

### What is Tax Forgiveness?

Depending on your income and family size, you may qualify for a reduction in state tax liability with PA's Tax Forgiveness program. About one-in-five taxpayers qualify for a refund under the program.

To receive Tax Forgiveness, include PA Schedule SP with your PA personal income tax return. To see if you qualify, visit [www.revenue.pa.gov](http://www.revenue.pa.gov).

### What is the best way to file my personal income tax return?

E-filing offers advantages not available to taxpayers filing by paper, including error-reducing automatic calculators, instant confirmation of a successful filing, faster refund processing and direct deposit options.

### PA Free File

**PA Free File** is a set of safe and convenient Internet-based electronic filing options available to qualifying individuals with federal adjusted gross income of \$60,000 or less for the tax year. Taxpayers are encouraged to visit [www.pafreefile.com](http://www.pafreefile.com) before filing federal income tax returns to see if they qualify to file state and federal returns simultaneously, for free, using reputable tax preparation software.

### padirectfile

**padirectfile** is a state-only system for electronically filing Pennsylvania income tax returns for free.

### Fed/State E-File

Fed/State E-File is e-filing for a fee, a program available to those who don't qualify for Free File tax software but who prefer electronically filing state and federal tax returns using software available from reputable vendors.

### e-Services Center

Visit the Personal Income Tax e-Services Center at [www.revenue.pa.gov](http://www.revenue.pa.gov) to file tax returns and reports, make electronic payments, check the status of refunds, view filing history, calculate penalties and interest, register businesses and file appeals electronically.

## CONTACT INFORMATION

Online Customer Service Center  
[www.revenue.pa.gov](http://www.revenue.pa.gov)

Taxpayer Service & Information Center  
Personal Taxes: 717-787-8201  
Business Taxes: 717-787-1064  
e-Business Center: 717-783-6277

1-888-PATAXES (728-2937)

Touch-tone service is required for this automated, 24-hour, toll-free line. Call to order forms or check the status of a refund. When calling, be prepared with your Social Security number and the amount of the refund you expect.

Automated Forms Ordering Message Service

1-800-362-2050

Service for Taxpayers with Special Hearing and/or Speaking Needs

1-800-447-3020

Call or visit your local

Department of Revenue district office, listed in the government pages of local telephone directories.

## PERSONAL INCOME TAX

Pennsylvania's personal income tax is imposed annually on individuals at a flat rate of 3.07 percent, on eight separate classes of income.

PA personal income tax law differs from the federal Internal Revenue Code.



### **What types of income are taxable for Pennsylvania income tax purposes?**

- Compensation for past, present or future services rendered;
- Interest, except interest from direct obligations of the federal government, the Commonwealth of Pennsylvania and its political subdivisions;
- Dividends;
- Net profit from the operation of a business, profession or farm;
- Net gain or income from the sale, exchange or disposition of property;
- Net income from rents, royalties, patents and copyrights;
- Income from estates and trusts; and
- Gambling and lottery winnings, except PA Lottery winnings.

### **I am retired. Do I have to file a PA tax return?**

Any individual who has more than \$33 of PA taxable income (\$1 of tax), or a net loss from any income class, must file a PA income tax return.

However, commonly recognized retirement benefits are not taxable for Pennsylvania purposes if you retired and met the requirements for retirement under your employer's plan. Income from a retirement annuity not sponsored by an employer or not part of an employer's plan is not considered retirement income. The taxable amount reported for federal income tax purposes is reportable as interest for this type of annuity.

### **Is military pay taxable for Pennsylvania?**

Federal active duty pay for military service outside Pennsylvania is not taxable. If active duty is performed within Pennsylvania by a resident, the pay is taxable. If not on federal active duty or federal active duty for training, military pay is subject to tax, regardless of where you served.

See publication REV-612, Military Pay for PA Personal Income Tax Purposes, for additional information.

### **I sold my house. Do I need to report the gain on the sale as income in Pennsylvania?**

Most taxpayers are not required to pay PA income tax on the gain from the sale of a principal residence.

Generally, a homeowner who owned and used his/her home as a principal residence for at least two of the five years prior to the date of sale will qualify for the exclusion.

However, taxpayers are required to report any gains if they sold their homes within two years of selling their previous residences. If the sale of a home was required by unforeseen circumstances, for example change of employment status or health, the gain may be excluded. Any portion of the residence used for nonresidential purposes with the intention of making a profit does not qualify for the exclusion, and a proportional share of gain must be reported.

### **Are Social Security and Unemployment Benefits taxable for Pennsylvania purposes?**

No.

### **I am not a resident of Pennsylvania, but I earned income in Pennsylvania. Where do I file my state income taxes?**

Any individual receiving taxable income from Pennsylvania sources must file a PA personal income tax return and pay tax. However, Pennsylvania does not tax nonresidents on ordinary interest, dividends, gains on the sale of intangible property or PA Lottery winnings. Since 2004, nonresidents are required to pay tax on winnings from other types of gambling in Pennsylvania. Compensation earned in Pennsylvania by a nonresident is subject to PA personal income tax unless the individual is a resident of Indiana, Maryland, New Jersey, Ohio, Virginia or West Virginia. These states have reciprocal tax agreements with Pennsylvania, meaning residents of these states pay personal income tax on compensation earned in Pennsylvania only to their home states.

### **I live in Pennsylvania and work in another state. Where do I file my state income taxes?**

You are required to file in Pennsylvania and may be required to file in the other state as well. You may qualify for a credit for income tax owed to another state on income also subject to PA personal income tax. You must submit a signed copy of the other state's return and PA Schedule G-S or PA Schedule G-L and PA Schedule G-R. If you work in a state that has a reciprocal tax

agreement with Pennsylvania (Indiana, Maryland, New Jersey, Ohio, Virginia or West Virginia), your employer may withhold PA income tax. If your employer did not, you will need to file a PA income tax return, reporting all income you earned in the reciprocal state, and pay tax on that amount. If you earn more than \$8,000, you must make quarterly estimated payments to avoid penalty. You should also file an income tax return with the reciprocal state, claim zero taxable compensation, note that you are a resident of a reciprocal state and request a refund of the tax withheld.

### **I just learned I overlooked some items when I filed my tax return. What should I do?**

If you discover you did not report taxable income or erroneously claimed credits/deductions, you must correct the error within 30 days. File an amended PA return and pay the additional tax, plus applicable penalty and interest.

Use a PA return and Schedule PA-40X from the same tax year you are amending and complete the amended return using the instructions contained in the PA-40IN, Pennsylvania Personal Income Tax Return Instructions Booklet for that year.

If you are due a refund, you must file an amended PA return or a Petition for Refund (Form REV-65) within three years from the original due date of your return, or within three years from the date of your payment. To protect your appeal rights in the event your refund request filed using an amended return is denied, you should file a Petition for Refund and not an amended return when requesting a refund within nine months of the close of the statute of limitations for the tax period. A Petition for Refund may not be acted upon by the Board of Appeals when an amended return refund is denied and the Petition for Refund is filed after the three year period has ended.

### **Why is my PA taxable income different from the federal taxable income in Box 1 on my form W-2?**

Most likely, the difference between the federal and state compensation is the amount you contributed toward an employer-sponsored pension plan. These plans are excluded from tax on your federal return, but not on your state income tax return. Once you retire and begin to receive pension benefits, you will pay federal tax on your retirement payments, but you will not pay PA tax on those benefits.