

PA Schedule NRH

Instructions for Apportioning Income by Nonresident Individuals

PA-40 NRH (09-08) (FI)
PA DEPARTMENT OF REVENUE

COMMONWEALTH OF PENNSYLVANIA/BUREAU OF INDIVIDUAL TAXES

PART I. HOW TO APPORTION COMPENSATION (AND ALLOWABLE EMPLOYEE BUSINESS EXPENSES) FOR SERVICES PERFORMED BOTH WITHIN AND OUTSIDE PENNSYLVANIA.

WHO MUST USE PA SCHEDULE NRH?

A nonresident employee who performs services within and outside Pennsylvania is subject to PA Personal Income Tax only on the net compensation for services performed within Pennsylvania. Your employer should report your PA gross taxable compensation in the "state" (PA) box on your Federal Form W-2, Wage and Tax Statement.

If your employer(s) did not report your PA wages, you must complete and submit a PA Schedule NRH. You must fill out this schedule for each employer that:

- a. Did not report your PA gross taxable compensation on your Form W-2; or
- b. Reported an incorrect amount as PA gross taxable compensation on your Form W-2; or
- c. You incurred unreimbursed employee business expenses in earning or receiving PA gross taxable compensation.

You must complete PART I of this schedule and submit it with your PA-40.

If your employer properly reported the amount of your PA gross taxable compensation on your Form W-2, and you did not incur unreimbursed employee business expenses, you do not need to complete this schedule.

PART I provides two methods of apportioning your PA gross taxable compensation and your unreimbursed employee business expenses.

SECTION A. Working Day Basis. If your compensation depends directly on the number of days you performed services in Pennsylvania, use this section.

SECTION B. Business Volume Basis. If your compensation depends on the amount of business transacted from the services you performed in Pennsylvania, use this section.

YOU MAY NOT USE BOTH METHODS. Use the percentage you calculated and apply it to your PA gross taxable compensation and your allowable PA unreimbursed employee business expenses.

SECTION A. WORKING DAY BASIS

- Line 1.** Report the total number of days in the taxable year you worked for your employer. For example, a complete year would be 365 days.
- Line 2.** Enter the total number of nonworking days during the taxable year you entered in Line 1. Nonworking days include weekends and holidays, as long as no work is performed on those days, as well as vacation days, sick days, leaves of absence due to illness or disability and days working for other employers or yourself.
- Line 3.** Subtract Line 2 from Line 1 to determine your working days during the taxable year.
- Line 4.** Report the total number of days you performed services or worked within Pennsylvania. **NOTE:** You are deemed to have worked outside Pennsylvania if your employer required you to perform your job duties outside Pennsylvania. If you work outside Pennsylvania for your own personal convenience or for tax purposes, such work days are to be included in the total for this line.
- Line 5.** Calculate your apportionment fraction for days worked in Pennsylvania by dividing Line 4 by Line 3. Calculate to six decimal places.

SECTION B. BUSINESS VOLUME BASIS

- Line 6.** Report the total amount of business you transacted for your employer within and outside Pennsylvania during the taxable year.
- Line 7.** Report the total amount of business you transacted for your employer based on the services you performed within Pennsylvania during the taxable year. **NOTE:** If the services you performed in Pennsylvania directly resulted in business transactions outside Pennsylvania, include such business in the total for this line.
- Line 8.** Calculate your apportionment fraction for business volume directly related to your services performed in Pennsylvania by dividing Line 7 by Line 6. Calculate to six decimal places.

SECTION C. PA GROSS TAXABLE COMPENSATION

- Line 9.** From your Form W-2, enter your gross compensation if your employer failed to separately report your PA earnings (or the correct amount of PA taxable compensation). **NOTE:** You must explain the reason you feel the amount on your Form W-2 is incorrect in a separate statement with this schedule.
- Line 10.** If you used the working day apportionment method, enter the percentage from Line 5.
- Line 11.** If you used the business volume apportionment method, enter the percentage from Line 8.
- Line 12.** Calculate your apportioned PA gross taxable compensation by multiplying Line 9 by either Line 10 or Line 11.

Follow the instructions in Section C to transfer the amount from Line 12 to Line 1c of your PA-40 or to Section E.

SECTION D. ALLOWABLE EMPLOYEE BUSINESS EXPENSES

- Line 13.** Report the amount of your total unreimbursed employee business expenses from PA Schedule UE. These expenses include those you incurred within and outside Pennsylvania in performing the services for your employer.
- Line 14.** If you used the working day apportionment method, enter the percentage from Line 5.
- Line 15.** If you used the business volume apportionment method, enter the percentage from Line 8.
- Line 16.** Calculate your apportioned unreimbursed employee business expenses by multiplying Line 13 by either Line 14 or Line 15.

If you complete Section D, you must complete Section E.

SECTION E. PA TAXABLE COMPENSATION

- Line 17.** If your employer used the correct PA gross taxable compensation amount on your Form W-2, enter that amount.
- Line 18.** If you apportioned your PA gross taxable compensation, enter the amount from Section C, Line 12.
- Line 19.** If your employer reimbursed you for some of your expenses, but not in the exact amount or on a per diem basis, and that reimbursement is not already included in your Form W-2, enter the amount of your reimbursements multiplied by the percentage from Line 5 or Line 8 on this line.

- Line 20.** Add all completed lines above and enter the total here. This is your apportioned PA gross taxable compensation.
- Line 21.** Enter the amount of your apportioned unreimbursed employee business expenses from Section D, Line 16.

- Line 22.** Subtract Line 21 from Line 20. This is your net PA taxable compensation. Transfer this amount to Line 1c of your PA-40 and include it with any other PA taxable compensation.

PART II. HOW TO APPORTION INCOME FROM BUSINESS OR FARMING DERIVED FROM SOURCES WITHIN AND OUTSIDE PENNSYLVANIA

Part II of PA Schedule NRH is for apportioning income from a business, profession or farm. If you derived your business, profession or farm income from sources within and outside Pennsylvania and your accounts and records accurately reflect income from within Pennsylvania, you must report your PA taxable income based upon your accounts or records. If you derived your business or farm income from sources within and outside Pennsylvania and your accounts and records do not clearly reflect income from within Pennsylvania, complete Part II of PA Schedule NRH to determine your PA source business or farm income.

In Part II, you calculate a decimal figure that you apply to your total net profit from business or farming. The decimal figure is an average of the sum of three fractions: tangible property; wages, salaries and commissions; and sales.

List all places within and outside Pennsylvania where you operate your business, giving the street address, city and state. Also indicate the type of business.

- Line 1.** Real Estate and Tangible Property - In Column (A), TOTAL EVERYWHERE, enter the average value of the real and tangible personal property you owned or rented and used in your trade or business within and outside Pennsylvania. In Column (B), WITHIN PENNSYLVANIA, enter the average value of the real and tangible personal property you owned or rented and used in your trade or business in Pennsylvania. In Column (C), enter the decimal figure which results from dividing the dollar amount in Column (B) by the dollar amount in Column (A).

Property you owned is valued at its original cost with no allowance for depreciation. The average value is determined by adding the total value at the beginning of the year to the total value at the end of the year and dividing by two. The Department may require averaging of monthly values to reflect the average value of property.

Property you rent is valued at eight times the gross annual rental rate. Gross annual rental rate does not include property subleased and not used to carry on the business.

- Line 2.** Wages, Salaries, Commissions and Other Compensations - In Column (A), TOTAL EVERYWHERE, enter total compensation paid within and outside Pennsylvania during the entire year. In Column (B), WITHIN PENNSYLVANIA, enter total compensation paid in Pennsylvania during the entire year. In Column (C), enter the decimal figure which results from dividing the dollar amount in Column (B) by the dollar amount in Column (A).

Compensation is paid in Pennsylvania if:

1. The individual performs service entirely within Pennsylvania; or
2. The individual performs services within and outside Pennsylvania, but the service performed outside Pennsylvania is incidental to the individual's service performed within Pennsylvania; or

3. Some of the service the individual performs within Pennsylvania, and either the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is within Pennsylvania; or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of Pennsylvania.

Base of operations refers to the place or fixed center from which the individual works. An individual's base of operations may be a business office or a place at which the employee is to receive directions and instructions if the contract of employment so specifies. In the absence of more controlling factors, an individual's base of operations may be the place to which business mail, supplies and equipment are sent, or the place where business records are maintained.

- Line 3.** Sales - In Column (A), TOTAL EVERYWHERE, enter your total sales within and outside Pennsylvania during the entire year. In Column (B), WITHIN PENNSYLVANIA, enter your total sales within Pennsylvania during the entire year. In Column (C), enter the decimal figure which results from dividing the dollar amount in Column (B) by the dollar amount in Column (A).

Sales of tangible personal property are in Pennsylvania if:

(1) the property is delivered or shipped from outside Pennsylvania to a purchaser in Pennsylvania, other than the United States Government, regardless of the free on board point or other conditions of the sale; or (2) the property is shipped from Pennsylvania to any place and the purchaser is the United States Government.

Sales, other than sales of tangible personal property, are in Pennsylvania if:

(1) the income-producing activity is performed in Pennsylvania; or (2) the income-producing activity is performed within and outside Pennsylvania, and the greater proportion of the income-producing activity is performed within Pennsylvania (based on cost or performance).

- Line 4.** Add Lines 1, 2 and 3.
- Line 5.** Average - Divide the amount on Line 4 by the number of factors which apply; i.e. the number of entries in Column (A). Example: If you entered amounts only for property and sales in Column (A), you would divide the amount on Line 4 by 2.
- Line 6.** Enter total net profits from business or farm income for the tax year.
- Line 7.** Multiply the amount shown on Line 6 by the allocating fraction shown on Line 5. This is the portion of your net profits from business or farm income subject to tax in Pennsylvania. Enter the amount on Line 4 of PA-40.

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OFFICIAL USE ONLY

NAME AS SHOWN ON YOUR PA RETURN: SOCIAL SECURITY NUMBER:

Enter the name, address and employer identification number of your employer. A separate PA Schedule NRH must be completed for each employer.

EMPLOYER'S NAME EMPLOYER'S IDENTIFICATION NUMBER

EMPLOYER'S ADDRESS

CITY STATE ZIP CODE

PART I. APPORTIONMENT METHODS

You must use the business volume basis when your income depends directly on the amount of business earned or received when in Pennsylvania. Otherwise, use the working day basis. You may not use both methods in determining apportionment.

SECTION A. WORKING DAY BASIS (Use only if Business Volume Basis cannot be used).

1. Total number of days in the tax year	1.		
2. Total number of nonworking days			
a. Saturdays, Sundays and holidays (if no work is performed on these days)			a.
b. Sick, illness or disability days			b.
c. Vacation or leave days, with or without pay	c.		
Total number of nonworking days (Add a, b and c and enter on Line 2.)	2.		
3. Total number of days worked in the tax year (Subtract Line 2 from Line 1.)	3.		
4. Total number of days worked within Pennsylvania during the tax year	4.		
5. Working days apportionment fraction (Divide Line 4 by Line 3. Calculate to at least six decimal places.)	5.		

SECTION B. BUSINESS VOLUME BASIS

6. Total volume of business transacted during the tax year	6.	
7. Total volume of business transacted directly due to activity in Pennsylvania	7.	
8. Business volume apportionment fraction (Divide Line 7 by Line 6. Calculate to at least six decimal places.)	8.	

APPORTIONED COMPENSATION AND/OR EMPLOYEE BUSINESS EXPENSES

SECTION C. PA GROSS TAXABLE COMPENSATION

If the Form W-2 provided by your employer did not show the amount of PA gross taxable compensation you earned or received in Pennsylvania, or if the amount shown as PA gross taxable compensation is incorrect, you must apportion the amount on Line 9. If your employer properly reported your PA gross taxable compensation on your Form W-2, do not complete this section.

9. Gross taxable compensation from Form W-2 or pay stubs	9.	
10. Working days apportionment percentage from Line 5 in Section A above	10.	
11. Business volume apportionment percentage from Line 8 in Section B above (Use the percentage from Line 5 or Line 8, but not both.)	11.	
12. Apportioned PA gross taxable compensation (Multiply Line 9 by either Line 10 or Line 11.) Enter on Line 1A of your PA-40.	12.	

If you did not incur any allowable employee business expenses, include the amount from Line 12 on Line 1c of your PA-40. If you did incur allowable employee business expenses, you must complete Section D.

SECTION D. ALLOWABLE EMPLOYEE BUSINESS EXPENSES

In order to apportion your business expenses for PA purposes, you must complete PA Schedule UE, Allowable Employee Business Expenses. Do not include any expenses on PA Schedule UE which are not allowable under PA law. Read the instructions carefully.

13. Total allowable expenses from PA Schedule UE	13.	
14. Working day apportionment percentage from Line 5 in Section A above	14.	
15. Business volume apportionment percentage from Line 8 in Section B above (Use the percentage from either Line 5 or Line 8, but not both.)	15.	
16. Apportioned PA allowable employee business expenses (Multiply Line 13 by Line 14 or Line 15.) Enter on Line 1B of your PA-40.	16.	

SECTION E. PA TAXABLE COMPENSATION

If you completed Section C, enter the amount from Line 12 on Line 18. You should not have amounts on both Line 17 and Line 18 unless you received more than one Form W-2 from the same employer. On Line 19, enter any reimbursements for expenses that you received, but not included in your Form W-2.

17. Correct PA gross taxable compensation from Form W-2	17.	
18. Apportioned PA gross taxable compensation from Section C, Line 12 above (Enter on Line 1A of your PA-40.)	18.	
19. Apportioned reimbursements for expenses not included in your Form W-2	19.	
20. Total PA gross taxable compensation (Add Line 17 and/or Line 18 to Line 19.)	20.	
21. Apportioned PA employee business expenses from Section D, Line 16 above (Enter on Line 1B of your PA-40.)	21.	
22. Net taxable/apportioned PA gross taxable compensation (Subtract Line 21 from Line 20.)	22.	

Include the amount from Line 22 on Line 1c of your PA-40. Enclose a copy of this PA Schedule NRH, your completed PA Schedule UE, and your form(s) W-2 with your PA-40.

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PA Schedule NRH

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OFFICIAL USE ONLY

Name as shown on your PA Return

Social Security Number

PART II

CALCULATION OF PENNSYLVANIA NET PROFITS FROM BUSINESS, PROFESSION OR FARM INCOME – If your business, profession or farm income is derived from sources within and outside Pennsylvania and your accounts and records do not clearly reflect the income from within Pennsylvania, complete Part II of this schedule and enclose it with your PA-40.

**NET PROFITS FROM BUSINESS OR FARM
APPORTIONMENT FORMULA**

List all places within and outside Pennsylvania where you operate your business.

Federal Employer Identification Number

(1) STREET ADDRESS	(2) CITY AND STATE	(3) TYPE OF BUSINESS

DESCRIPTION OF ITEMS USED AS FACTORS	(A) TOTAL EVERYWHERE	(B) WITHIN PENNSYLVANIA	(C) DIVIDE (B) BY (A) TO OBTAIN DECIMAL – CARRY TO AT LEAST SIX PLACES
1. Real estate and tangible property	\$		\$
2. Wages, salaries, commissions and other compensation	\$		\$
3. Sales	\$		\$
4. Total (Add Line 1 through Line 3.)	\$		
5. Allocating percentage (express in decimal). Divide Line 4 by 3. If only two of the above factors apply, divide by 2. If only one applies, enter figure from Line 4.			%
6. Total net profits from business, profession or farm income for the tax period.			\$
7. Net profits from business, profession or farm allocated to Pennsylvania. (Multiply Line 6 by Line 5.) Enter here and on Line 4 of PA-40.			\$

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