



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 315.25 Amended – Pennsylvania Personal Income Tax

Date: October 16, 2023

By Direction of:

A handwritten signature in black ink, appearing to be "N. Weaver".

Neil R. Weaver, Secretary of Administration

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Uri Z. Monson, Secretary of the Budget

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This directive establishes policy, responsibilities, and procedures for the deduction, withholding, and remittance of Pennsylvania personal income tax. This amendment updates a definition and organizational names, corrects the name and link for the Department of Revenue form REV 419, and provides a clarification regarding the withholding of New Jersey personal income tax.

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, offices, boards, commissions, and councils under the Governor's jurisdiction and to independent agencies using the SAP enterprise resource planning system (hereinafter referred to as "SAP") Human Resources (HR) & Payroll module (hereinafter referred to as "agencies").

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 an agency within the scope of this directive.
- 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 Philadelphia City Wage Tax (at the resident rate) regardless of where they are headquartered. Nonresidents headquartered in Philadelphia must also pay the Philadelphia 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 HR & 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 HR & 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 also be withheld for Employees who are either:
 - (1) Residents of a Nonreciprocal State; or
 - (2) Residents of a Reciprocal State who have not filed an [Employee's Nonwithholding Application Certificate \(Form REV-419\)](#).
- c. Employees who are residents of a Reciprocal State and have filed Form REV-419 shall be exempt from Pennsylvania personal income tax withholding; personal income tax of the Reciprocal State shall be withheld from these Employees' compensation.

- d. For Employees who live in New Jersey and work in Philadelphia, New Jersey personal income tax will be withheld only to the extent that the New Jersey tax is greater than the tax for Philadelphia. Where the Residence Tax Area is "NJ" (New Jersey) and Work Tax Area is "PBKX" (Philadelphia), Philadelphia City Wage Tax will be withheld at the nonresident rate and New Jersey personal income tax will be withheld if the tax calculation results in New Jersey personal income taxes being greater than Philadelphia nonresident local income taxes. Any New Jersey personal income taxes withheld will be the amounts above the Philadelphia nonresident local income tax.

6. RESPONSIBILITIES.

- a. **Employees** who reside in Reciprocal States shall file Form REV-419 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 HR Offices** shall:
 - (1) Complete the employer section of Form REV-419 and submit the form to the Pennsylvania Department of Revenue.
 - (2) Submit Enterprise Personnel Action Requests (E-PARs) to OA, HRSC to process the appropriate tax withholding amounts through SAP.
- c. **BCPO, 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) **Employee.** Completes Form STD-399, Earned Income (Wage) Tax Questionnaire, indicating place of Pennsylvania residency and submits to the agency HR office.
 - (2) **Agency HR Office.** Submits an E-PAR to request that OA, HRSC process the appropriate tax withholding amounts through SAP.
- b. **Procedure 2. Reciprocal State Resident Headquartered in Pennsylvania.**
 - (1) **Employee.** Completes an Employee Statement of Nonresidence and submits to agency HR office.
 - (2) **Agency HR Office.**
 - (a) Completes the employer section of Form REV-419.

