

EMPLOYER WITHHOLDING INFORMATION GUIDE

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



www.revenue.pa.gov

TABLE OF CONTENTS	Page
Employer Withholding Requirements	1
Taxable Compensation Not Subject to Withholding	4
Employee Fringe Benefits and Welfare Benefit Programs	5
Business Expenses	7
Collection of Taxes	9
Calculation of Withholding	11
Payment of Taxes Withheld	12
Electronic Filing: Returns and Payments	13
Withholding Statements (W-2)	14
General Information and Specifications: W-2	15
General Information and Specifications: 1099	16
Amended Returns and Annual Withholding Reconciliation Statement	18
Interest and Penalties	19
Overpayments and Refunds	20
Quick Reference Guide for Payroll Providers	21
Brochures & Forms	23

CUSTOMER SERVICE & TAXPAYER ASSISTANCE

General Information

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

Electronic Filing

Internet Filing – myPATH	mypath.pa.gov
Telephone Filing – TeleFile	1-800-748-8299
e-Business Tax Unit	717-783-6277

Forms Ordering

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

Rules and Regulations

www.pacodeandbulletin.gov

EMPLOYER WITHHOLDING REQUIREMENTS...

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

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

Definition of Employer and Employee

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

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

How to Register

Register for Employer Withholding online by visiting **mypath.pa.gov**. Registering online allows business owners to withhold employer taxes with the Pennsylvania Department of Revenue and open Unemployment Compensation accounts administered by the Pennsylvania Department of Labor & Industry.

Federal Employer Identification Number (FEIN)

Employers are required to provide their federal employer identification numbers (FEINs), to the Pennsylvania Department of Revenue. Employers that did not provide an FEIN to the department upon registration must provide this number as soon as it is available from the federal government by registering for myPATH at **mypath.pa.gov** and updating account information.

Compensation

PA compensation includes salaries, wages, commissions and every other item of receipt related to employment – whether received directly, through an agent, in cash, in property or otherwise – unless specifically excluded (see Exclusions from Compensation, Page 2). Compensation includes, but is not limited to:

- Current, deferred or prepaid remuneration for services;
- Remuneration for refraining from services; and

- Amounts paid as a result of:
 - (A) Initiation, modification, rescission or breach of an employment contract;
 - (B) Unlawful practice with respect to terms, conditions or privileges of employment; or
 - (C) Unlawful discharge; failure or refusal to hire; or deprivation of employment opportunities.

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

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

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

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

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

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

Exclusions from Compensation

Certain payments are not compensation, such as:

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

Record-Keeping for Over-Collections

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

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

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

Record-Keeping for Under-Collections

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

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

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

Other Record-Keeping Requirements

All nonwithholding applications, including an employee's statement of non-residence in Pennsylvania and authorization to withhold other states' income tax must be retained until the payroll period is audited by the department.

TAXABLE COMPENSATION NOT SUBJECT TO WITHHOLDING.....

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

1. Agricultural workers and foreign agricultural workers on H-2A visas whose remuneration is not subject to federal Social Security tax (FICA) withholding. (However, an H-2A worker may request that a payor withhold Pennsylvania Personal Income tax from his compensation. If the payor agrees to withhold, the payor becomes subject to all employer withholding rules and regulations. 61 Pa. Code § 113.3(b).);
2. Duly ordained, commissioned or licensed ministers of a church in the exercise of their ministry; members of a religious order in the exercise of their ministry; and members of a religious order in the exercise of duties required by such order, only when the ministers' and members' compensation is not subject to withholding for federal income tax purposes;
3. Domestic servants in a private home, local college club or local chapter of a college fraternity or sorority;
4. Casual employees for services performed that are not in the normal course of the employer's trade or business (federal limitations of less than \$50 and at least 24 days on the job per quarter apply);
5. Employees of foreign governments or international organizations who are citizens or residents of the U.S.;
6. Non-resident alien employees who are Pennsylvania residents for tax purposes, but who perform services outside the U.S.;
7. Newspaper carriers and news vendors under age 18 and others who are statutory employees for federal employment tax purposes; and
8. Seamen engaged in interstate or international trade, and nonresident individuals engaged in interstate transportation activities such as railroad crews, airplane crews or truck or bus drivers, to the extent pay is exempt from withholding under federal law.

Miscellaneous Provisions

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

EMPLOYEE FRINGE BENEFITS AND WELFARE BENEFIT PROGRAMS.....

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

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

Nontaxable Benefits

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

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

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

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

Federally excludable no-additional cost services, qualified employee discounts, working condition fringe benefits or

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

Taxable Benefits

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

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

Employer Contributions

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

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

BUSINESS EXPENSES.....

Reimbursement for Expenses

All reimbursements and allowances paid to employees are compensation unless:

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

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

Allowable Business Expenses

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

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

Expense Reimbursements

The following expense reimbursements are compensation subject to withholding:

- Personal, living or family expenses;
- Dues to fraternal organizations, professional societies, chambers of commerce and recreational clubs;
- Dues and subscription costs to publications, even when the publications are related to your trade or profession;
- Political candidate or campaign contributions;
- Charitable contributions;
- Commuting expenses;
- Cost of meals while working late, unless while traveling overnight away from home;
- Occupational privilege taxes or assessments and other local, county, state, federal and foreign taxes;
- Childcare or elder care expenses;
- Life, disability and health insurance premiums;
- Contributions to deferred compensation plans and other pension plans;

- Legal fees (except to recover back wages), fines, penalties and bad debts;
- Bribes, kickbacks and other illegal payments;
- Job hunting or other employment pursuit expenses;
- Malpractice insurance premiums, except when required by law or by the employer as a condition of employment;
- Moving expenses for selling or purchasing a house; breaking a lease; house hunting; securing temporary lodging prior to moving; seeking new employment; moving for your own convenience; relocating to a new job or workplace less than 35 miles farther than your old commute from home to work; or moving anywhere other than within or into Pennsylvania;
- Educational expenses except when required by law or by the employer; and
- Capital expenditures.

Vouchered Reimbursements

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

1. Union dues, assessments and initiation fees if:
 - a. Such payments are a condition of continued membership in the union, and membership is related directly to the employee's present job; or
 - b. Such payments are required to be deducted from regular wages under an agency shop agreement.
2. The cost incurred by an employee to purchase and maintain uniforms or work clothing to protect the employee from bodily injury if they are both:
 - a. Of a type specifically required by the employer as a condition of employment; and
 - b. Not adaptable to general usage.
3. Expenditures for required small expendable tools and supplies not furnished by an employer.
4. Trade, professional or occupational licenses or fees required as a condition of employment (including malpractice insurance and fidelity bond premiums where required by law or employer).
5. Expenses for travel, meals and lodging on business trips; transportation expenses (but not commuting); and business expenses incurred by outside salesmen.
6. Office or work area expenses if:
 - a. The duties of employment require a suitable work area;
 - b. A suitable work area is not provided by the employer;
 - c. The work area used constitutes a principal place of work; and
 - d. The work area is used regularly and exclusively to perform the duties of employment.

7. Expenses paid or incurred by an employee for moving him/herself, the immediate family, household goods and personal effects, provided the transfer is in the interest of and benefits the present employer, and is from one permanent duty station to another.
8. Education expenses only if:
 - a. The education specifically is required by law or by the employer to retain an established employment status or rate of compensation; and
 - b. The education is not part of a program for a new occupation, trade or business, even if the employee does not intend to enter that new occupation, trade or business. Education costs voluntarily paid or incurred merely to maintain or improve skills are not allowable business expenses.
9. Business gifts.

COLLECTION OF TAXES.....

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

Instructions for Withholding From Resident Employees

1. When a Pennsylvania resident performs services in Pennsylvania, the employer must withhold Pennsylvania personal income tax from the employee's compensation. Where the employer is subject to Pennsylvania withholding requirements and a Pennsylvania resident is rendering services as the employer's employee entirely in another state, the employer must withhold on the entire compensation paid to the employee, unless the other state has an income tax and the employer is withholding the other state's tax.
2. When a Pennsylvania resident is performing services partly within and partly outside the commonwealth, one of the following provisions applies:
 - If the other state has an income tax and the employer is withholding such tax, the employer also must withhold Pennsylvania income tax on compensation for services rendered within the commonwealth. Compensation attributable to services within the commonwealth is a proportion of the total compensation, determined by dividing the number of working days in Pennsylvania by the total number of working days, then multiplying the result by total compensation.

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

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

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

Instructions for Withholding From Nonresident Employees

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

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

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

Reciprocal Tax Agreements

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

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

Pennsylvania employer withholds the income tax of the state in which the nonresident employee resides and pays the tax to that state.

Military Spouses Residency Relief Act

The Military Spouses Residency Relief Act (MSRRA), permits a service member's nonmilitary spouse to retain status as an out-of-state resident and source any nonmilitary compensation to the state of residence under the following circumstances:

- The service member must be in Pennsylvania in compliance with military orders.
- The service member's spouse must be in Pennsylvania solely to be with his/her spouse.
- The service member's spouse must have the same domicile (legal residence) as the service member.

Compensation on other income earned in Pennsylvania for services rendered by a service member's nonmilitary spouse is not taxable by Pennsylvania, when:

- The nonmilitary spouse and service member have the same out-of-state domicile;
- The spouse is in Pennsylvania solely to be with the service member; and
- The service member is in Pennsylvania complying with military orders.

However, a nonmilitary spouse's other income from Pennsylvania sources is subject to Pennsylvania personal income tax to the extent it is earned, received or acquired from sources within the commonwealth as follows:

- By reason of ownership or disposition of an interest in real or tangible personal property in Pennsylvania;
- In connection with a trade or business in Pennsylvania, except to the extent the trade or business receives income for services performed by the MSRRA-qualifying service member's spouse; and/or
- From intangible personal property employed in a trade, profession, occupation or business carried on in Pennsylvania.

The nonmilitary spouse of a service member whose wages/salary is exempt from Pennsylvania personal income tax under MSRRA should file a Pennsylvania form REV-419 with his/her Pennsylvania employer, claiming exemption from Pennsylvania income tax withholding.

CALCULATION OF WITHHOLDING.....

For each payroll period, an employer must calculate the tax to be withheld from an employee's compensation by multiplying such compensation subject to withholding by the current percentage rate, 3.07%, which can be found by visiting the department's Online Customer Service Center at **www.revenue.pa.gov**. A payroll period is a period for which a payment of compensation ordinarily is made to an employee by

his employer, and payroll periods may be daily, weekly, semi-weekly, semi-monthly, monthly, quarterly, semi-annually or annually. If an employee receives supplemental or other compensation, an employer must determine the tax to withhold by adding the supplemental or other compensation for the current payroll period and multiplying this amount by the withholding rate.

PAYMENT OF TAXES WITHHELD.....

Every employer must pay the tax required to be deducted and withheld for each quarter to the department on a quarterly, monthly, semi-monthly or semi-weekly basis. The payment frequency is determined as follows:

1. Quarterly: If the aggregate amount required to be deducted and withheld for each quarterly period reasonably can be expected to be less than \$300, the employer must remit the tax quarterly on or before the last day of April, July, October and January for the four quarters ending the last day of March, June, September and December.
2. Monthly: If the aggregate amount required to be deducted and withheld for each quarterly period reasonably can be expected to be \$300 or more, but less than \$1,000, the employer must remit the tax monthly on or before the 15th day of the succeeding month for January to November and on or before Jan. 31 for the month of December.
3. Semi-monthly: If the aggregate amount required to be deducted and withheld for any quarterly period reasonably can be expected to be \$1,000 or more, but less than \$5,000, the employer must remit the tax semi-monthly within three banking days after the close of each semi-monthly period. The semi-monthly periods end on the 15th and last days of each month.
4. Semi-weekly: Where the aggregate total amount required to be deducted and withheld for each quarterly period reasonably can be expected to be \$5,000 or more per quarter or \$20,000 or more per calendar year, the employer must remit the tax semi-weekly based on the instructions below.

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

Payment frequency change request: A change to a more frequent payment schedule must be requested 15 days prior to the beginning of any quarter. You may request a frequency change through your myPATH account or by submitting a written request via fax to 717-787-0145 or by emailing ra-btftbusiness@pa.gov.

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

PA Quarterly Withholding Returns

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

The Pennsylvania Department of Revenue requires all third-party preparers that prepare 11 or more quarterly withholding returns, to file electronically on myPATH at mypath.pa.gov. The "third-party preparer" is defined as any person, fiduciary, corporation or other entity who prepares or who employs one or more persons to prepare original and amended returns to the department. If a third-party preparer has multiple business locations, all locations should be included.

ELECTRONIC FILING: RETURNS AND PAYMENTS.....

The department offers two electronic filing options, myPATH and TeleFile.

myPATH is an internet based filing system that allows taxpayers to file returns and payments electronically without cost, visit mypath.pa.gov to get started.

TeleFile is a telephone filing system designed for taxpayers who do not have computer access. Pre-registration is not necessary to use TeleFile, however, you will need your Account ID, FEIN or SSN, 10-digit Revenue ID, and the period ending date of the period you wish to file for prior to calling. TeleFile is toll-free and can be accessed 24 hours a day/7 days a week by calling 1-800-748-8299.

myPATH File Upload Process

When uploading W-2s, quarterly withholding returns, or payments, there is no limit on the number of files you may upload, however, there is a limit of 20 MB of data per file.

File specifications vary by form type and are found at mypath.pa.gov in the Accountant Center or the department's website at www.revenue.pa.gov.

Third Party Vendors: The department also has third party vendors who will provide e-filing software for those taxpayers who do not wish to use the department's e-filing options. A list of approved software vendors is available on the department's website at www.revenue.pa.gov.

IMPORTANT: Quarterly withholding returns are NOT available for download from the department's website and the use of other tax forms could result in non-filer notification and/or the misapplication of the tax payment.

Remittance of Tax Payments by Electronic Funds Transfer (EFT)

By regulation, the PA Departments of Treasury and Revenue implemented a program enabling taxpayers to remit tax payments through Electronic Funds Transfer (EFT). This regulation requires the participation of taxpayers remitting a payment of \$1,000 or more.

Failure to comply with the EFT remittance requirements may result in an assessment of a penalty equal to 3 percent of the total tax due, not to exceed \$500. The penalty may be imposed on all payments of \$1,000 or more that are not presented to the Department of Revenue by an approved electronic payment method. If a business does not meet the \$1,000 threshold, it may voluntarily request participation in the program.

All tax documents are still required to be filed even though the payments are made through EFT.

EFT Requirement: If you meet the \$1,000 payment threshold, you are required to remit your payment electronically.

Electronic Payment Methods: Taxpayers can choose one of the following electronic methods: Automated Clearing House (ACH) Debit, ACH Credit, or Credit/Debit card. A convenience fee, which is based on the tax due, will be charged by the vendor for processing the Credit/Debit card transaction. Credit card payments can be made by telephone or online. Visit the department's website at www.revenue.pa.gov for more information.

WITHHOLDING STATEMENTS (W-2).....

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

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

**GENERAL INFORMATION
AND SPECIFICATIONS: W-2.....**

Filing Requirements

- Each entity with a unique Federal Employer Identification Number (FEIN) must file as a separate employer.
- Regardless of the federal due date, W-2s, 1099-Rs, 1099 MISC, 1099 NEC and REV-1667s must be filed in Pennsylvania by January 31 following the tax year being reported.
- The (REV-1667) Annual Withholding Reconciliation Statements, must be completed and submitted with each W-2/1099 form.
 - For example, if you submit W-2 wage records for 32 different employers (32 different FEINs) you must submit 32 (REV-1667) Annual Withholding Reconciliation Statements.
 - Screen printouts from myPATH are not acceptable replacements for the REV-1667.

**Accepted Filing Methods
Based Upon Number of Employees**

Specifics about Pennsylvania’s form W-2/1099 reporting requirements can be found in W-2/1099 Employer Withholding Reporting Instructions and Specifications Handbook, available at www.revenue.pa.gov.

Taxpayers Filing 10 or More W-2s Must File Electronically
myPATH

Taxpayers Filing Fewer Than 10 W-2s
myPATH
TeleFile (available only for W-2s), 1-800-748-8299
Paper*

***Acceptable Paper W-2 sizes (cut to size)**

- 8 1/2 X 5 1/2 inches (preferred size)
- 8 1/2 X 2 1/2 inches
- 4 1/4 X 5 1/2 inches
- 7 1/2 X 2 3/4 inches
- 8 1/2 X 2 3/4 inches
- 6 1/2 X 2 1/2 inches
- 3 3/4 X 5 inches
- 3 3/4 X 5 1/4 inches

***Unacceptable Paper W-2s**

- All onion skin W-2s (Employer Copy “D”);
- W-2s that are very tiny (most acceptable sizes are listed above);

- W-2s without field labels (e.g. “Employee SSN”, “FEIN”, “15”, “16” etc.);
- W-2s where data is printed on labels or data is unreadable for some other reason;
- W-2s with dark background;
- Blank W-2s;
- “Grand-Total” pages; and
- Columnar Listings.

Where to File Annual W-2 Reports

Complete and send reconciliation statements, along with all paper W-2 forms to one of the following addresses:

- If using the U.S. Postal Service:

**PA DEPARTMENT OF REVENUE
PO BOX 280412
HARRISBURG PA 17128-0412**

- If using a private carrier:

**PA DEPARTMENT OF REVENUE
STRAWBERRY SQUARE, FLOOR 9
327 WALNUT STREET
HARRISBURG PA 17128**

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

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

**GENERAL INFORMATION
AND SPECIFICATIONS: 1099.....**

1099-R Forms

- Payers of distributions from profit sharing, retirement arrangements, insurance contracts, etc. are required to file federal form 1099-R for Pennsylvania personal income tax purposes.
- Forms 1099-R showing zero Pennsylvania withholding do not need to be submitted by the entity that has issued them,

however, the department reserves the right to request this information.

Who Must File

- Anyone making a distribution to a taxpayer out of a pension or profit sharing plan (other than by reason of death, disability or retirement) must submit to the department a form 1099-R for each distribution that exceeds the taxpayer's contribution to the plan by \$10 or more.

What to Report

A separate form 1099-R must be filed for each taxpayer receiving a distribution. Copies are acceptable. The return must show the following:

- Name, Address and (SSN) Social Security Number of the person making the distribution.
- Name, Address and (SSN) Social Security Number of the taxpayer receiving the distribution.
- The amount or value of the distribution.
- The amounts contributed by the employer and employee, respectively.

When to File

- The return must be filed on or before January 31 for distributions made to a taxpayer in the preceding calendar year.

1099-MISC Forms

Who Must File

- Under Act 43 of 2017, payors of Pennsylvania-source compensation and business income to nonresidents and lessees of Pennsylvania real estate making lease payments to nonresidents are required to withhold income tax from such payments where payments are \$5,000 or more annually. The payors are also required to submit copies of federal forms 1099-MISC to the department. The United States government, the Commonwealth of Pennsylvania, their agencies, instrumentalities, and any political subdivisions of Pennsylvania are excluded from this withholding requirement.
- Any person who makes payments of Pennsylvania source income from one of PA's eight taxable classes of income to resident and nonresident individuals, entities treated as a partnership for tax purposes, or single member limited liability companies and is required to provide form 1099-MISC to the federal government with respect to the payments must also submit a copy to the department.
- Forms 1099-MISC should only be filed with the department as required by statute.

When to File

The forms are due to the department by January 31 of the ensuing tax year.

1099 Filing Information

The Department of Revenue does NOT require the submission of most 1099s for individual personal income tax purposes, unless there is PA income tax withheld. (Example: 1099-A, 1099-B, 1099-INT, 1099-DIV)

Specifics about Pennsylvania's Form 1099-MISC reporting requirement can be found under Nonresident Withholding, available at www.revenue.pa.gov.

Accepted Filing Methods Based Upon Number of Employees

Specifics about Pennsylvania's Form W-2/1099 reporting requirements can be found in W-2/1099 Employer Withholding Reporting Instructions and Specifications Handbook, available at www.revenue.pa.gov.

Taxpayers Filing 10 or More 1099s Must File Electronically
myPATH

Taxpayers Filing Fewer Than 10 1099s
myPATH
Paper 1099 forms

Where to File 1099 Forms

Paper 1099-Rs or 1099-MISC showing PA tax withheld must be accompanied by the (REV-1667) Annual Withholding Reconciliation Statement. Forms should be mailed to:

**PA DEPARTMENT OF REVENUE
BOX 280904
HARRISBURG PA 17128-0904**

Paper 1099-Rs or 1099-MISC showing zero PA withholding should be mailed to:

**PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
1099-R/1099-MISC FORMS
PO BOX 280509
HARRISBURG PA 17128-0509**

AMENDED RETURNS AND ANNUAL WITHHOLDING RECONCILIATION STATEMENT..

- If an error is discovered after a return was filed, a taxpayer can correct the error by filing an amended return.
- If the error results in an overpayment, an amended quarterly withholding return must be filed within three years of the date the original payment was received in order to receive a credit or refund.
- If a payment was remitted with an original return, include the amount of payment in total deposits for the quarter.

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

Amended Quarterly Withholding Returns and W-2Cs

The department will not accept an amended quarterly withholding return that decreases the total withholding without a copy of the amended Annual Withholding Reconciliation Statement (REV-1667) and copies of the W-2C(s). This only applies to Pennsylvania residents. The department will not accept any decreases of total withholding that involves a Pennsylvania non-resident employee.

INTEREST AND PENALTIES.....

Interest

If any amount of tax required to be withheld is not reported and paid in full on or before the due date, simple interest will be charged daily from the date the tax is due and payable to date of payment. The rate of interest will be announced annually by the Department of Revenue and will continue for the calendar year regardless of any subsequent change in the federal interest rate in a calendar year. Interest is calculated by multiplying the late paid or unpaid tax by days delinquent, then by the daily interest rate. The daily interest rate equals the annual interest rate divided by 365. For interest rates, see (REV-1611), Interest Rates and Calculation Methods for All Taxes.

Penalties

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

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

Personal Responsibility

All taxes withheld pursuant to law or under color of law constitute a trust fund. If withheld tax is not paid to the department or is misapplied, an employee or representative of the employer who has

a duty to collect/pay tax or prepare tax documents; an officer, director or partner of the employer; and a person who receives trust fund monies may be held personally liable for payment.

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

Criminal Prosecution

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

OVERPAYMENTS AND REFUNDS.....

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

If a refund is requested, a signed written request is required that includes the name, FEIN and account number, the amount requested and the period(s) in question. Please note that an amended quarterly withholding return indicating an overpayment does not constitute a refund request and no refund will be issued based solely on an amended quarterly withholding return. Refund requests may be faxed to 717-783-4124 or emailed to ra-bttempfax@pa.gov.

..... QUICK REFERENCE GUIDE FOR PAYROLL PROVIDERS

Filing Returns and Payments

Please complete all lines of the record of withholding unless the taxpayer is a quarterly filer. If the Department of Revenue does not have a breakdown of withholding, the total withholding will be divided evenly between each period, which could result in penalties and interest.

Taxpayers Filing 10 or More W-2s or 1099s Must File Electronically
myPATH

Taxpayers Filing Fewer Than 10 W-2s or 1099s
myPATH
TeleFile (available only for W-2s), 1-800-748-8299
Paper*

*Acceptable Paper W-2 sizes

- 8 1/2 X 5 1/2 inches
- 8 1/2 X 2 1/2 inches
- 4 1/4 X 5 1/2 inches
- 7 1/2 X 2 3/4 inches
- 8 1/2 X 2 3/4 inches
- 6 1/2 X 2 1/2 inches
- 3 3/4 X 5 inches
- 3 3/4 X 5 1/4 inches

*Unacceptable Paper W-2s

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

Important Information and Reminders

Quarterly Withholding Returns

Preparers that submit 11 or more returns are required to file electronically using myPATH.

When a quarterly withholding return is amended for tax years prior to the current year, W-2Cs are required to be filed with the amended quarterly withholding return. The exception is when W-2Cs are for employees who are not residents of Pennsylvania and the tax withheld is being decreased. These W-2Cs will be disallowed and the individual employee must file a PA-40NR return to obtain a refund.

..... QUICK REFERENCE GUIDE FOR PAYROLL PROVIDERS cont.

Due to Pennsylvania's three-year statute of limitation, amended quarterly withholding returns will not be accepted for periods older than three years.

Amended Quarterly Withholding Return and W-2Cs

The department will not accept an amended quarterly withholding return that decreases the total withholding without a copy of the amended Annual Withholding Reconciliation Statement (REV-1667) and copies of the W-2C(s). This only applies to Pennsylvania residents. The department will not accept any decreases of total withholding that involves a Pennsylvania non-resident employee.

File Upload Process

When uploading W-2s, quarterly withholding returns or payments, there is no limit on the number of files you may upload, however, there is a limit of 20 MB of data.

If an import and upload error occurs, this indicates that something failed within the uploaded file. The problem could be a spacing issue or it could be something as simple as having a dash in the account number. You can view the specific file errors in the upload portion of the program.

Detailed Statement of Account

Business taxpayers and tax practitioners now have the ability to electronically request and receive a more detailed version of the statement of account (e-SOA) in PDF format through mypath.pa.gov.

Refunds

If a refund is requested, a signed written request is required that includes the name, FEIN and account number, the amount requested and the period(s) in question. Please note that an amended quarterly withholding return indicating an overpayment does not constitute a refund request and no refund will be issued based solely on an amended quarterly withholding return. Refund requests may be faxed to 717-783-4124 or emailed to ra-btftempfax@pa.gov.

Act 32

All inquiries regarding Act 32 or local earned income tax should be directed to the Pennsylvania Department of Community and Economic Development at www.dced.pa.gov, not the Pennsylvania Department of Revenue.

Data Exchange

Payroll providers are encouraged to setup a data exchange for verifying account IDs and deposit frequencies with the Department of Revenue. The payroll provider supplies FEINs to the Department of Revenue in exchange for account IDs and deposit frequencies, in an effort to streamline the process of mass data exchange. To request a data exchange, please contact the Pennsylvania Department of Revenue at ra-empftp@pa.gov.

BROCHURES & FORMS.....

- REV-419 Employee's Nonwithholding Application Certificate
- REV-580 Brochure: Employer Withholding
- REV-588 Starting a Business in Pennsylvania,
A Guide to Pennsylvania Taxes
- REV-611 Brochure: Determining Residency for
PA Personal Income Tax Purposes
- REV-612 Brochure: Military Pay for
PA Personal Income Tax Purposes
- REV-631 Tax Forgiveness for PA Personal Income Tax
- REV-637 Unreimbursed Allowable Employee Business
Expenses for PA Personal Income Tax Purposes
- REV-677 Power of Attorney and Declaration of
Representative
- REV-1705 Tax Account Information Change/Correction Form
- REV-1706 Business Account Cancellation Form
- REV-1716 Filing and Remittance Due Dates (Employer, W-2
and 1099 Forms)

Business taxpayers and tax practitioners now have the ability to receive and view correspondence online with myPATH. Visit mypath.pa.gov for more information.

**file electronically
using myPATH at**

