

PA SCHEDULE G-L

PA-40 G-L (08-14) (FI)

PA DEPARTMENT OF REVENUE

20

OFFICIAL USE ONLY

Part I - Calculation of Credit for Taxes Paid to Other States

Name of taxpayer claiming the credit		Social Security Number — —	
1. Name of other state	Fill in the oval if the credit you are claiming on this schedule is listed on a PA Schedule RK-1 or consolidated return. <input type="radio"/>		
2. Class of income subject to tax in the other state	A Amount of income subject to tax in PA per PA-40 return	B Amount of income subject to tax in the other state	C Lesser of Column A or B
a. Compensation			
b. Unreimbursed business expenses			
c. Net compensation			
d. Interest			
e. Dividends			
f. Net income or loss from business, profession or farm			
g. Gain or loss from sale, exchange or disposition of property			
h. Income or Loss from rents, royalties, patents and copyrights			
i. Estate or trust income			
j. Gambling and lottery winnings			
3. Income subject to tax in the other state - Add Lines 2c thru 2j for Column C. Enter the result here.			
4. a. Tax due or assessed in the other state			
b. Tax paid in the other state			
c. Enter the lesser of Line 4a or Line 4b			
d. Less: adjustments - Enter the amount from Part III, Line 5.			
e. Adjusted tax paid in the other state - Subtract Line 4d from Line 4c. Enter the result here.			
5. Line 3 x 3.07 percent (0.0307)			
6. PA Resident Credit. Enter the lesser of Line 4e or Line 5 here and on the appropriate form (see instructions).			

Part II - Worksheet for Sources and Amounts of Income Subject to Tax in the Other State

	A	B	C	D	E
1. Source entity name					TOTALS
2. Income by class					
Compensation					
Interest					
Dividends					
Net income or loss from business, profession or farm					
Gain or loss from sale, exchange or disposition of property					
Income or loss from rents, royalties, patents and copyrights					
Estate or trust income					
Gambling and lottery winnings					

Part III - Worksheet for Adjusted Tax Paid in the Other State

1. Enter the amount from Part I, Column C, Line 3 here.	
2. Add the amounts from Part I, Column B, Lines 2c through 2j. Enter the result here.	
3. Divide the amount from Part III, Line 1 by Part III, Line 2. Enter the result here (calculate to six decimal places). If the amount on Part III, Line 3 equals 1.000000, you may stop here and enter "0" on Part I, Line 4d.	— . ————
4. If the amount on Part III, Line 3 is less than 1.000000, subtract the decimal from 1.000000. Enter the result here (calculate to six decimal places).	— . ————
5. Multiply the decimal on Part III, Line 4 by the amount on Part I, Line 4c. Enter the result here and on Part I, Line 4d.	



PA Schedule G-L Resident Credit for Taxes Paid Instructions

A Pennsylvania resident can receive a credit for income tax, wage tax or other tax (measured by gross or net earned or unearned income) paid to another state when the other state imposes its tax on income also subject to PA personal income tax in the same taxable year. For example, a PA resident who earns wages in Delaware and pays Delaware income tax can claim a credit (subject to the limitations described below) for the tax imposed by Delaware on his/her compensation.

PA Schedule G-L is intended for use by a taxpayer who has income in any class of income that is also subject to tax in any other state. However, no item of Pennsylvania taxable income can be taxable in more than one other state. For example, you cannot have the same item of gain from the sale exchange or disposition of property taxable in Pennsylvania, New York and Delaware and be eligible to file PA Schedule G-L for New York and Delaware. The property can only be subject to tax in the state of residency (PA) and one other state, unless the property has its source in PA and in which case it can only be subject to tax in PA.

Individual taxpayers must total the allowable credit from Line 6 of all Schedules G-L and enter the amount on Line 22 of Form PA-40, Personal Income Tax Return.

Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-L and enter the amount on Line 15 of Form PA-41, Fiduciary Income Tax Return.

GENERAL INSTRUCTIONS

If you can claim a resident credit as described above, your credit is the lesser amount of:

- The tax due to the other state (as may be adjusted), or
- The tax calculated using the PA classified taxable income that you earned, received or realized in the other state multiplied by the Pennsylvania tax rate of 3.07 percent (0.0307).

If you complete PA Schedule G-L, you are required to submit some or all of the following as appropriate:

1. Copies of the income tax returns that you filed with the other states.
2. A copy of each Form W-2 (if available) that shows any compensation that the other states taxed (or a statement that shows how the compensation in the other states was determined).
3. Copies of the PA Schedule RK-1, showing the amount of resident credit passed through to the shareholder along with the statement showing the shareholder's proportionate share of the income and tax paid for each state. See the instructions for PA S corporations, partnerships and limited liability companies filing returns on behalf of shareholders, partners and members for more information.
4. A copy of a statement from the partnership or limited liability company (entity) setting forth the amounts of income (by class) subject to tax in the other states, along with the amount of tax paid to such states. See the instructions for PA S corporations, partnerships and limited liability companies filing returns on behalf of shareholders, partners and members for more information.
5. Copies of the other state's commercial domicile rule, law or regulations if interest and/or dividend income is claimed as income subject to tax in another state.

The worksheets from Part II of the PA Schedule G-L showing the nature (class) of the income subject to tax in the other state(s) by the source (entity or transaction) of the income must also be completed in order to claim the credit. Returns for the other states do not need to be signed. You may be required at a later date to provide additional documentation to the department such as (but not limited to) checks, money orders and other related documents in order to substantiate income taxes paid or the amount of tax reported to other states as due and payable.

PA S corporations, partnerships and limited liability companies filing returns on behalf of shareholders, partners and members.

If you are a PA S corporation, partnership or limited liability company (entity) that filed an entity return with another state for income tax to be paid on behalf of the shareholder, partner or member (owner), you must provide additional information to the owner. The additional information should be provided on a statement separate from the PA Schedule RK-1 for the entity. The statement will include the owner's name, Social Security number, name of the entity, tax or fiscal year for which the information is provided, along with a summary, in proportion to the owner's share of ownership (or other method for determining the owner's share of profits, losses, gains or credits) in the entity, the amount of taxes paid to other states and the class or classes of income that are subject to tax in those other states. See the Statement of Resident Credits for Owners of Pass Through Entities included after these instructions for a sample of the state-

ment that must be used or included as the statement provided to partners, members or shareholders who receive resident credits reported on Line 8 of PA Schedule RK-1. The amount of resident credit calculated on a PA Schedule G-L or PA Schedules G-L for a PA S corporation must match the amounts reported on PA Schedule RK-1 for that owner.

NOTE: If you use PA Schedule W-2S to report compensation and you claim a resident credit for taxes paid to another state on compensation, you must include copies of any Forms W-2 for the compensation subject to tax in the other states.

CAUTIONS: If claiming a resident credit from more than one state, you must file a separate PA Schedule G-L for each state. Individual taxpayers must total the amount of allowable credit from Line 6 of all PA Schedules G-L and enter the total on Line 22 of Form PA-40, Personal Income Tax Return. Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-L and enter the total on Line 15 of Form PA-41, Fiduciary Income Tax Return.

You may not claim a resident credit on an individual return for taxes paid by an estate or trust. The credit for taxes paid on behalf of an estate or trust must be claimed on the fiduciary return for the estate or trust. If all the income from the estate or trust is distributed to an individual who is a beneficiary of the estate or trust, the individual may not claim the resident credit earned by the estate or trust.

Individual taxpayers who complete multiple Schedules G-L must add the income amounts subject to tax in each of the states for each class of income and verify that income does not exceed the PA taxable income amount for each class of income. In addition, if there are multiple states to which income is subject to tax from the same entity or source, the total income subject to tax in the other states for that entity cannot exceed the total income from that entity less the PA-source income amount from that entity.

Examples:

A PA resident trust taxpayer is an owner in two S corporations (A & B) doing business in Pennsylvania and Maryland. S corporation A had net business income of \$200,000 that it passed through to the trust while S corporation B had a net business loss of (\$100,000) that it passed through to the trust resulting in net taxable business income to the trust of \$100,000. Although the trust had net income to PA of \$100,000, the trust had net income of \$125,000 that it paid tax on in Maryland. The income passed through as Maryland-source income from S corporation A was \$150,000 while S corporation B only had a net loss in Maryland of (\$25,000). The trust can only claim a resident credit to Maryland of \$3,070 on the \$100,000 of total PA business income.

A PA resident individual taxpayer is an owner in a partnership which has \$100,000 of total income. The partnership has operations in Delaware, Maryland, New Jersey, New York and Pennsylvania. The income subject to tax in each state is as follows: Delaware \$20,000; Maryland \$21,000; New Jersey \$22,000; and New York \$22,000. The PA-source income from the partnership is \$20,000. Because the income subject tax in the other states exceeds \$80,000, the resident credit must be adjusted for at least one state so that the total income subject to tax in all the states (except PA) does not exceed \$80,000.

PA income tax law does not allow a resident credit for taxes paid to political subdivisions of other states. Ask your local taxing authority if you are eligible for a credit for the tax paid to a political subdivision outside Pennsylvania or the difference between the tax you paid to another state and the credit you claimed on your PA Schedule G-L.

SPECIFIC INSTRUCTIONS

Part I

Instructions for Calculation of Credit for Taxes Paid to Other States

Enter the name of the taxpayer or spouse who is claiming the credit. Taxpayers using the "Married Filing Jointly" status may not claim the credit on a joint basis for any classes of income. Separate PA Schedules G-L must be prepared to report the income for a taxpayer and spouse for all classes of income represented on PA Schedule G-L. Enter the Social Security number of the taxpayer or spouse as appropriate.

IMPORTANT: When using fractions or ratios to determine amounts for this schedule, calculate out to six decimal places. Also see "Special Instructions for Taxpayers Reporting Amounts on PA-40 Line 10, Other Deductions" on Page 4 of these instructions.

Line 1.

Enter the name of the other state to which you owed or paid income tax. A separate PA Schedule G-L should be filed for each state in which you claim a resident credit. Do not enter Pennsylvania.

If the credit claimed for a state is listed as part of the credit shown on Line 8 of

PA Schedule G-L Resident Credit for Taxes Paid Instructions

an S corporation PA Schedule RK-1, fill in the oval. Also fill in the oval if the credit being claimed for a state is listed as part of the credit on a separate schedule or listing as a partnership or limited liability company. You must enter all other data as required by the instructions and the name of the entity in Part II of the PA Schedule G-L.

COMPENSATION

Line 2a.

Column A. If a taxpayer or spouse has compensation subject to tax in another state, enter the amount of gross compensation subject to tax for the taxpayer or spouse in PA from Line 1a of the PA-40. Otherwise, leave this line blank.

Column B. If a taxpayer has income subject to tax in another state, enter the amount of gross compensation subject to tax in the other state from the other state's return. Include a copy of Form W-2 and/or other documentation supporting the position that compensation is subject to tax in the other state. If Form W-2 shows an amount different than the amount of compensation reported on the return as taxable to the other state, include a copy of the other state's apportionment schedule or a copy of a supplementary statement illustrating how the compensation subject to tax on the return for the other state was determined. If the amount of compensation shown on the W-2 is greater than the amount of compensation reported as subject to tax on the return for the other state, you must use the amount reported on the return.

UNREIMBURSED BUSINESS EXPENSES

Line 2b.

Column A. If Line 2a, Column A, is completed and the taxpayer or spouse claimed unreimbursed business expenses, enter the amount of unreimbursed business expenses from Line 1b of the PA-40. Enter only the unreimbursed business attributable to the name at the top of the PA Schedule G-L. Otherwise leave this line blank.

Column B. No entry is required.

Column C. No entry is required.

NET COMPENSATION

Line 2c.

Column A. Subtract Line 2b from Line 2a. Enter the result here.

Column B. Enter the amount from Line 2a.

Column C. Compare Column A with Column B and enter the lesser of the two amounts here. A taxpayer or spouse cannot claim more compensation subject to tax in other states than each has separately subject to tax in PA. If more than one PA Schedule G-L reports compensation subject to tax in more than one other state for a taxpayer or spouse, you must add the amounts subject to tax in the other states for each and compare that amount to the amount of compensation subject to tax in PA. If the total of Line 2c, Column B for all states exceeds the amount in Line 1c of the PA-40 for the name of the person shown on the top of the Schedule G-L, you must make an adjustment to the amount reported on Line 2c, Column C for one of the states so that the total does not exceed the amount subject to tax in PA. If you have made an adjustment as a result of excess compensation subject to tax in other states, you must see the instructions for and complete, Line 4d.

INTEREST AND DIVIDENDS

Lines 2d and 2e.

Column A. Federal law prohibits states from taxing nonresidents on intangible income such as interest and dividend income. However, some states have a commercial domicile rule which permits them to allocate intangible income to their state if the business has operations located in the state. Therefore, unless the state listed on Line 1 has the commercial domicile rule, you cannot claim a resident credit for taxes paid to another state for interest and dividend income. If you have interest or dividend income earned by a business or rental property that is subject to tax in another state, that interest or dividend income must be classified as Net Income or Loss from the Operation of a Business, Profession, or Farm or as Net Income or Loss from Rents, Royalties, Patents and Copyrights in PA to be able to claim a resident credit on that income. See the PA PIT Guide, Chapter 11, Section I, 3, for additional information regarding the Allocation of Noncommercial Interest, Noncommercial Dividends, and Gain to Net Income or Loss from the Operation of a Business, Profession or Farm.

Column B. If the other state has the commercial domicile rule, enter the amount of interest and dividend income subject to tax in the other state. Documentation supporting the other state's regulations or laws regarding the commercial domicile rule must be provided in addition to the other state's return.

Column C. Compare the amounts from Columns A and B. Enter the lesser of the

two amounts here.

NET INCOME FROM THE OPERATION OF A BUSINESS, PROFESSION OR FARM

Line 2f.

Column A. If you are claiming a credit as a result of net income from the operation of a business, profession or farm subject to tax in another state, enter the amount from PA-40 Line 4. Although a taxpayer and spouse may file a joint return, they must complete separate PA Schedules G-L and report only the income attributable to the name at the top of the PA Schedule G-L.

Column B. If you have net income from the operation of a business, profession or farm subject to tax in another state, enter the amount of income from the other state's return. Do not reverse the other state's adjustments to income as a result of its allowance of additional deductions or expenses. In order to determine if the credit is allowable, taxpayers and their spouses must complete the worksheet in Part II to show the sources and amounts of income subject to tax for each state and source, even if from only one source. If any entity (PA Schedule C, partnership, limited liability company, S-corp, joint venture) was jointly owned, enter only the taxpayer's or spouse's portion of the income from the operation of a business, profession or farm subject to tax in the other state. To claim the credit for the spouse, you must file a separate PA Schedule G-L.

Column C. Compare Column A with Column B and enter the lesser of the two amounts here. If either amount is a (loss), enter zero in Column C. If you have other income or losses from the operation of a business, profession or farm that result in a net loss or that reduce your income in PA to an amount less than that subject to tax in the other state, the amount of credit can only be calculated on the amount of income subject to tax in PA. A taxpayer or spouse cannot claim more income from the operation of a business, profession or farm subject to tax in other states than each has separately subject to tax in PA. If more than one PA Schedule G-L reports income from the operation of a business, profession or farm subject to tax in more than one other state, you must add the amounts of income subject to tax in the other states for each and compare that amount to the income subject to tax in PA. If the total of Line 2f, Column B for all states exceeds the amount included in Line 4 of the PA-40 for the name of the person shown on the top of the Schedule G-L, you must make an adjustment to the amount reported on Line 2f, Column C for one of the states so that the total does not exceed the amount subject to tax in PA for either the taxpayer or spouse. If you have made an adjustment to income as a result of excess income from the operation of a business, profession or farm subject to tax in other states, you must see the instructions for and complete, Line 4d.

GAIN FROM THE SALE, EXCHANGE OR DISPOSITION OF PROPERTY

Line 2g.

Column A. If you are claiming a credit as a result of a gain from the sale, exchange or disposition of tangible property subject to tax in another state, enter the amount from PA-40 Line 5. Although a taxpayer and spouse may file a joint return, they must complete separate PA Schedules G-L and report only those gains attributable to the name at the top of the PA Schedule G-L.

Column B. If you have a gain from the sale, exchange or disposition of tangible property subject to tax in another state, enter the amount of gain from the other state's return. Do not reverse the other state's adjustments to income as a result of its allowance of additional deductions or expenses. In order to determine if the credit is allowable, you must also complete the worksheet in Part II to show the sources and amounts of the income subject to tax for each state and source, even if from only one source. If the property sold was jointly owned, enter only the taxpayer's or spouse's portion of the gain subject to tax in the other state. To claim the credit for the spouse, you must file a separate PA Schedule G-L.

Column C. Compare Column A with Column B and enter the lesser of the two amounts here. If either amount is a (loss), enter zero in Column C. If you have other gains or losses from sales of other tangible or intangible property that result in a net loss or that reduce your income in PA to an amount less than that subject to tax in the other state, the amount of credit can only be calculated on the amount of income subject to tax in PA. A taxpayer or spouse cannot claim more income from the sale, exchange or disposition of property subject to tax in other states than each has separately subject to tax in PA. If more than one PA Schedule G-L reports income from the sale, exchange or disposition of property subject to tax in more than one other state, you must add the amounts of income subject to tax in the other states for each and compare that amount to the income subject to tax in PA. If the total of Line 2g, Column B for all states exceeds the amount included in Line 5 of the PA-40 for the name of the person shown on the top of the Schedule G-L, you must make an adjustment to the

PA Schedule G-L Resident Credit for Taxes Paid Instructions

amount reported on Line 2g, Column C for one of the states so that the total does not exceed the amount subject to tax in PA for either the taxpayer or spouse. If you have made an adjustment to income as a result of excess income from the sale, exchange or disposition of property being subject to tax in other states, you must see the instructions for and complete, Line 4d.

INCOME FROM RENTS, ROYALTIES, PATENTS OR COPYRIGHTS

Line 2h.

Column A. If you have income from rents, royalties, patents or copyrights subject to tax in another state, enter the amount from PA-40 Line 6. Although a taxpayer and spouse may file a joint return, they must complete separate Schedules G-L and report only the income attributable to the name at the top of the PA Schedule G-L.

Column B. If you have income from rents, royalties, patents or copyrights subject to tax in another state, enter the amount of income from the other state's return. Do not reverse the other state's adjustments to income as a result of its allowance of additional deductions or expenses. In order to determine if the credit is allowable, taxpayers and their spouses must complete the worksheet in Part II to show the sources and amounts of the income subject to tax for each state and source, even if from only one source. If the entity (rental property, partnership, limited liability company, S-corp, joint venture) from which the income is reported was jointly owned, enter only the taxpayer's or spouse's portion of the income subject to tax in the other state. To claim the credit for the spouse, you must file a separate PA Schedule G-L.

Column C. Compare Column A with Column B and enter the lesser of the two amounts here. If either amount is a (loss), enter zero in Column C. If you have other income or losses from rents, royalties, patents or copyrights that result in a net loss or that reduce your income in PA to an amount less than that subject to tax in the other state, the amount of credit can only be calculated on the amount of income subject to tax in PA. A taxpayer or spouse cannot claim more income from rents, royalties, patents or copyrights subject to tax in other states than each has separately subject to tax in PA. If more than one PA Schedule G-L reports income from rents, royalties, patents or copyrights subject to tax in more than one other state, you must add the amounts of income subject to tax in the other states for each and compare that amount to the income subject to tax in PA. If the total of Line 2h, Column B for all states exceeds the amount included in Line 6 of the PA-40 for the name of the person shown on the top of the Schedule G-L, you must make an adjustment to the amount reported on Line 2h, Column C for one of the states so that the total does not exceed the amount subject to tax in PA for either the taxpayer or spouse. If you have made an adjustment to income as a result of excess income from rents, royalties, patents or copyrights being subject to tax in other states, you must see the instructions for and complete, Line 4d.

ESTATE OR TRUST INCOME

Line 2i.

Column A. If you have estate or trust income subject to tax in another state, enter the amount from PA-40 Line 7. Although a taxpayer and spouse may file a joint return, they must complete separate PA Schedules G-L and report only the income attributable to the name at the top of the PA Schedule G-L.

Column B. If you have estate or trust income subject to tax in another state, enter the amount of income from the other state's return. Do not reverse the other state's adjustments to income as a result of its allowance of additional deductions or expenses. In order to determine if the credit is allowable, taxpayers and their spouses must complete the worksheet in Part II to show the sources and amounts of the income subject to tax for each state and trust, even if from only one trust. If the trust from which the income is reported was jointly owned, enter only the taxpayer's or spouse's portion of the income subject to tax in the other state. To claim the credit for the spouse, you must file a separate PA Schedule G-L.

Column C. Compare Column A with Column B and enter the lesser of the two amounts here.

CAUTION: If the trust in which you are a beneficiary is required to file a return for another state and include the income as the trust's income rather than the beneficiary's income, you cannot claim a credit for the income taxes paid by the trust on your personal income tax return. The credit can only be claimed on a PA resident trust tax return.

GAMBLING AND LOTTERY WINNINGS

Line 2j.

Column A. If you have income from gambling and lottery winnings subject to tax in another state, enter the amount from PA-40 Line 8. Although a taxpayer and spouse may file a joint return, they must complete separate Schedules G-L and report only the income attributable to the name at the top of the PA Schedule G-L.

Column B. If you have income from gambling and lottery winnings subject to tax in another state, enter the amount of income from the other state's return. Do not reverse the other state's adjustments to income as a result of its allowance of additional deductions or expenses. In order to determine if the credit is allowable, taxpayers and their spouses must complete the worksheet in Part II to show the sources and amounts of the income subject to tax for each state and source, even if from only one source. A taxpayer and spouse must report their gambling and lottery winnings income and taxes paid to other states on such income on separate PA Schedule G-L forms. To claim the credit for a spouse, you must file a separate PA Schedule G-L.

Column C. Compare Column A with Column B and enter the lesser of the two amounts here. If either amount is a (loss), enter zero in Column C. If you have other income or losses from gambling activities that result in a net loss or that reduce your income in PA to an amount less than that subject to tax in the other state, the amount of credit can only be calculated on the amount of income subject to tax in PA. A taxpayer or spouse cannot claim more gambling or lottery winnings subject to tax in other states than each has separately subject to tax in PA. If more than one PA Schedule G-L reports gambling or lottery winnings subject to tax in more than one other state, you must add the amounts of income subject to tax in the other states for each and compare that amount to the income subject to tax in PA. If the total of Line 2j, Column B for all states exceeds the amount included in Line 8 of the PA-40 for the name of the person shown on the top of the Schedule G-L, you must make an adjustment to the amount reported on Line 2j, Column C for one of the states so that the total does not exceed the amount subject to tax in PA for either the taxpayer or spouse. If you have made an adjustment to income as a result of excess gambling and lottery winnings being subject to tax in other states, you must see the instructions for and complete, Line 4d.

NOTE: Individual taxpayers must total the amount of allowable credit from Line 6 of all PA Schedules G-L and enter the amount on Line 22 of Form PA-40, Personal Income Tax Return. Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-L and enter the total on Line 15 of Form PA-41, Fiduciary Income Tax Return.

Line 3. Add the amounts on Lines 2c thru 2j for Column C and enter the result here. If you have amounts on Lines 2d and/or 2e for Column C, you must also include copies of the other state's commercial domicile rule (law or regulations) in order to claim a resident credit for interest and dividend income taxed in another state.

Line 4a. Enter the amount of income tax reported to the other state as due and payable before any credits for taxes withheld, estimated tax payments or other payments are taken into account. This amount is generally the tax liability as determined on the other state's return. However, any special tax credits awarded or claimed must be used to reduce this amount.

Line 4b. Enter the amount of income tax actually paid to the other state in the form of estimated taxes, withholding taxes, extension payments and other payments (additional assessments of taxes). Other payments include payments that you intend to make with the filing of the return if there is a balance due after the application of estimated taxes, withholding taxes and extension payments. If you do not make the payment of taxes due with the return or do not intend to make the payment, do not include the balance due on the return with this amount.

Line 4c. Enter the lesser of Line 4a or 4b.

Line 4d. If a taxpayer has more income subject to tax in the other state than in one or more of the PA classes of income or the combined income subject to tax in all the states in which there is income subject to tax is greater than the income subject to tax in one or more PA classes of income, an adjustment to the amount of tax paid to the other state is required. Also, if another state had income on which there was no tax paid in Pennsylvania or on which the amount of income subject to tax in Pennsylvania was reduced due to other losses that were not permitted or attributable to the other state, an adjustment would be required to reduce the amount of tax paid to the other state to reflect the proportionate tax paid on the income subject to tax in both states. For example, if the income subject to tax in the other state for net income from a business, profession or farm is more than the amount of the PA-40 net income from a business, profession, or

PA Schedule G-L Resident Credit for Taxes Paid Instructions

farm (Line 2f, Column B is more than Line 2f, Column A), an adjustment is required for Line 4c. Complete the Worksheet for Adjusted Tax Paid in the Other State in Part III of the PA Schedule G-L to determine the amount of adjustment required to taxes. Enter the amount from Part III, Line 5.

Line 4e. Subtract Line 4d from Line 4c. Enter the result here.

Line 5. Multiply Line 3 by 3.07 percent (0.0307). Enter the result here.

Line 6. Enter the lesser of Line 4e or Line 5 here. Individual taxpayers must total the amount of allowable credit from Line 6 of all PA Schedules G-L and enter the amount on Line 22 of Form PA-40, Personal Income Tax Return. Estates and trusts must total the allowable credit from Line 6 of all PA Schedules G-L and enter the amount on Line 15 of Form PA-41, Fiduciary Income Tax Return.

Example: Mary has compensation of \$210,000 in PA. She claims \$40,000 of unreimbursed business expenses in PA. She also belongs to an employer-sponsored retirement or 401k plan and contributes \$10,000 to the plan. Mary also has three rental properties on which she reports income and losses. She reports income from Property A of \$50,000, a loss on Property B of (\$80,000) and income from Property C of \$50,000. Her net income or loss from rents, royalties, patents and copyrights in PA is therefore \$20,000. Mary's regular work duties require her to be in Kentucky 90 percent of the time. Property C is also located in Kentucky, while Properties A and B are located in PA. On Mary's Kentucky tax return, she includes a total of \$230,000 of income [\$180,000 (total PA compensation less 401k plan contribution x 90 percent) of compensation and \$50,000 of rental income] and pays tax of \$6,500. Mary is permitted to report only \$170,000 on line 2c, Column C of her PA Schedule G-L (\$210,000 PA Gross Compensation minus \$40,000 UE expenses). Furthermore, she is permitted to show only \$20,000 of rental income on Line 2h, Column C (net PA rental income). Mary must also make proportionate adjustments in the amount of taxes paid to account for these reductions. The adjustment to taxes would be determined by taking the total of Part 1 Column C, Line 3 (\$190,000) and dividing it by Part 1, Column B Lines 2c through 2j (\$230,000). This fraction is then subtracted from 1.000000 and the result is multiplied by the tax paid to arrive at the adjustment to taxes. Therefore, the proportionate reduction or adjustment in taxes required would be \$1,130 [(1.000000 minus \$190,000/\$230,000) or 0.173913 times \$6,500 = \$1,130]. Her Kentucky PA Schedule G-L Line 3 would show \$190,000 of income subject to tax in both states, which is made up of \$170,000 of compensation (the maximum amount on which a credit can be claimed due to the reduction in PA income as a result of unreimbursed business expenses) and \$20,000 of rental income (the maximum amount on which a credit can be claimed due to the net loss on PA properties not allowable in Kentucky). PA Schedule G-L Lines 4a, 4b and 4c would show \$6,500. Lines 4d and 4e would show \$1,130 and \$5,370, respectively. Line 5 of PA Schedule G-L would show \$5,833 (\$190,000 times 3.07 percent = \$5,833). Line 6 is limited to the lesser of Lines 4e or Line 5 and would be \$5,370. The maximum resident credit Mary could claim for Kentucky would be \$5,370.

Part II

Instructions for the Worksheet for Sources and Amounts of Income Subject to Tax in the Other State

Line 1. Enter the name of the company, partnership, limited liability company, S corporation, rental property, trust, casino or gambling operation (collectively henceforth known as source) for each source having income or loss attributable to the state shown on Part I, Line 1. Include the name of a separate source in Columns A thru D. Include additional worksheets if additional columns are needed to report the income from additional sources.

Line 2. Enter the amount of income or loss for each class of income attributable to each source shown on Line 1, Columns A thru D. Add the amounts in Columns A thru D for each class of income and enter the total for each class in Column E. The amount listed in Part II, Line 2, Column E must agree with the amounts shown for each corresponding class of income in Part I, Lines 2c thru 2j, Column B. Include additional worksheets if more columns are needed to report the income from additional sources. Classes of income reported from PA S corporations, partnerships or limited liability companies (entities) should be provided to each shareholder, partner or member. Copies of the statements from entities are also required to be included with the return.

Part III

Instructions for the Worksheet for Adjusted Tax Paid in the Other State

Line 1. Enter the amount from Part I, Column C, Line 3 here.

Line 2. Add the amounts from Part I, Column B, Lines 2c through 2j. Enter the result here.

Line 3. Divide the amount on Line 1 by the amount on Line 2. Calculate the amount to six decimal places. If the result of dividing Line 1 by Line 2 equals 1.000000, you are not required to make an adjustment to taxes. You do not have to complete Lines 4 and 5 of this section. Stop here and enter "0" on Part I, Line 4d.

Line 4. Subtract Line 3 from 1.000000. Calculate the amount to six decimal places.

Line 5. Multiply the amount on Part III, Line 4 by the amount on Part I, Line 4c. Enter the result here and on Part I, Line 4d.

SPECIAL INSTRUCTIONS FOR TAXPAYERS REPORTING AMOUNTS ON PA-40 LINE 10, OTHER DEDUCTIONS

For taxpayers with amounts reported on Line 10, Other Deductions, amounts listed in Column A for Lines 2c through 2j must be reduced accordingly by a pro-rata amount of the deduction attributable to the taxpayer or spouse claiming the credit.

Example: Andy and Timi Taxpayer have compensation of \$40,000 and \$44,000, respectively, reported on their joint PA-40 return. They do not claim any business expenses on PA Schedule UE. The Taxpayers also report \$3,000 of joint interest income, \$5,000 of joint dividend income and \$4,000 of gains from the sale, exchange or disposition of property (gains) from a vacation property in Delaware they jointly owned. In addition, Andy has \$4,000 of income from a rental property he owns by himself, which is also located in Delaware. Furthermore, Andy and Timi's work requires them to spend 80 percent of their time in the Delaware offices of their respective employers. Andy and Timi have one child, and they contribute \$14,000 each to the IRC Section 529 plan for that child.

On their joint tax return, the Taxpayers report a total of \$100,000 of total PA taxable income on Line 9 of their PA-40 return and \$28,000 on Line 10. Andy and Timi's shares of the income on Line 9 are both \$50,000. However, the income by class of income differs for Andy and Timi. Andy's share of income for each class is as follows: Compensation - \$40,000; Interest - \$1,500; Dividends - \$2,500; Gains - \$2,000; and Rents - \$4,000. Timi's share of income for each class is as follows: Compensation - \$44,000; Interest - \$1,500; Dividends - \$2,500; Gains - \$2,000; and Rents - \$0.

Andy and Timi would report the following amounts in Column A of their separately completed PA Schedules G-L:

	Andy	Timi
Line 2c -	\$28,800	\$31,680
Line 2d -	\$ 1,080	\$ 1,080
Line 2e -	\$ 1,800	\$ 1,800
Line 2g -	\$ 1,440	\$ 1,440
Line 2h -	\$ 2,880	\$ 0

The amounts reported on each line of Column A for Andy and Timi are reduced by subtracting from the amounts reported in each class of income on Form PA-40 Andy or Timi's share of the income from each class of income, divided by their respective shares of the total income for all classes and multiplied by their respective shares of the total amount on Form PA-40 Line 10. For example, Line 2c for Andy was determined by taking the \$40,000 he reported as compensation and subtracting \$11,200, which is \$40,000 divided by \$50,000 times \$14,000.

The amounts reported in Column B for their Schedules G-L would be as follows:

	Andy	Timi
Line 2c -	\$32,000	\$35,200
Line 2d -	\$ 0	\$ 0
Line 2e -	\$ 0	\$ 0
Line 2g -	\$ 2,000	\$ 2,000
Line 2h -	\$ 4,000	\$ 0

Because of the pro-rata reductions required for Column A, the amounts for Column C (the lesser of Column A or Column B) for Andy and Timi are as follows:

	Andy	Timi
Line 2c -	\$28,800	\$31,680
Line 2d -	\$ 0	\$ 0
Line 2e -	\$ 0	\$ 0
Line 2g -	\$ 1,440	\$ 1,440
Line 2h -	\$ 2,880	\$ 0

The total incomes on which credits may be claimed on separate Schedules G-L (Line 3 on the Schedules G-L) are \$33,120 for both Andy and Timi.

Tax or Fiscal Year

SSN:

Statement of Resident Credits for Owners of Pass Through Entities PA Schedule RK-1, Line 8
State Composite Taxes:

State	Share of State Composite Taxable Income by Class of Income:					Total Income Subject to Tax	Share of State Composite Tax Liability	Resident Credit (lesser of 3.07% or tax paid to other state)
	Interest	Dividends	Business	Gains	Rental			

Additional states may be included on entity prepared statements or by including additional copies of this statement. Names of states must be included.