

2018 Pennsylvania Personal Income Tax Guidance

Tax
Advisory
Group

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Anyone filing a federal Form 1099-MISC with the Internal Revenue Service must also file the form 1099-MISC with the PA Department of Revenue and may be required to withhold on certain payments of nonemployee compensation or business income.

Beginning January 1, 2018, Pennsylvania (“PA”) requires withholding by payors of PA source non-employee compensation, business income and lease payments to non-resident individuals or disregarded entities with a non-resident owner. The legislation also requires that a copy of federal Form 1099-MISC be filed with PA.

PENNSYLVANIA INFORMATIONAL NOTICE PERSONAL INCOME TAX 2017-01

This notice supersedes and replaces Information Notice Personal Income Tax 2012-02 and provides guidance to payors of PA-source income on their filing, withholding and remittance obligations. Further, this notice provides guidance to every lessee of PA real estate who make lease payments to a non-resident lessor on their filing, withholding and remittance obligations.

NONEMPLOYEE COMPENSATION AND BUSINESS INCOME

Anyone who must file a federal Form 1099-MISC with the Internal Revenue Service must also file the form 1099-MISC with the PA Department of Revenue and may be required to withhold on certain payments of nonemployee compensation or business income. Withholding is required when such income is PA source income and payment is made to a nonresident individual or a disregarded entity with a nonresident owner. The amount withheld is an amount equal to the PA personal income tax rate currently 3.07 percent, however, withholding is optional if the payee received less than \$5,000 annually.

REQUIREMENTS AND RESPONSIBILITIES FOR WITHHOLDING PAYORS

Payors required to withhold on these payments must apply for a 1099-MISC withholding account by completing a PA-100 Enterprise Registration Form and file quarterly withholding returns. Also, payors required to withhold are liable for withheld taxes in the same manner as employers withholding employee compensation and taxes not withheld in the same manner as employers withholding employee compensation.

NONEMPLOYEE COMPENSATION

A payment is considered nonemployee compensation if it is made to someone who is not your employee and for services in the course of your trade or business.

LEASE PAYMENTS

Anyone who leases PA real estate from a nonresident lessor (an individual, estate or trust) in the course of their trade or business must withhold on the lease payments (Residential rental payments are exempt from the withholding requirement). The amount withheld is the amount equal to the PA personal income tax rate currently 3.07 percent. Withholding is optional for amounts under \$5,000 annually. Lease payments include rents, royalties, bonus payments, damage rents and other payments made under the lease.

The Senate bill would eliminate the individual health insurance mandate and related subsidies. The House does not propose to eliminate the individual mandate.

This article is a collaborative publication. The authors are Stephen Lang and Shane Finn. Stephen is based in Cherry Hill, NJ, while Shane is based in Blue Bell, PA; both serve the Mid-Atlantic region of HBK. Contact Stephen at SLang@hbkcpa.com and Shane at SFin@hbkcpa.com.