded to 2). On separate returns, you each receive 100% Tax Forgiveness.

Example 10: You have \$8,500 of Eligibility Income. Your spouse has \$9,650 of Eligibility Income. You have 2 dependent children. On separate returns, you can claim only 1 child and you receive 100% Tax Forgiveness. Using the second (2) line of the Table, \$8,500 is less than \$9,300. Your spouse can only claim the other child and receives 60% Tax Forgiveness, also using the second (2) line of the Table. Your spouse cannot claim both children since her income is sufficient to support only 2 persons. If you elected to file a joint claim, your combined Eligibility Income of \$18,150 would not allow any Tax Forgiveness. \$18,150 with 4 household members exceeds the Table maximum amount of \$16,200.

Example 11. You have income of \$13,300 and your spouse has \$6,300. You have 3 children. Together, you do not qualify for any Tax Forgiveness since \$19,600 exceeds the maximum income for a family of 5 (\$19,200). Your Average Support Cost is \$3,920 (\$19,600 ÷ 5). You can support yourself and 2 children (\$13,300 ÷ \$3,920 = 3.4, rounded to 3). Your spouse can support himself and 1 child (\$6,300 ÷ \$3,920 = 1.6, rounded to 2). On separate returns, you receive no Tax Forgiveness, because \$13,300 exceeds the maximum allowance for 3 household members (you and 2 children) of \$13,200. You cannot claim a third child because your income does not permit you to support yourself and 3 children. Your spouse receives 100% Tax Forgiveness because \$6,300 is less than the minimum allowance for 2 household members of \$9,300.

Once you and your spouse have decided how to file, check either Box 2 on Your **separate** returns or Box 3 for a joint claim.

Section C: Filing as "F", the Final Pennsylvania Return for a deceased individual. Check Box 4 if the person for whom you are filing was not a dependent. For the purpose of eligibility, use all the

income earned, received or credited to the decedent through the date of death. The same calculations apply to a decedent as to others in determining eligibility for Tax Forgiveness. Usually, a decedent is not a dependent unless he or she lived most of the year and received more than one-half of his or her support from another person. A decedent does not claim any dependents unless he or she lived most of the year.

PART II. Number of Household Members for Tax Forgiveness Purposes. If you are single with no dependents, enter "1" on Line 1 and Line 4. Continue to **PART III.** You are the only household member.

If you and your spouse are **BOTH** eligible, based on your SP Worksheet, and you have no dependents, enter "2" on Line 1 and Line 4. Continue to **PART III. Important.** If you (and your spouse on a joint PA Schedule SP) have dependents, you do not complete Line 2 since you entered "2" on Line 1. You will complete Line 3 for your dependents.

Follow the instructions for completing PART II. Enter all the information required. If **BOTH** you and your spouse are eligible for Tax Forgiveness and have dependent children, you **MAY NOT** claim the same child on your separate Pennsylvania Schedules SP.

PART III. Calculating Your Tax Forgiveness Credit. You will need your SP Worksheet and the Eligibility Income Table to complete this PART.

Line 1. Eligibility Income. Follow the instructions on the PA Schedule SP for this line.

Line 2. Tax Liability. Enter the amount of your Tax Due from your Pennsylvania Tax Return. This is your tax due BEFORE any credits.

Line 3. Less Resident Credit. Enter the credit from Line 14 of your PA-40R.

Line 4. Net Tax Liability. Subtract Line 3 from Line 2. Enter the difference on Line 4.

Line 5. Percentage Of Tax Forgiveness. Find Line 4 of **PART II** in the Family Members Column of the Eligibility Income Table below. Find your Eligibility Income from Line 1 above on the Eligibility Income Table. Find your percentage of Tax Forgiveness. Enter the percentage of forgiveness as a decimal on Line 5.

Example 12: With 4 Family Members and Eligibility Income of \$15,547, the Percentage of Tax Forgiveness is 70% or 0.70.

Line 6. Amount Of Tax Forgiveness Credit. Multiply Line 4 by the decimal on Line 5. Round to the nearest dollar. Enter the result here. This is the Tax Forgiveness Credit you may take on Line 13d of your PA-40R.

You have completed your PA Schedule SP. Double check all your calculations before filing your Pennsylvania Tax Return.

ELIGIBILITY INCOME TABLE

FIND YOUR NUMBER OF FAMILY MEMBERS IN THIS COLUMN

IF YOUR TOTAL ELIGIBILITY INCOME FROM YOUR PA SCHEDULE SP DOES NOT EXCEED:

FAMILY MEMBERS	TOTAL ELIGIBILITY INCOME									
	6,300	6,400	6,500	6,600	6,700	6,800	6,900	7,000	7,100	7,200
1	9,300	9,400	9,500	9,600	9,700	9,800	9,900	10,000	10,100	10,200
2	12,300	12,400	12,500	12,600	12,700	12,800	12,900	13,000	13,100	13,200
3	15,300	15,400	15,500	15,600	15,700	15,800	15,900	16,000	16,100	16,200
4	18,300	18,400	18,500	18,600	18,700	18,800	18,900	19,000	19,100	19,200
5	21,300	21,400	21,500	21,600	21,700	21,800	21,900	22,000	22,100	22,200
6	24,300	24,400	24,500	24,600	24,700	24,800	24,900	25,000	25,100	25,200
7	27,300	27,400	27,500	27,600	27,700	27,800	27,900	28,000	28,100	28,200
8	30,300	30,400	30,500	30,600	30,700	30,800	30,900	31,000	31,100	31,200
9	33,300	33,400	33,500	33,600	33,700	33,800	33,900	34,000	34,100	34,200

THEN YOUR PERCENTAGE OF TAX FORGIVENESS AND DECIMAL EQUIVILANT IS:

PERCENTAGE OF TAX FORGIVENESS	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%
		1.0	.90	.80	.70	.60	.50	.40	.30	.20

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
ADAMS		BERKS		Palmerton Area	13650	Middletown	22600
Bermudian Springs	01110	Antietam	06050	Panther Valley	13660	Millersburg Are	22610
Conewago Valley	01160	Boyertown Area	06075	Weatherly Aria	13900	Steelton Highspire	22800
Fairfield Area	01305	Brandywine Heights Area	06085			Susquehanna Township	22830
Gettysburg Area	01375	Conrad Weiser Area	06110	CENTRE		Susquenita	50600
Littlestown Area	01520	Daniel Boone Area	06150	Bald Eagle Area	14100	Upper Dauphin Area	22900
Upper Adams	01852	Exeter Township	06200	Bellefonte Area	14110	Williams Valley	54880
		Fleetwood Area	06250	Keystone Central	18360		
ALLEGHENY		Governor Mifflin	06300	Penns Valley Area	14700	DELAWARE	
Allegheny Valley	02060	Hamburg Area	06350	Phillipsburg-Osceola Area	17700	Chester Upland	23123
Avonworth	02075	Kutztown Area	06400	State College Area	14800	Chichester	23130
Baldwin Whitehall	02110	Muhlenberg Township	06550	Tyrone Area	07800	Garnet Valley	23410
Bethel Park	02125	Oley Valley	06650			Haverford Township	23450
Brentwood Borough	02145	Reading	06700	CHESTER		Interboro	23510
Carlynton	02160	Schuylkill Valley	06750	Avon Grove	15050	Marple Newtown	23550
Chartiers Valley	02175	Tulpehocken Area	06800	Coatesville Area	15190	Penn Delco	23690
Clairton	02190	Twin Valley	06810	Downingtown Area	15200	Radnor Township	23760
Cornell	02210	Upper Perkiomen	46860	Great Valley	15350	Ridley	23770
Deer Lakes	02225	Wilson	06910	Kennett Consolidated	15400	Rose Tree Media	23790
Duquesne City	02250	Wyomissing	06935	Octorara Area	15650	Southeast Delco	23840
East Allegheny	02280			Owen J. Roberts	15660	Springfield	23850
Elizabeth Forward	02315	BLAIR		Oxford Area	15670	Unionville-Chadds Ford	15850
Fort Cherry	63240	Altoona Area	07050	Phoenixville Area	15720	Upper Darby	23945
Fox Chapel Area	02391	Bellwood Antis	07100	Spring Ford Area	46730	Wallingford Swarthmore	23960
Gateway	02410	Claysburg-Kimmel	07150	Tredyffing Easttown	15780	West Chester Area	15900
Hampton Township	02460	Hollidaysburg Area	07350	Twin Valley	06810	William Penn	23965
Highland	02475	Spring Cove	07750	Unionville-Chadds Ford	15850		
Keystone Oaks	02500	Tyrone Area	07800	West Chester Area	15900	ELK	
McKeesport Area	02600	Williamsburg Community	07900			Brockway Area	33070
Montour	02630			CLARION		Forest Area	27200
Moon Area	02634	BRADFORD		Allegheny Clarion Valley	16030	Johnsonburg Area	24350
Mount Lebanon	02640	Athens Area	08050	Armstrong	03085	Kane Area	42230
North Allegheny	02685	Canton Area	08100	Clarion Area	16120	Ridgway Area	24600
Northgate	02687	Northeast Bradford County	08300	Clarion-Limestone Area	16170	Saint Marys Area	24800
North Hills	02690	Sayre Area	08600	Keystone	16650		
Penn Hills	02735	Towanda Area	08650	North Clarion County	16750	ERIE	
Penn-Trafford	65710	Troy Area	08665	Redbank Valley	16800	Corry Area	25145
Pine-Richland	02100	Wyalusing Area	08900	Union	16900	Erie City	25260
Pittsburg	02745			CLEARFIELD		Fairview	25330
Plum Borough	02750	BUCKS		Clearfield Area	17100	Fort Leboeuf	25355
Quaker Valley	02775	Bensalem Township	09100	Curwensville Area	17180	General McLane	25390
Riverview	02820	Bristol Borough	09130	Dubois Area	17200	Girard	25405
Shaler Area	02830	Bristol Township	09135	Glendale	17300	Harbor Creek	25435
South Allegheny	02865	Centennial	09200	Harmony Area	17350	Iroquois	25655
South Fayette Township	02870	Central Bucks	09210	Moshannon Valley	17500	Millcreek Township	25760
South Park	02875	Council Rock	09235	Phillipsburg-Osceola Area	17700	North East	25830
Steel Valley	02883	Easton Area	48330	Purchase Line	32730	Northwestern	25850
Sto Rox	02885	Morrisville Borough	09720	West Branch Area	17900	Union City Area	25910
Upper Saint Clair Township	02920	Neshaminy	09750			Wattsburg Area	25970
West Alleghen	02940	New Hope Solebury	09760	CLINTON			
West Jefferson Hills	02955	North Penn	46570	Jersey Shore Area	41400	FAYETTE	
West Mifflin Area	02960	Palisades	09800	Keystone Central	18360	Albert Gallatin Area	26030
Wilkinsburg Borough	02980	Pennridge	09810	West Branch Area	17900	Belle Vernon Area	65060
Woodland Hills	02990	Pennsbury	09820			Brownsville Area	26080
		Quakertown Community	09840	COLUMBIA		Connellsville Area	26130
		Soudertown Area	46710	Benton Area	19100	Frazier	26290
ARMSTRONG		BUTLER		Berwick Area	19110	Laurel Highlands	26400
Allegheny Clarion Valley	16030	Allegheny Clarion Valley	16030	Bloomsburg Area	19120	Southmoreland	65750
Apollo-Ridge	03060	Butler Area	10125	Central Columbia	19150	Uniontown Area	26800
Armstrong	03085	Freepport Area	03305	Millville Area	19500		
Freepport Area	03305	Karns City Area	10360	Mount Carmel Area	49510	FOREST	
Karns City Area	10360	Mars Area	10500	North Schuylkil	54500	Forest Area	27200
Kiski Area65440		Moniteau	10535	Southern Columbia Area	19750		
Leechburg Area	03450	Seneca Valley	10790	CRAWFORD		FRANKLIN	
Redbank Valley	16800	Slippery Rock Area	10750	Conneaut	20103	Chambersburg Area	28130
		South Butler County	10780	Corry Area	25145	Fannett-Metal	28200
BEAVER		CAMBRIA		Crawford Central	20135	Greencastle-Antrim	28300
Aliquippa Borough	04050	Blacklick Valley	11060	Jamestown Area	43360	Shippensburg Area	21800
Ambridge Area	04070	Cambria Heights	11120	Penncrest	20470	Tuscarora	28600
Beaver Area	04120	Central Cambria	11130	Titusville Area	61720	Waynesboro Area	28900
Big Beaver Falls Area	04150	Conemaugh Valley	11140	Union City Area	25910		
Blackhawk	04160	Ferndale Area	11200	CUMBERLAND		FULTON	
Center Area	04190	Forest Hills	11220	Big Spring	21050	Central Fulton	29130
Ellwood City Area	37200	Glendale	17300	Camp Hill	21100	Forbes Road	29230
Freedom Area	04285	Greater Johnstown	11250	Carlisle Area	21110	Southern Fulton	29750
Hopewell Are	04410	Northern Cambria	11450	Cumberland Valley	21160		
Midland Boroug	04530	Penn Cambria	11600	East Pennsboro Area	21250	GREENE	
Monaca	04545	Portage Area	11630	Mechanicsburg Area	21650	Carmichaels Area	30130
New Brighton Area	04565	Richland	11650	Shippensburg Area	21800	Central Greene	30140
Riverside Beaver County	04585	Westmont Hilltop	11850	South Middleton	21830	Jefferson-Morgan	30350
Rochester Area	04690	Windber Area	56910	West Shore	21900	Southeastern Greene	30650
Southside Area	04740			DAUPHIN		West Greene	30850
Western Beaver County	04930	CAMERON		Central Dauphin	22140	HUNTINGDON	
		Cameron County	12770	Derry Township	22175	Huntingdon Area	31250
BEDFORD		CARBON		Halifax Area	22250	Juniata Valley	31280
Bedford Area05100		Hazleton Are	40330	Harrisburg City	22275	Mount Union Area	31600
Chestnut Ridge	05150	Jim Thorpe Area	13500	Lower Dauphin	24400	South Huntingdon County	31750
Claysburg-Kimmel	07150	Lehighton Area	13550			Tussey Mountain	05800
Everett Area	05300					Tyrone Area	07800
Northern Bedford Count	05600						
Tussey Mountai	05800						

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-Saltsbur	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			Wilson Area	48860		
Marion Center Area	32520	LYCOMING				VENANGO	
Penns Manor Area	32630	Canton Area	08100	NORTHUMBERLAND		Allegheny Clarion Valley	16030
Punxsutawney Area	33800	East Lycoming	41200	Danville Area	47180	Cranberry Area	61130
Purchase Line	32730	Jersey Shore Area	41400	Line Mountain	49350	Forest Area	27200
United	32800	Loyalsock Township	41420	Milton Are	49500	Franklin Area	61220
		Montgomery Area	41500	Mount Carmel Area	49510	Oil City Area	61620
JEFFERSON		Montoursville Area	41510	Shamokin Area	49650	Penncrest	20470
Brockway Area	33070	Muncy	41530	Shikellamy	49660	Titusville Area	61720
Brookville Are	33080	South Williamsport Area	41610	Southern Columbia Area	19750	Valley Grove	61860
Clarion-Limestone Area	16170	Southern Tioga	59700	Warrior Run	49800		
Dubois Area	17200	Wellsboro Area	59850			WARREN	
Punxsutawney Area	33800	Williamsport Area	41720	PERRY		Corry Area	25145
				Fannett-Metal	28200	Titusville Area	61720
				Greenwood	50300	Warren County	62830
JUNIATA		MCKEAN		Newport	50400		
Greenwood	50300	Bradford Area	42080	Susquenita	50600	WASHINGTON	
Juniata County	34360	Kane Area	42230	West Perry	50800	Avella Area	63050
		Oswayo Valley	53750			Bentworth	63090
LACKAWANNA		Otto Eldre	42600	PHILADELPHIA		Bethlehem Center	63100
Abington Heights	35030	Port Allegany	42630	Philadelphia City	51500	Brownsville Area	26080
Carbondale Area	35130	Smethport Area	42750			Burgettstown Area	63120
Dunmore	35220			PIKE		California Area	63150
Forest City Regional	58300	MERCER		Delaware Valley	52200	Canon McMillan	63170
Lackawanna Trail	66500	Commodore Perry	43130	East Stroudsburg Area	45200	Charleroi	63180
Lakeland	35460	Crawford Central	20135	Wallenpaupack Area	64830	Chartiers Houston	63190
Mid Valley	35550	Farrell Area	43250			Fort Cherry	63240
North Pocono	35650	Greenville Area	43280	POTTER		McGuffey	63390
Old Forge	35660	Grove City Area	43290	Austin Area	53030	Peters Township	63650
Riverside	35700	Hermitage	43330	Coudersport Area	53130	Ringgold	63700
Scranton City	35740	Jamestown Area	43360	Galeton Area	53280	Trinity Area	63800
Valley View	35840	Lakeview	43390	Keystone Central	18360	Washington	63880
		Mercer Area	43500	Northern Potter	53550		
LANCASTER		Reynolds	43530	Oswayo Valley	53750	WAYNE	
Cocalico	36130	Sharon City	43560	Port Allegany	42630	Forest City Regional	58300
Columbia Borough	36150	Sharpville Area	43570			North Pocono	35650
Conestoga Valley	36170	West Middlesex Area	43750	SCHUYLKILL		Susquehanna Community	58650
Donegal	36220	Wilmington Area	37800	Blue Mountain	54080	Wallenpaupack Area	64830
Eastern Lancaster County	36230			Hazleton Area	40330	Wayne Highlands	64870
Elizabethtown Area	36240	MIFFLIN		Mahanoy Area	54450	Western Wayne	64890
Ephrata Area	36260	Mifflin County	44460	Minersville Area	54470		
Hempfield	36310	Mount Union Area	31600	North Schuylkill	54500	WESTMORELAND	
Lampeter-Strasburg	36360			Panther Valley	13660	Belle Vernon Area	65060
Lancaster	36400	MONROE		Pine Grove Area	54600	Blairsville-Saltsburg	32110
Manheim Central	36440	East Stroudsburg Area	45200	Pottsville Area	54610	Burrell	65070
Manheim Township	36450	Pleasant Valley	45520	Saint Clair Area	54680	Derry Area	65160
Octorara Area	15650	Pocono mountain	45540	Shenandoah Valley	54720	Franklin Regional	65260
Penn Manor	36520	Stroudsburg Area	45600	Schuylkill Haven Area	54730	Greater Latrobe	65310
Pequea Valley	36530			Tamaqua Area	54760	Greensburg Salem	
Solanco	36700	MONTGOMERY		Tri Valley	54780	65320	
Warwick	36900	Abington	46030	Williams Valley	54880	Hempfield Area	65380
		Boyertown Area	46075	SNYDER		Jeannette City	65410
LAWRENCE		Bryn Athyn Borough	46050	Midd-West	55500	Kiski Area	65440
Blackhawk	04160	Cheltenham Township	46130	Selinsgrove	55710	Leechburg Area	03450
Ellwood City Area	37200	Colonial	46160			Ligonier Valley	65490
Laurel	37400	Hatboro-Horsham	46360	SOMERSET		Monessen City	65580
Mohawk Area	37500	Jenkintown	46380	Berlin Brothersvalley	56100	Mount Pleasant Area	65590
Neshannock Townshi	37520	Lower Merion	46450	Conemaugh Township Area	56180	New Kensington Arnold	65630
New Castle Are	37530	Lower Moreland Township	46460	Meyersdale Area	56520	Norwin	65650
Shenango Area	37620	Methacton	46530	North Star	56550	Penn-Trafford	65710
Union Area	37700	Norristown Area	46560	Rockwood Area	56630	Southmoreland	65750
Wilmington Area	37800	North Penn	46570	Salisbury Elk Lick	56700	Yough	65890
		Perkiomen Valley	46610	Shade-Central City	56720		
LEBANON		Pottsgrove	46630	Shanksville-Stonycreek	56740	WYOMING	
Annville Cleona	38030	Pottstown	46640	Somerset Area	56770	Elk Lake	58250
Cornwall Lebanon	38130	Souderton Area	46710	Turkeyfoot Valley Area	56840	Lackawanna Trail	66500
Eastern Lebanon County	38230	Springfield Township	46720	Windber Area	56910	Lake-Lehman	40390
Lebanon	38460	Spring Ford Area	46730			Tunkhannock Area	66750
Northern Lebanon	38500	Upper Dublin	46830	SULLIVAN		Wyalusing Area	08900
Palmyra Area	38530	Upper Merion Area	46840	Sullivan County	57630	Wyoming Area	40920
		Upper Moreland Township	46850				
LEHIGH		Upper Perkiomen	46860	SUSQUEHANNA		YORK	
Allentown City	39030	Wissahickon	46930	Blue Ridge	58100	Central York	67130
Bethlehem Area	48100			Elk Lake	58250	Dallastown Area	67160
Catasauqua Area	39130	MONTOUR		Forest City Regional	58300	Dover Area	67180
East Penn	39230	Danville Area	47180	Montrose Area	58450	Eastern York	67220
Northern Lehigh	39450	Warrior Run	49800	Mountain View	58460	Hanover Public	67280
Northwestern Lehigh	39460			Susquehanna Community	58650	Northeastern York	67440
Parkland	39510	NORTHAMPTON				Northern York County	67460
Salisbury Township	39560	Bangor Area	48080	Canton Are	08100	Red Lion Area	67550
Southern Lehigh	39570	Bethlehem Area	48100	Galeton Area	53280	South Eastern	67620
Whitehall Coplay	39780	Catasauqua Area	39130	Northern Tioga	59600	South Western	67640
				Southern Tioga	59700	Southern York County	67650
LUZERNE				Wellsboro Area	59850	Spring Grove Area	67670
Berwick Area	19110					West Shore	21900
Crestwood	40140					West York Area	67850
						York City	67900
						York Suburban	67940

Individual's "Use Tax" Responsibilities.

An individual is responsible for reporting and paying the 6% PA Use Tax directly to the PA Department of Revenue for use of any taxable, tangible personal property, services and hotel occupancies within Pennsylvania. Use Tax is due if such property/service is subject to the sales tax and no equivalent amount of sales tax has been paid to the seller. A 1% local Use Tax also applies if the property/service is for use within a county that has imposed a Local Sales and Use Tax.

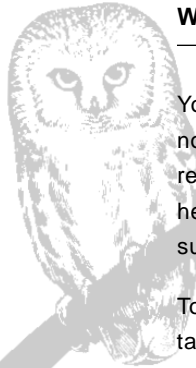
Use Tax is due on mail orders, "800" number orders and other out-of-state purchases of taxable items when the seller is not licensed to collect sales tax or when Pennsylvania Sales Tax has not been paid. If Sales, Use or Hotel Occupancy Tax is not paid, the Department may issue an assessment for use tax liability upon which both penalty and interest charges may be imposed.

If you pay sales tax on an item in another state, Pennsylvania will grant you a credit up to the amount of your sales tax liability. Report the 6% PA Sales Tax liabilities (and the 1% local tax, if applicable) on a PA-1, PA Use Tax Return. To obtain a PA-1, contact a Revenue District Office or see Forms Ordering on page 1.

If purchases or leases of tangible personal property and certain enumerated services are taxable unless an item qualifies for exemption from tax. Generally, purchases of food from grocery stores, utilities for residential consumption, medicine and clothing for everyday wear qualify for an exemption from tax. For more specific information on taxable items, contact the PA Department of Revenue, Office of Chief Counsel, Dept. 281061, Harrisburg, PA 17128-1061 or one of the Revenue District Offices listed on Page 2.

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 your state refund on Line 19c of your PA-40R. This special nonprofit fund is designed to help the state's resource agencies protect and restore these unique state treasures our native wild plants and nongame wildlife.

To make your refund contribution, simply designate on Line 19c **part** or all of your tax overpayment to the Wild Resource Conservation Fund.

UNITED STATES OLYMPIC COMMITTEE, PA DIVISION

You have the opportunity to support American athletes in the Olympic Games by making a contribution from your state refund on Line 19d of your PA-40R.

To make your refund contribution, simply designate on Line 19d a **part** or **all** of your refund.

If you are not receiving a refund and wish to contribute **PLEASE DO NOT ALTER YOUR TAX RETURN.** You may send a check or money order payable to: Pennsylvania Wild Resource Conservation Fund, P.O. Box 1467, Harrisburg, PA 17120-1467 OR Olympic Committee, P.O. Box 1994, Colorado Springs, Co. 80977-1994. Contributions may be claimed as charitable deductions on your Federal tax return next year, if you itemize. Consult your IRS instructions for more details.

