

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Pennsylvania Personal Income Tax	Number: 315.25 Amended
Date: November 22, 2011	By Direction of:  Kelly Powell Logan, Secretary of Administration  Charles B. Zogby, Secretary of Budget
Contact Agency: Office of Administration, Office of Human Resources Management, Human Resources Service Center, Telephone 717.787.8001 Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations, Telephone 717.787.5340	

This directive establishes policy, responsibilities, and procedures, for the deduction, withholding, and remittance of Pennsylvania personal income tax. Marginal dots are excluded due to major changes.

- 1. PURPOSE.** To establish policy, responsibilities, and procedures for the deduction, withholding, and remittance of Pennsylvania personal income tax.
- 2. SCOPE.** This directive applies to all departments, boards, commissions, and councils under the Governor's jurisdiction and independent agencies (hereinafter referred to as "agencies") using the SAP Human Resources & Payroll module.
- 3. OBJECTIVE.** To provide a uniform method of deducting, withholding, and remitting Pennsylvania personal income tax for employees.
- 4. DEFINITIONS.**
 - a. Employee.** A person employed by the Commonwealth of Pennsylvania.
 - b. Nonreciprocal State.** Any of the states not identified in Section 4.e. of this directive and Washington, D.C.

- c. **Philadelphia City Wage Tax.** A tax on salaries, wages, commissions, and other compensation paid to an employee. Philadelphia residents owe the city wage tax (at the resident rate) regardless of where they are headquartered. Nonresidents headquartered in Philadelphia must also pay the city wage tax (at the nonresident rate).
- d. **Reciprocal Personal Income Tax Agreement.** An agreement between states that allows income to be taxed in the state of residence, even though the income is earned in another state.
- e. **Reciprocal State.** A state that is a party to a reciprocal personal income tax agreement with Pennsylvania presently including New Jersey, Ohio, West Virginia, Maryland, Indiana, and Virginia.
- f. **Residence Tax Area.** The code in the SAP Human Resources & Payroll module that identifies the location in which an employee resides, for the purpose of withholding state personal income tax.
- g. **Work Tax Area.** The code in the SAP Human Resources & Payroll module that identifies the location in which an employee works.

5. POLICY.

- a. Pennsylvania personal income tax shall be withheld for employees who are Pennsylvania residents.
- b. Pennsylvania personal income tax shall be withheld for employees who are either:
 - (1) Residents of a nonreciprocal state.
 - (2) Residents of a reciprocal state who have not filed an [Employee's Nonwithholding Application Certificate \(Form REV-419 EX\)](#).
- c. Employees who are residents of a reciprocal state and have filed Form REV-419 EX shall be exempt from Pennsylvania personal income tax withholding; personal income tax of the reciprocal state shall be withheld from these employees' compensation.
- d. New Jersey personal income tax will not be withheld for New Jersey residents headquartered in Philadelphia. Where the residence tax area is "NJ" (New Jersey) and work tax area is "PBKX" (Philadelphia), neither Pennsylvania nor New Jersey personal income tax will be withheld, but Philadelphia city wage tax will be withheld at the nonresident rate.

6. RESPONSIBILITIES.

- a. **Employees** who reside in reciprocal states shall file Form REV-419 EX to stop or preclude the withholding of Pennsylvania personal income tax and to have tax withheld for the state in which they reside.

b. Agency Human Resources (HR) Offices shall:

- (1) Complete the employer section of Form REV-419 EX and submit the form to the Department of Revenue.
- (2) Submit Enterprise Personnel Action Requests (E-PARs) to the HR Service Center to process the appropriate tax withholding amounts through SAP.

c. Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations, Deduction Accounting Unit, shall report wages and taxes of all reciprocal states and remit such taxes to the applicable state.

7. PROCEDURES. The following procedures shall be used for processing transactions to start, preclude, or stop the withholding of Pennsylvania personal income tax.

a. Procedure 1. Pennsylvania Resident.

- (1) **Action By: Employee.** Completes Form STD-399, Earned Income (Wage) Tax Questionnaire, indicating place of Pennsylvania residency and submits to the agency HR office.
- (2) **Action By: Agency Human Resources Office.** Submits an E-PAR to request that the HR Service Center process the appropriate tax withholding amounts through SAP.

b. Procedure 2. Reciprocal State Resident Headquartered in Pennsylvania.

- (1) **Action By: Employee.** Completes an Employee Statement of Nonresidence and submits to agency HR office.
- (2) **Action By: Agency Human Resources Office.**
 - (a) Completes the employer section of Form REV-419 EX.
 - (b) Forwards a copy of Form REV-419 EX to the Department of Revenue at the address shown on the form. Retains one copy in the employee's official personnel folder.
 - (c) Upon Department of Revenue approval, submits an E-PAR to request that the HR Service Center process the appropriate tax withholding amounts through SAP.

c. Procedure 3. Reciprocal State Resident Headquartered Outside Pennsylvania. Action By: Agency Human Resources Office. Submits an E-PAR to request that the HR Service Center process the appropriate tax withholding amounts through SAP.

- d. **Procedure 4. Nonreciprocal State Resident Headquartered in Pennsylvania. Action By: Agency Human Resources Office.** Submits an E-PAR to request that the HR Service Center process the appropriate tax withholding amounts through SAP.

- e. **Procedure 5. Nonreciprocal State Resident. Action By: Agency Human Resources Office.** Submits an E-PAR to request that the HR Service Center process the appropriate tax withholding amounts through SAP.

This directive replaces, in its entirety, *Management Directive 315.25*, dated, September 12, 1988.