

**PA SCHEDULE G-L**

PA-40/PA-41 G-L

**20**

OFFICIAL USE ONLY

**SECTION I CALCULATION OF THE CREDIT**

Name of taxpayer claiming the credit	SSN/FEIN
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1. Name of other state	Credit from a Pass-Through Entity (see the instructions) <input type="checkbox"/>
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2. Class of income subject to tax in the other state	A Amount of income subject to tax in PA per PA 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 Section 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).			

**SECTION II SOURCES AND AMOUNTS OF INCOME SUBJECT TO TAX**

1. Source entity name	A	B	C	D	E 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					

**SECTION III ADJUSTED TAX PAID**

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





# Instructions for PA Schedule G-L

## Resident Credit for Taxes Paid

PA-40/PA-41 G-L IN (EX) 03-24

### GENERAL INFORMATION

#### PURPOSE OF SCHEDULE

Use PA Schedule G-L to calculate and report the amount of resident credit claimed 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. Pennsylvania resident individuals, estates, and trusts may use PA Schedule G-L when they have income in any class of income that is also subject to tax in any other state. However, the same income cannot be taxable in more than one other state.

#### RECORDING DOLLAR AMOUNTS

Show money amounts in whole-dollars only. Eliminate any amount less than \$0.50 and increase any amount that is \$0.50 or more to the next highest dollar.

#### WHO MUST COMPLETE

PA resident and part-year resident individual taxpayers and PA resident estates and trusts must complete and include PA Schedule G-L with an originally filed PA-40, Personal Income Tax Return or PA-41, Fiduciary Income Tax Return, when reporting a resident credit on Line 22 of the PA-40 or Line 15 of the PA-41.

### GENERAL INSTRUCTIONS

#### AMOUNT OF CREDIT

If claiming a resident credit or out-of-state credit, the credit is the lesser amount of:

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

#### DOCUMENTATION REQUIRED TO SUPPORT THE CREDIT

If including PA Schedule G-L with a PA-40 or PA-41 return, some or all of the following documents are required to be submitted with the PA-40 or PA-41 when filed:

- Copies of Schedules G-L for each state where the credit is claimed.
- Copies of the income tax returns filed with the other states.

- 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.
- Copies of PA Schedules RK-1 showing the amount of resident credit or out-of-state credit passed through to the shareholder along with the statement showing the shareholder's proportionate share of the income subject to tax by class of income, tax paid, and resident credit for each state. See the instructions for PA S corporations returns for additional information.
- A copy of a statement from the partnership or limited liability company showing the amount of the partner or member's proportionate share of income subject to tax by class of income, tax paid, and resident credit for each state. See the instructions for partnership returns for additional information.
- Copies of the other state's domicile rule, law, or regulations if interest and/or dividend income is claimed as income subject to tax in another state.

See Examples 3, 4, and 6 in the EXAMPLES part of these instructions for additional information.

#### PA S CORPORATIONS, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

When a PA S corporation, partnership, or limited liability company (pass-through entity) files (a) composite return(s) (or other tax returns) on behalf of its shareholders, partners, or members (owners) for other states, the pass-through entity should determine the resident credit(s) and/or out-of-state credit(s) it reports in the same manner as on PA Schedule G-L and should include (a) copy(ies) of the tax return(s) it files in the other state(s) with the PA-20S/PA-65, PA S Corporation/Partnership Information Return. The proportionate share of each owners' resident credit(s) or out-of-state credit(s) should then be reported on Lines 8 and 9, respectively, of the PA-20S/PA-65 Schedule RK-1, Resident Shareholder/Partner/Member Pass Through Income, Loss, and Credits.

When a resident credit and/or an out-of-state credit is passed through to an owner of a pass-through entity, the pass-through entity should also provide a Statement of Resident Credits for Owners of a Pass-Through Entity to each resident owner. The statement should report the name of each state and the resident owner's proportionate share of:

- The income subject to tax in each state by class of income;
- The tax paid in each state; and

- The credit amount calculated for each state.

See the example Statement of Resident Credits for Owners of a Pass-Through Entity found at the end of the Schedule G-L instructions.

**TIP** For PA S Corporations, include both the breakdown of the resident credit and out-of-state credit information (if applicable) on the same statement provided to resident shareholders.

## OTHER DOCUMENTATION

The department may also require additional documentation at a later date to support the credit. Documents such as (but not limited to) checks, money orders, composite, or entity returns for taxes paid on behalf of shareholders or partners and other related documents to substantiate income taxes paid or the amount of tax reported to the other states as due or payable may be requested.

## LIMITATIONS

Taxpayers with resident credits for more than one state must file and calculate the resident credit for each state on a separate Schedule G-L. Taxpayers may not add the income subject to tax and tax paid for each state and report the amounts on one Schedule G-L as each state's credit must be determined separately to verify the credit for each state is the lesser of the tax paid or due in the other state or 3.07 percent of the income subject to tax in the other state.

The resident credit calculation on Schedule G-L limits the amount of allowable credit when the income subject to tax in a class of income in another state is greater than the income subject to tax in Pennsylvania in the same class of income. Taxpayers with multiple Schedules G-L must also perform a secondary calculation outside of the calculation for each individual state to make sure that the overall income subject to tax in one or more classes of income for all the states is not greater than the income subject to tax in Pennsylvania for the same class or classes of income. See the Credit Limitations Instructions after the instructions for Line 2j for additional information. See Examples 1 and 2 in the EXAMPLES part of these instructions for additional information.

An estate or trust may earn a resident credit for taxes paid to other states. However, the resident credit earned by an estate or trust may not be passed through by the estate or trust to a Pennsylvania resident beneficiary. See Example 5 in the EXAMPLES part of these instructions for additional information.

## DEFINITIONS

### CLASS OF INCOME

The category of income as reported on Line 1c through Line 8 of the PA-40, Personal Income Tax Return, or Lines 1 through 6 of the PA-41, Fiduciary Income Tax Return, and reflected on Lines 2c through 2j of PA Schedule G-L.

## INCOME SOURCE

The name of the employer, partnership, S corporation, limited liability company, estate, or trust that has income subject to tax in another state.

## INCOME SUBJECT TO TAX

Income subject to tax refers to the income taxable in the other state using the other states rules to calculate the income. However, this amount does not utilize itemized deductions or exemptions or mean taxable income of the other state.

## INCOME TAX RETURN FILED WITH THE OTHER STATE

An income tax return filed with the other state refers to an actual tax return filed on behalf of the individual taxpayer, estate, or trust in the other state. The return must show the income subject to tax in the other state and the calculated amount of income tax due on that income. Although documents reflecting the income and tax paid to another state may be required to be provided with the other state's return in order for the department to determine the correct credit amount, an income tax return filed with the other state does not include copies of W-2s, Schedule K-1s, or other documents showing income and tax withholding for the other state.

## OUT-OF-STATE CREDIT

The credit amount for income tax paid at the PA S corporation entity level to another state. The credit amount is reported to a PA resident shareholder on Line 9 of the PA-20S/PA-65 Schedule RK-1. The PA resident shareholder should also receive a Statement of Resident Credits for Owners of a Pass-Through Entity. The statement shows the shareholder's proportionate share of the income subject to tax by class of income, tax paid, and out-of-state credit for the state.

## PASS-THROUGH ENTITY

A pass-through entity is a partnership, S corporation, or limited liability company. Estates and trusts are not pass-through entities for Pennsylvania personal income tax purposes. Resident credits earned by an estate or trust from taxes paid in another state by the trust or as a result of ownership in a pass-through entity may not be distributed to and claimed by beneficiaries of an estate or trust if the income from the pass-through entities is distributed to them by the estate or trust.

## RESIDENT CREDIT

The credit amount for taxes paid to other states reported on:

- Line 22 of the PA-40, Personal Income Tax Return, on behalf of an individual taxpayer; or
- Line 15 of the PA-41, Fiduciary Income Tax Return, on behalf of an estate or trust taxpayer.
- Line 8 of the PA-20S/PA-65 Schedule RK-1 on behalf of a PA S corporation shareholder.

It also refers to the credit amount for taxes paid to other states on composite returns filed on behalf of partners in a partnership and reported to PA resident partners on the

Statement of Resident Credits for Owners of a Pass-Through Entity. The statement shows the partner's proportionate share of the income subject to tax by class of income, tax paid, and resident credit for each state.

### **SPOUSE**

The individual listed second on a PA-40, Personal Income Tax Return.

### **STATE**

For purposes of determining a resident credit, a state means any state or commonwealth of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States. A resident credit may not be obtained for taxes paid to any foreign government or for any local tax subdivision within a state.

### **TAXPAYER**

The primary taxpayer or spouse included on a PA-40, Personal Income Tax Return or the estate or trust included on a PA-41, Fiduciary Income Tax Return.

## **SCHEDULE INSTRUCTIONS**

### **IDENTIFICATION INFORMATION**

#### **NAME**

For PA-40, Personal Income Tax Returns, enter the name of the taxpayer or spouse who is claiming the resident 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.

For PA-41, Fiduciary Income Tax Returns, enter the name of the estate or trust.

#### **SSN/FEIN**

Enter the Social Security number (SSN) of the taxpayer if the resident credit calculation is for the primary taxpayer. Enter the spouse's SSN if the resident credit calculation is for the spouse.

Enter the Federal Employer Identification Number (FEIN) of the estate or trust.

## **LINE INSTRUCTIONS**

### **SECTION I**

#### **CALCULATION OF THE CREDIT**

Complete Section I for each state where a resident credit for taxes paid to another state is claimed or calculated for a taxpayer, spouse, estate, or trust.

Individual taxpayers with amounts reported for Line 10, Other Deductions, of the PA-40, Personal Income Tax Return, must follow the Special Instructions for Taxpayers Reporting Amounts on PA-40 Line 10, Other Deductions, in addition to the Column A instructions for Lines 2c through

Line 2j. See Example 2 in the Examples part of these instructions for additional information.

## **LINE 1**

### **NAME OF OTHER STATE**

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

### **CREDIT FROM A PASS-THROUGH ENTITY**

If the credit claimed for a state is listed as part of the credit shown on Line 8 or Line 9 of a PA 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 Statement of Resident Credits for Owners of a Pass-Through Entity from a partnership or limited liability company. All other data as required by the instructions and the name of the entity in Section II of the PA Schedule G-L must be entered.

## **LINE 2a**

### **COMPENSATION**

#### **COLUMN A**

If a taxpayer or spouse has compensation subject to tax in another state, enter only the amount included in the PA-40 Line 1a amount for the taxpayer or spouse. 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 there is compensation 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. In order to determine if the credit is allowable, taxpayers and their spouses must complete the worksheet in Section II to show the sources and amounts of income subject to tax for each state and source, even if from only one source. 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, the amount reported on the return must be used.

#### **COLUMN C**

No entry is required.

## LINE 2b

### UNREIMBURSED BUSINESS EXPENSES

#### COLUMN A

If Line 2a, Column A, is completed and the taxpayer or spouse claimed unreimbursed business expenses, enter the amount of the taxpayer or spouse's unreimbursed business expenses included in Line 1b of the PA-40. Enter only the unreimbursed business expenses attributable to the name at the top of the PA Schedule G-L.

#### COLUMN B

No entry is required.

#### COLUMN C

No entry is required.

## LINE 2c

### NET COMPENSATION

#### 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. See the Credit Limitation instructions following the instructions for Line 2j and Examples 1 and 2 in the EXAMPLES part of these instructions for additional information.

## LINE 2d & 2e

### INTEREST AND DIVIDENDS

#### COLUMN A

For individual taxpayers, enter only the amount included in the PA-40 Line 2 amount for the taxpayer or spouse on Line 2d and/or enter only the amount included in the PA-40 Line 3 amount for the taxpayer or spouse on Line 2e.

#### COLUMN B

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, a resident credit for taxes paid to another state for interest and dividend income cannot be claimed. If there is interest or dividend income earned by a business or rental property that is subject to tax in another state, the 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 Pennsylvania in order to claim a resident credit on that income. See the PA Personal Income Tax Guide – Net Income (Loss) from the Operation of a Business, Profession or Farm section for additional information regarding Commercial Income

Generated by Investment of Working Capital. 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.

### ESTATES AND TRUSTS ONLY

#### COLUMN A

For estates and trusts, Line 1 of the PA-41, also includes Gambling and Lottery Winnings. If an estate or trust has interest or gambling and lottery winnings subject to tax in another state, enter the amount of Interest Income and Gambling and Lottery Winnings from PA-41 Line 1 on Line 2d. If an estate or trust has dividends subject to tax in another state, enter the amount of dividends from PA-41 Line 2 on Line 2e.

#### COLUMN B

As noted above, 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. If the other state has the commercial domicile rule, enter the amount of interest and dividend income subject to tax in the other state on Line 2d or 2e, respectively. 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. If there is 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. If the other state taxes gambling and lottery winnings earned by the estate or trust, include them in the amount for Line 2d.

#### COLUMN C

Compare the amounts from Columns A and B. Enter the lesser of the two amounts here.

## LINE 2f

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

#### COLUMN A

If a taxpayer or spouse has income from the operation of a business, profession, or farm subject to tax in another state, enter only the amount included in the PA-40 Line 4 amount for the taxpayer or spouse. 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. For an estate or trust, enter the amount from PA-41 Line 3.

**COLUMN B**

If there is 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 Section 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, PA S corporation, or joint venture) was jointly owned, enter only the taxpayer 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, a separate PA Schedule G-L must be filed.

**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. See the Credit Limitation instructions following the instructions for Line 2j and Examples 1 and 2 in the EXAMPLES part of these instructions for additional information.

**LINE 2g****GAIN FROM THE SALE, EXCHANGE OR DISPOSITION OF PROPERTY****COLUMN A**

If a taxpayer or spouse has a gain from the sale, exchange, or disposition of tangible property subject to tax in another state, enter only the amount included in the PA-40 Line 5 amount for the taxpayer or spouse. 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. For an estate or trust, enter the amount from PA-41 Line 4.

**COLUMN B**

If there is 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, the worksheet in Section II must be completed 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 or spouse's portion of the gain subject to tax in the other state. To claim the credit for the spouse, a separate PA Schedule G-L must be filed.

**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. See the Credit Limitation instructions following the instructions for Line 2j and Examples 1 and 2 in the EXAMPLES part of these instructions for additional information.

**LINE 2h****INCOME FROM RENTS, ROYALTIES, PATENTS, OR COPYRIGHTS****COLUMN A**

If a taxpayer or spouse has income from rents, royalties, patents, or copyrights subject to tax in another state, enter only the amount included in the PA-40 Line 6 amount for the taxpayer or spouse. 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. For an estate or trust, enter the amount from PA-41 Line 5.

**COLUMN B**

If there is 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 Section 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, PA S corporation, 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, a separate PA Schedule G-L must be filed.

**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. See the Credit Limitation instructions following the instructions for Line 2j and Examples 1 and 2 in the EXAMPLES part of these instructions for additional information.

**LINE 2i****ESTATE OR TRUST INCOME****COLUMN A**

If a taxpayer or spouse has estate or trust income subject to tax in another state, enter the amount included in the PA-40 Line 7 amount for the taxpayer or spouse. 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. For an estate or trust, enter the amount from PA-41 Line 6.

**COLUMN B**

If there is 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 Section 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 or spouse's portion of the income subject to tax in the other state. To claim the credit for the spouse, a separate PA Schedule G-L must be filed.

**COLUMN C**

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

**CAUTIONS:** If the trust in which the taxpayer or spouse is a beneficiary is required to file a return for another state and includes the income as the trust's income rather than the beneficiary's income, the beneficiary cannot claim a credit for the income taxes paid by the trust on his or her PA-40. The credit can only be claimed on a PA resident trust tax return if the trust paid the tax on some or all of the same income. In addition, a trust cannot claim a resident credit for taxes paid to another state on income it does not distribute to a PA beneficiary when the income is considered to be distributed in the other state and tax is paid in the other state on a return filed by the beneficiary. See Example 5 in the EXAMPLES part of these instructions for additional information.

**LINE 2j**

**GAMBLING AND LOTTERY WINNINGS**

**COLUMN A**

If a taxpayer or spouse has income from gambling and lottery winnings subject to tax in another state, enter the amount included in the PA-40 Line 8 amount for the taxpayer or spouse. 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. For estates and trusts, see the instructions for Lines 2d and 2e earlier.

**COLUMN B**

If there is 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 Section 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, a separate PA Schedule G-L must be filed.

**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. See the Credit Limitation instructions below for additional information.

**CREDIT LIMITATION INSTRUCTIONS**

If the Pennsylvania income reported in Column A for

taxpayer or spouse reflects an amount that is smaller than the amount reported in Column B for the other state, an adjustment must be made to the tax paid amount on Line 4d.

In addition, if more than one PA Schedule G-L reports income subject to tax in any class of income for more than one other state, the amounts of income subject to tax for each class of income in the other states must be added together and compared to the income subject to tax in PA for each class of income for the taxpayer and/or spouse. If the total income subject to tax in all the states for any class of income exceeds the amount included in any class of income on the PA Schedule G-L for the taxpayer or spouse, an adjustment to the amount of income subject to tax in the class of income for one or more of the states must be made so that the total income does not exceed the amount of income subject to tax in PA for either the taxpayer or spouse. If an adjustment to income is made as a result of excess income in a class of income subject to tax in one or more states, an adjustment must also be made to the tax paid amount on Line 4d for the state(s).

For both limitations, see the instructions for and complete, Line 4d.

See Examples 1 and 2 in the EXAMPLES part of these instructions for additional information.

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

If a taxpayer or spouse claims a deduction on Line 10 of the PA-40, Personal Income Tax Return, Column A amounts on Lines 2c through 2j of PA Schedule G-L must be reduced by a pro-rata amount of the deduction. The deduction is determined separately for each class of income using the formula contained in the following worksheet:

- a. Enter the taxpayer or spouse amount included in one of the Lines 1c through 8 of the PA-40, Personal Income Tax Return . . . . . \_\_\_\_\_
- b. Add only the positive amounts for the taxpayer or spouse included in Lines 1c through Line 8 as reported on the PA-40, Personal Income Tax Return . . . . . \_\_\_\_\_
- c. Divide the amount for Step a by the amount for Step b and enter the result here (calculate to six decimal places) . . . . . \_\_\_\_\_
- d. Enter the taxpayer or spouse's Other Deduction amount Included in Line 10 of the PA-40, Personal Income Tax Return . . . . . \_\_\_\_\_
- e. Multiply the amount for Step d by the ratio determined for Step c and enter the result here . . . . . \_\_\_\_\_

f. Subtract the amount determined for Step e from the amount for Step a and enter the result here and on the appropriate Line 2c through 2j of PA Schedule G-L . . . . . \_\_\_\_\_

Repeat Steps a through f for each class of income with positive income amounts included in Lines 1c through 8 of the PA-40, Personal Income Tax Return, for the taxpayer or spouse. See Example 2 in the EXAMPLES part of these instructions for additional information.

**LINE 3**

Add the amounts on Lines 2c thru 2j for Column C and enter the result here.

**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 intended to be made with the filing of the return if there is a balance due after the application of estimated taxes, withholding taxes, and extension payments. If the payment of taxes due with the return will not be made, 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 must be made 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 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 Section III of the PA Schedule G-L to determine the amount of adjustment required to taxes. Enter the amount from Section 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. Report the amount on the appropriate return as follows:

- 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.

**SECTION II**

**SOURCES AND AMOUNTS OF INCOME SUBJECT TO TAX**

Complete the worksheet for each state where income from one or more sources is subject to tax.

**LINE 1**

Enter the name of the company, partnership, limited liability company, PA 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 in Section 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 Section II, Line 2, Column E must agree with the amounts shown for each corresponding class of income in Section 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.

## SECTION III

### ADJUSTED TAX PAID

Complete the worksheet if any state's income subject to tax has been adjusted due to a credit limitation as defined in the Credit Limitation Instructions included in the Section I instructions.

**⚠ IMPORTANT:** When using fractions or ratios to determine amounts for this worksheet, calculate out to six decimal places.

#### LINE 1

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

#### LINE 2

Add the amounts from Section 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. If the result of dividing Line 1 by Line 2 equals 1.000000, no adjustment to tax paid is required. Do not complete Lines 4 and 5 of this section. Stop here and enter "0" on Section I, Line 4d.

#### LINE 4

Subtract Line 3 from 1.000000.

#### LINE 5

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

### EXAMPLES

#### EXAMPLE 1

Joe owns multiple business entities and reports \$100,000 total income for Pennsylvania purposes in the category of Net Income or Loss from the Operation of a Business, Profession of Farm class of income. This amount is the net amount Joe reports on Line 4 of his PA-40, Personal Income Tax Return, because one or more of the entities he owns has a loss in this class of income. One of the entities Joe owns operates in Pennsylvania, New Jersey, New York, and Maryland. The total Line 4 income for the entity is \$200,000 with \$75,000 being PA-source income; with \$50,000 subject to tax in New Jersey; \$40,000 subject to tax in New York; and \$35,000 subject to tax in MD. He completes Schedule G-L for each of these states and in each state, the income subject to tax in the other states is business income and the amount of income subject to tax in each state is less than the net Pennsylvania Line 4 income of \$100,000. However, the total income subject to tax for the Line 4 class of income for all the states is \$125,000. Joe must limit his resident credit in one of the states so that his total resident credit for

taxes paid to the other states does not exceed 3.07 percent of \$100,000 or \$3,070. Joe must also adjust the amount of tax paid in the state where the income was adjusted to the proportionate amount of tax related to the reduction in income. Furthermore, Joe must provide a statement with his return explaining why the credit was reduced for one of the states.

#### EXAMPLE 2

Andy has compensation of \$80,000 reported on his PA-40 return. He did not claim any business expenses on PA Schedule UE. Andy also reported \$3,000 of interest income, \$5,000 of dividend income, and \$8,000 of gains from the sale, exchange, or disposition of property (gains) from a vacation property in Delaware. In addition, Andy has \$4,000 of income from a rental property he owns, which is also located in Delaware. Furthermore, Andy's work requires him to spend 90 percent of his time in the Delaware office of his employer. Andy has two children and he contributes \$10,000 each to an IRC Section 529 plan on their behalf. On his PA-40 return, Andy reports a total of \$100,000 of PA taxable income on Line 9 of the return and \$20,000 on Line 10. Andy paid tax of \$6,000 to Delaware on total income subject to tax in Delaware of \$84,000 (compensation of \$72,000, gains of \$8,000, and rental income of \$4,000).

Andy would report the following amounts in Column A of his PA Schedule G-L:

Line 2c - \$64,000  
Line 2d - \$ 2,400  
Line 2e - \$4,000  
Line 2g - \$ 6,400  
Line 2h - \$ 3,200

The amounts reported on each line of Column A for Andy are reduced by the pro-rat share of the Line 10 deduction using the worksheet in the Special Instructions for Taxpayers Reporting Amounts on PA-40 Line 10, Other Deductions. For example the amount reported on Line 2c was determined by taking the \$80,000 he reported as compensation dividing it by his total income of \$100,000 and multiplying it by the amount of his other deductions of \$20,000 and subtracting the result of \$16,000 PA compensation amount to get \$64,000 ( $\$80,000/\$100,000 \times \$20,000 = \$16,000$   $\$80,000 - \$16,000 = \$64,000$ ).

Although the total income Andy paid tax on to Delaware was \$84,000, he may only claim a resident credit on \$73,600 (\$64,000 of compensation, \$6,400 of gains, and \$3,200 of rental income). Andy must also adjust his tax paid to the other state to \$5,257 by completing Section III and Section II, Lines 4d and 4e of PA Schedule G-L.

#### EXAMPLE 3

Jeremy is a 50 percent shareholder of a PA S corporation that does business in multiple states. The S corporation files composite returns for all the states it does business in except two states. In one of the states, the entity is not an S corporation and the S corporation claims an out-of-state

credit for that state. Jeremy files an individual tax return on his own for the other state where a composite return is not filed because he has other income from other sources in that state. Jeremy receives a PA Schedule RK-1 from the S corporation that includes his income along with a Resident Credit amount on Line 8 and an Other Credit amount on Line 9. He also receives a Statement of Resident Credits for Owners of a Pass-Through Entity from the S corporation that provides a breakdown of the resident credit amount from Line 8 of his PA Schedule RK-1. The statement also provides him with the required class(es) of income, tax paid, and out-of-state credit amount for Line 9 of his PA Schedule RK-1. This example summarizes Jeremy's PA-40 filing requirements regarding the resident credits and out-of-state credit.

The PA-40 for Jeremy should include the following:

- PA Schedules G-L for each state related to the resident credit reported on Line 8 of Jeremy's PA Schedule RK-1. The PA Schedules G-L should be prepared using the breakdown provided on the Statement of Resident Credits for Owners of a Pass-Through Entity. The PA Schedules G-L should also have the Credit from Pass-Through Entity oval completed in the upper right corner of the schedule;
- A PA Schedule G-L for the out-of-state credit reported on Line 9 of Jeremy's PA Schedule RK-1. The PA Schedule G-L should be prepared using the information for the out-of-state credit provided on the Statement of Resident Credits for Owners of a Pass-Through Entity. The PA Schedules G-L should also have the Credit from Pass-Through Entity oval completed in the upper right corner of the schedule;
- A PA Schedule G-L for the state where Jeremy filed an individual tax return separately for his tax liability in that state;
- A copy of the Statement of Resident Credit for Owners of a Pass-Through Entity;
- A copy of the separately filed state tax return; and
- A copy of the PA Schedule RK-1 showing amounts reported on Lines 8 and 9.

#### **EXAMPLE 4**

Chansier is a partner in a partnership that does business in multiple states. The partnership files composite returns for all the states in which it does business except three states. Chansier files separate individual income tax returns for the additional three states in which the partnership does business. Chansier receives a PA Schedule RK-1 from the partnership along with a Statement of Resident Credits for Owners of a Pass-Through Entity. This example summarizes

Chansier's PA-40 filing requirements regarding his resident credits.

The PA-40 for Chansier should include the following:

- PA Schedules G-L for each state where composite returns were filed related to the resident credit reported to Chansier on the Statement of Resident Credits for Owners of a Pass-Through Entity;
- A PA Schedule G-L for each state where Chansier filed an individual tax return separately for his tax liability in each state;
- A copy of the Statement of Resident Credits for Owners of a Pass-Through Entity;
- A copy of the separately filed state tax returns for each state where Chansier filed separately; and
- A copy of the PA Schedule RK-1 from the partnership.

#### **EXAMPLE 5**

The John Smith Grantor Retained Annuity Trust, a Pennsylvania resident trust, is a shareholder in PA S corporation that does business in multiple states. John Smith, an individual, is also a shareholder in the PA S corporation. The PA S corporation files composite returns on behalf of its shareholders for every state. The trust distributes all of its income to its one beneficiary, John Smith. For this example, the trust is not permitted to claim a resident credit for the taxes paid to the other states because it distributes all of its income. The trust is not permitted to pass the resident credits on to its beneficiary, John Smith, as it is not considered to be a pass-through entity. In addition, John Smith is not permitted to claim a resident credit on trust income distributed to him by the trust.

#### **EXAMPLE 6**

Rhonda is a Pennsylvania resident and a professional hair and makeup artist for several celebrities and TV station personalities. She is a single member limited liability company reporting her income and expenses on PA Schedule C. Rhonda operates her business in several states. Rhonda files and pays income taxes in all the states in which she conducts business.

Rhonda's PA-40 should include the following:

- PA Schedules G-L for all the states where individual income tax returns are filed by Rhonda; and
- Copies of each state's tax returns filed by Rhonda for all the states in which she does business.

