

ST14-08 NJ Resident with PA Withholding

Out of Scope if:

- Partial year NJ Resident
- Anything other than W-2 with PA state withholding
- PA Local Tax (e.g. Philadelphia) – unless trained

Background: NJ – PA Reciprocity Agreement

Withholding should be in state where TP resides, not state where TP works.

Federal and NJ Return

- 1) Same as usual – except for W-2(s) with PA in box 15
 - a) NJ line, box 16 – enter PA box 16 amount
 - b) NJ line, box 17 – enter 0 (zero)
- 2) OK to e-file Federal and NJ
- 3) Need extra printed copies of NJ for below.

PA Return (PA-40)

- 1) Paper only – no e-file
- 2) PDF of PA-40 available from PA Department of Revenue website
 - a) <http://www.revenue.state.pa.us>
- 3) Fill in electronically or print and write-in:
 - a) Top part (Name, address, etc.) – Fill in as appropriate
 - i) Use “99999” for School Code
 - b) Line 1a, Gross compensation – enter 0 (zero)
 - c) Line 13, Total PA Tax Withheld – enter PA amount(s) from W-2(s)
 - d) Line 30, Refund – same as Line 13
- 4) Send paper package to PA:
 - a) Signed PA-40 (filled out as above)
 - b) State copy of W-2(s) with PA withholding
 - c) Copy of NJ return (no supporting forms needed)
 - d) Cover letter explaining TP is resident of reciprocal state (NJ) seeking refund of withholding (Sample – see next page)
- 5) Copy of whole PA package to TP

How to instruct employer to withhold for NJ instead of PA in the future

Fill out PA form REV-420 *Employee's Statement of Nonresidence in Pennsylvania* and submit to employer. (PDF also available from PA Department of Revenue website)

From PA-40 Instructions, page 11:

EXCEPTION: Residents of a Reciprocal State

A resident of one of these reciprocal states whose employer withheld PA income tax must file Form PA-40 reflecting no compensation on Line 1a and the PA tax withheld on Line 13. In addition, a signed copy of the other state's resident income tax return (without any supporting documents) along with a copy of the actual W-2 and a statement that the taxpayer was a resident of a reciprocal state must be submitted.

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Sample Letter

Date: <Date>

PA DEPT OF REVENUE
REFUND OR CREDIT REQUESTED
3 REVENUE PLACE
HARRISBURG PA 17129-0003

Dear Sirs:

I am a New Jersey resident seeking a refund of my Pennsylvania withholding.

Please find enclosed:

- My signed form PA-40.
- A copy of my form NJ-1040, as submitted to New Jersey
- A copy of my W-2 from my employer

Thank You,

<Signature of Taxpayer>

<Typed Name of Taxpayer>