COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
HARRISBURG, PA 17128

50000011041

TAX YEAR ENDING

(Month   Day   Year)
(ATTACH TO YOUR PENNSYLVANIA RETURN)

SCHEDULE W – EMPLOYMENT INCENTIVE PAYMENTS CREDIT

Business Name

Corporation Tax File (Box) Number

Federal Employer Identification Number

Social Security Number

IF A MEMBER OF A PARTNERSHIP, OR A SHAREHOLDER OF A PA S CORPORATION, ENTER YOUR NAME.

PARTNER'S OR SHAREHOLDER'S SSN OR EIN.

IMPORTANT – Your wage and salary expense deduction must be reduced by the credit on Line 16. (See Instructions for Line 16.)

PART I EMPLOYMENT INCENTIVE PAYMENTS. (EIP) Complete the schedule below for qualified wages (up to $9,000 for each employee) paid or incurred during the tax year for service of employees who are certified and for qualified Employment Incentive Payments for day care or transportation services. Attach certificates for all employees.

1. First-year employee salary or wages and qualified day care or transportation services. Enter check (✓) mark in day care/transportation block if day care or transportation services were provided.

Name of Employee	Day Care / Transportation	Social Security Number	Date Employment Began	EIP Wages
(a)				$
(b)				
(c)				
(d)				
(e)				

2. Total qualified first year wages paid or incurred – Add wages on Line 1(a) through (e)	2.	
3. Total Employment Incentive Payment Credit for Wages – Multiply Line 2 by .30.	3.	
4. Total Employment Incentive Payment Credit for Day Care Services and Transportation Services – Multiply number of blocks checked – Lines 1(a) – 1(e) by $800. Actual expenses must be used that do not exceed these amounts.	4.	
5. Total First Year Employment Incentive Credit – Add Lines 3 and 4.	5.	

6. Second Year Employee salary or wages and qualified day care or transportation services. Enter check (✓) mark in day care/transportation block if day care or transportation services were provided.

Name of Employee	Day Care / Transportation	Social Security Number	Date Employment Began	EIP Wages
(a)				$
(b)				
(c)				
(d)				
(e)				

7. Total qualified second year wages paid or incurred – Add wages on Line 6(a) through (e)	7.	
8. Total Employment Incentive Payment Credit for Wages – Multiply LIne 7 by .20.	8.	
9. Total Employment Incentive Payment Credit for Day Care Services and Transportation Services – Multiply number of blocks checked – Lines 6(a) – 6(e) by $600. Actual expenses must be used that do not exceed these amounts.	9.	
10. Total Second Year Employment Incentive Credit – Add Lines 8 and 9.	10.	

11. Third Year Employee salary or wages and qualified day care or transportation services. Enter check (✓) mark in day care/transportation block if day care or transportation services were provided.

Name of Employee	Day Care / Transportation	Social Security Number	Date Employment Began	EIP Wages
(a)				$
(b)				
(c)				
(d)				
(e)				

12. Total qualified third year wages paid or incurred – Add wages on Line 11(a) through (e)	12.	
13. Total Employment Incentive Payment Credit for Wages – Multiply Line 12 by .10.	13.	
14. Total Employment Incentive Payment Credit for Day Care Services and Transportation Services – Multiply number of blocks checked – Lines 11(a) – 11(e) by $400. Actual expenses must be used that do not exceed these amounts.	14.	
15. Total Third year Employment Incentive Credit – Add Lines 13 and 14.	15.	
16. Total credit for wages – Add Lines 3, 8, and 13. Enter here and on Line 33b of Schedule C or Line 23b of Schedule F. If corporation, enter on Section C, Line 4c of RCT-101, or Page 2, Part I, II (a) of RCT-143.	16.	
17. Total credit for day care or transportation services – Add Lines 4, 9, & 14.	17.	
18. Total current Employment Incentive Payment Credit – Add Lines 16 and 17.	18.	

PART II Calculation of Credit

19a. Total Current Employment Incentive Payment Credit - Enter amount from Line 18	19a.	
19b. Amount of Carryover Credit Available From Previous Year's Return	19b.	
19. Total available Employment Incentive Payment Credit for present tax year. Total 19A, 19B and K1 amount.	19.	
20. Tax Liability		
I. If filing Individual Income Tax Return, enter amount from PA-40, Line 12.		
II. If filing Fiduciary Income Tax Return, enter amount from PA-41, Line 10.		
III. If corporation filing form RCT-101, enter amount from page 3, section C, Line 14.		
IV. If other organization, enter appropriate tax liability before application of credit on tax return.	20.	
21. Other Credits against tax liability		
I. If filing Individual or Fiduciary Income Tax return, enter amounts (if any) from PA-40 or PA-41;		
(a) Line 22, PA-40 or Line 12, PA-41– taxes paid by PA residents to other states	21a.	
(b) Line 21, PA-40 – TAX BACK/Tax Forgiveness claimed on Schedule SP	21b.	
(c) Total – If none, enter "0".	21c.	
or.) II. If corporation, enter amount of Neighborhood Assistance Credit. If none, enter "0".	21.	
22. Tax Liability to which credit may be applied (Subtract Line 21 from Line 20.) If none, enter "0".	22.	
23. Maximum allowable credit (Multiply Line 22 by .90.)	23.	
24. Total credit to be allowed for present tax year. Enter lesser of Line 19 or 23.	24.	
25. Amount of Employment Incentive Payment Credit available for use in subsequent years (Subtract Line 24 from Line 19.) If none, enter "0".	25.	

GENERAL INFORMATION

Under the provisions of the Welfare Reform Act of April 8, 1982, a tax credit was created for persons and corporations that employ certain welfare recipients. This credit was expanded in 2000 to include vocational rehabilitation employees. An additional tax credit for employers that provide day care service for the children of welfare recipients or vocational rehabilitation employees is also available. Effective for the 2000 tax year, this tax credit was expanded to include transportation services provided for certified employees by employers.

I. WHO IS ELIGIBLE FOR THE CREDIT

Any employers who are individuals, partnerships, proprietorships, PA S corporations, estates, or trusts may apply the credit against their Personal Income Tax liability or their estate's or trust's income tax liability on their Pennsylvania Personal Income Tax Return (PA-40/PA-41).

With respect to employers who are corporations, banks and financial institutions, title insurance and trust companies, savings and loan companies, or insurance companies, the tax credit may be applied against the corporate net income, bank shares, mutual thrift net earnings, or gross premiums tax liability on their appropriate Pennsylvania Corporate Tax Report.

II. AMOUNT OF CREDIT

The credit for each certified individual hired shall be equal to, but may not exceed, 30 percent of the first $9,000 of qualified first year wages for the first year of employment, 20 percent of the first $9,000 of qualified wages for the second year of employment, and 10 percent of the first $9,000 of qualified wages for the third year of employment.

If the employer provides or pays for approved day care services for a child or children of a certified employee or transportation services for a certified employee, the employer shall be eligible for an additional credit up to $800

for the first year of employment, $600 for the second year, and $400 for the third year.

III. QUALIFICATION FOR CREDIT

The employer is not entitled to claim the credit until employment has continued for at least one full year unless the employee (a) voluntarily leaves the employer, (b) becomes disabled or, (c) is terminated for cause.

IV. CONDITIONAL EIP CREDIT

An employer is not entitled to the EIP Credit until the employee has completed one (1) full employment year. An employer may claim a conditional EIP Credit on the annual tax return or tax report for that portion of the tax year which the employee worked.

If, at the time of filing the tax return or tax report, the employee is removed from employment, for reasons other than specified in III above, the EIP Credit cannot be claimed. If, after filing the tax return or tax report, the employee is removed from employment before completing the full employment year, for reasons other than specified in III above, the employer's tax return or tax report will be adjusted. When this occurs, the employer may be liable for tax, with appropriate penalties and additions, from the due date of the tax return.

SPECIFIC INSTRUCTIONS FOR COMPLETION OF PA SCHEDULE W

PART I - EMPLOYMENT INCENTIVE PAYMENTS

Line 1 — Enter the name, Social Security Number, date employment began, and total qualifying employment incentive payment wages up to $9,000 for each first year employee. If employee did not work for the entire year covered by this tax return, you must calculate the total number of full months worked to determine the appropriate percentage of employment incentive payment credits available for each employee. If day care services and/or transportation services were provided, enter a check (✓) mark in the block provided.

For example:

(a) An employer with a tax year ending December 31, 2001, hires a certified individual on August 20, 2001. The employee worked four (4) full months during the employer's tax year. The maximum EIP wages on which the employer could calculate his EIP Credit are $3,000 ($750 maximum EIP wages per month x 4 months). The maximum first year conditional EIP Credit for this employee would be the maximum EIP wages multiplied by the first year percentage or $3,000 x .30 = $900.

(b) A corporation with a tax year ending March 31, 2002, hires a certified individual on July 20, 2001. The employee worked eight (8) full months during the corporation's tax year. The maximum EIP wages on which the corporation could calculate its EIP Credit are $6,000 ($750 maximum EIP wages per month x 8 months). The maximum first year conditional EIP Credit for this corporation would be the maximum EIP wages multiplied by the first year percentage or $6,000 x .30 = $1,800.

In both examples above, if the actual wages paid to the employee were less than the maximum EIP wages ($750 per full month worked), the conditional EIP Credit must be calculated on the actual wages paid.

Remember that only qualified first year wage amounts should be entered on Lines 1(a) through 1(e). Attach additional sheets as necessary.

Line 2 — Add total first year employment incentive payment wages on Lines 1(a) through 1(e) and enter result.

Line 3 — Multiply Line 2 by .30 and enter result.

Line 4 — Enter total amount of qualified day care and transportation services employment incentive payments. Multiply total number of qualified employees for whom day care service and/or transportation services was provided by $800 for all first year employees and enter total amount. Actual expenses cannot exceed these amounts.

Line 5 — Add Lines 3 and 4 and enter total.

Line 6 — Enter the name, Social Security Number, date employment began, and total qualifying employment incentive payment wages for each second year employee up to $9,000. If employee did not work for the entire year covered by this tax return, you must calculate the total number of full months worked to determine the appropriate percentage of employment incentive payment credits available for each employee. If day care services and/or transportation services were provided, enter a check (✓) mark in the block provided.

Remember that only qualified second year wage amounts should be entered on Lines 6(a) through 6(e). Attach additional sheets as necessary.

Line 7 — Add total second year employment incentive payment wages on Lines 6(a) through 6(e) and enter result.

Line 8 — Multiply Line 7 by .20 and enter result.

Line 9 — Enter total amount of qualified day care and transportation services employment incentive payments. Multiply total number of qualified employees for whom day care service and/or transportation service was provided by $600 for all second year employees and enter total. Actual expenses cannot exceed these amounts.

Line 10 — Add Lines 8 and 9 and enter total.

Line 11 — Enter the name, Social Security Number, date employment began, and total qualifying employment incentive payment wages for each third year employee up to $9,000. If employee did not work for the

entire year covered by this tax return, you must calculate the total number of full months worked to determine the appropriate percentage of employment incentive payment credits available for each employee. If day care services and/or transportation services were provided, enter a check (✓) mark in the block provided.

Remember that only qualified third year wage amounts should be entered on Lines 11(a) through 11(e). Attach additional sheets as necessary.

Line 12 — Add total third year employment incentive payment wages on Lines 11(a) through 11(e) and enter result.

Line 13 — Multiply Line 12 by .10 and enter result.

Line 14 — Enter total amount of qualified day care and transportation services employment incentive payments. Multiply total number of qualified employees for whom day care service and/or transportation service was provided by $400 for all third year employees and enter total. Actual expenses cannot exceed these amounts.

Line 15 — Add Lines 13 and 14 and enter total.

Line 16 — Add Lines 3, 8, and 13 and enter total.

Important — The Employment Incentive Payment Credit shown on Line 16 of Schedule W must be subtracted from the expense deduction for salaries and wages on your tax return. Therefore, enter the amount from Line 16 on Line 33b of the Pennsylvania Schedule C or Line 23b of the Schedule F, if filing individual income tax form PA-40. If filing corporation tax form RCT-101, enter this amount on Line 4(c). If filing corporation tax form RCT-143, enter this amount on page 2, Part I, II (a).

Line 17 — Add Lines 4, 9, and 14 and enter total.

Line 18 — Add Lines 16 and 17 and enter total.

PART II - CALCULATION OF CREDIT

Line 19a — Total current Employment Incentive Credit – Enter amount from Line 18.

Line 19b — Amount of Carryover EIP Credit available from previous year's return - be sure to attach official notification of existence of credit received from the Department.

Line 19 — Total available Employment Incentive Payment Credit for present tax year—Enter total of Lines 19a and 19b. Also, the amount of each partner's or shareholder's pro rata distributive share of the partnership or PA S corporation's credits reported to them on their RK-1 or NRK-1 should be entered here.

Line 20 — Tax Liability. Enter one of the following:

I. Amount from Line 12 of PA-40, if filing individual income tax return.

II. Amount from Line 10 of PA-41, if filing fiduciary income tax return.

III. Amount from Section C, Line 14 if corporation filing form RCT-101.

IV. Amount of tax liability before application of any credit on tax return, if organization is filing return other than specified in I, II, or III.

Line 21 — Other Credits

Enter either (1) total amount of personal income tax credits or (2) amount of Neighborhood Assistance Credit if corporation has qualified for same.

Line 22 — Liability to which credit may be applied. Subtract Line 21 from Line 20 and enter total. If no tax liability, enter "0".

Line 23 — Maximum allowable credit. Multiply Line 22 by .90 and enter total.

Line 24 — Total credit allowed for present tax year. Enter lesser of Line 19 or Line 23 here and on appropriate Pennsylvania tax return or report.

Line 25 — Amount of Employment Incentive Payment Credit available for use in subsequent years. Subtract Line 24 from Line 19. If none, enter "0".

GENERAL INFORMATION (continued)

In calculating the conditional EIP Credit, the employer's tax year must be distinguished from each employee's employment (EIP) year. For the purpose of this calculation, the tax year is usually twelve (12) months. The employee's EIP year begins with the first full month after the date the employee is hired. For example, an employee hired on October 18, 2001 has an EIP year beginning on November 1, 2001 and ending on October 31, 2002.

The employer calculates the conditional EIP Credit by determining the number of full months the employee worked during the tax year and the amount of actual wages paid during those months. The employer will then calculate the maximum EIP wages by multiplying the number of months worked by $750. (The amount is used because a tax year is usually 12 months and the maximum EIP wage is $9,000 per year, $9,000 ÷ 12 = $750 per month.) The conditional EIP Credit is calculated using the lesser of the maximum EIP wages or the actual wages paid. The calculation for the conditional EIP Credit is as follows:

1. $750 x months worked during the tax year = maximum EIP wages;

2. Maximum EIP wages compared to actual wages paid;

3. Lower wage figure x appropriate yearly % = maximum EIP Credit.

Example:
On September 18, 2001 an employer hires a certified individual. The employee's EIP year is October 1, 2001 through September 30, 2002. The employer's tax year is January 1, 2001 through December 31, 2001. During the three full months (October to December) the employee worked in the employer's tax year, he was paid $3,000. The calculation of the maximum EIP Credit is as follows:

$750 x 3 = $2,250	(maximum EIP monthly wage x months worked = maximum EIP wages)
$2,250 - $3,000	(maximum EIP wages compared to actual wages paid)
$2,250 x .30 = $675	(lesser of wage figures x first year percentage = maximum EIP Credit)

The employer is entitled to a maximum conditional EIP Credit of $675 for the first three full months the employee worked.

In 2002 the employer will perform a similar calculation to determine the remaining EIP Credit for the employee's first EIP year and the conditional credit for the first three months of the employee's second EIP year.

V. APPLICATION OF CREDIT

An employer may claim the credit only against a tax which he is required to pay. Thus, a corporate employer may not assign the credit to a shareholder or to a subsidiary corporation. An employer (whether corporate or individual) shall not use the credit against taxes withheld for employees.

In the case of a partnership or PA S corporation the credit will be allocated among the partners or shareholders in the same manner as income is allocated.

A married taxpayer who uses the credit against his Personal Income Tax liability must file a separate return and cannot file jointly with his spouse.

Any taxpayer required to make estimated tax payments may apply this credit against such payments.

VI. TOTAL LIMIT OF CREDIT AGAINST TAX

An employer may not use credits exceeding 90 percent of its tax liability in any given year. Any unused credit may be applied to any of the ten (10) immediate succeeding years as long as the total credits used do not exceed 90 percent of the tax liability for that particular year. Tax liability is defined as tax liability less any credits not prepaid in the form of withholding, estimated, or tentative tax prepayments.

For example:
(a) At the end of the tax year, the employer has qualified for a maximum EIP Credit of $675. On his tax return he may claim an EIP Credit limited to 90% of his net tax liability. Net tax liability is the total tax due, based on income, less any credits for taxes paid by Pennsylvania residents to other states and/or TAX BACK/Tax Forgiveness. The employer may not deduct prepaid taxes; i.e., credits for income taxes withheld and/or estimated tax payments, in calculating net tax liability.

On his tax return, the employer has an income tax liability of $825. The employer also made $200 in estimated tax payments and has a resident credit of $325 for taxes paid to another state. The employer's net tax liability is $500 ($825 total tax due — $325 resident credit). The employer then multiplies the net tax liability by 90% to calculate the actual EIP Credit allowed on his tax return or $500 net tax liability x .90 = $450 actual EIP Credit.

Since the employer may use only $450 of his maximum EIP Credit on his tax return, he has available a credit of $225 ($675 maximum EIP Credit - $450 actual EIP Credit used) for use in any of ten subsequent years.

(b) At the end of the tax year, ABC, Inc. has qualified for a maximum EIP Credit of $2,250. The corporation's EIP Credit is limited to 90% of the net tax due less any Neighborhood Assistance Credit. As in the example above, a corporation may not take the amount of prepaid taxes; e.g., tentative tax payments, as a credit to arrive at net tax liability.

On the tax report, ABC, Inc. has a tax liability of $3,000. The corporation has a Neighborhood Assistance Credit of $1,000. The corporation's net tax liability is $2,000 ($3,000 total tax due —$1,000 Neighborhood Assistance Credit). The corporation then multiplies the net tax liability by 90% to calculate the actual EIP Credit allowed on the tax report or $2,000 net tax liability x .90 = $1,800 actual EIP Credit.

Since ABC, Inc. may use only $1,800 of the maximum EIP Credit on the tax report, the corporation has available a credit of $450 ($2,250 maximum EIP Credit - $1,800 actual EIP Credit used) for use in any of ten subsequent years.

VII. CLAIMING THE CREDIT AND VERIFYING EXISTENCE OF CARRYOVER CREDIT AMOUNT

To claim credit on the employer's tax return, the employer must submit copies of the Employment Incentive Certificates [use REV-1601(A) for all appropriate employees] together with PA Schedule W which must be attached to the employer's corporation or Personal Income Tax return.

The Department will verify the amount of each credit taken and will notify the employer in writing of the existence of any carryover credit which might be available for use during subsequent tax years. To utilize any carryover credit in a subsequent year, a copy of the Department's notification will be required to be submitted with that year's tax return.