



BACKGROUND

Effective Beginning Tax Year 2025

As part of the 2025–2026 Pennsylvania Budget signed by Governor Shapiro on November 12, 2025, Pennsylvania has created a new Working Pennsylvanians Tax Credit (WPTC).

KEY FEATURES OF THE WPTC

- Modeled after the federal Earned Income Tax Credit (EITC).
- Equals 10% of the federal EITC amount, up to a maximum of \$805.
- Refundable- meaning taxpayers can receive the credit even if they don't owe any Pennsylvania income tax.
- Credit amounts vary by filing status, income, and number of dependents, following the same structure as the federal EITC.

ELIGIBILITY REQUIREMENTS

Taxpayers may qualify for WPTC if they:

- Are PA residents with earned income, or non-residents and part-year residents with PA sourced income who claim the Federal EITC.
- Qualify for and claim the federal Earned Income Tax Credit (EITC).
- File both a federal Form 1040 and a PA-40 Pennsylvania personal income tax return.

WHAT THE TAXPAYER NEEDS TO DO

To receive the credit, taxpayers **must include a copy of their federal Form 1040** with their PA-40 return.

IMPORTANT: Failure to include the federal return may delay or prevent the WPTC from being applied automatically by the department.

TIPS FOR FILING

Since the credit **does not require a separate application**, the department will calculate the credit automatically based on the federal EITC. Taxpayers simply need to file their normal tax returns and follow the steps below.

NOTE: Taxpayers should pay any balance due calculated on the PA-40 return. If the department awards a credit, it will be refunded.

STEPS FOR FILING THROUGH TAX SOFTWARE

- File the federal Form 1040 and claim the federal EITC.
- File the PA-40. Your tax software may prompt you to enter your federal EITC amount.
- The Department of Revenue will automatically calculate the WPTC and apply it to the return.

STEPS FOR FILING THROUGH myPATH

- File the PA-40 for free through myPATH.
- Answer 'Yes' to the question "Did you claim federal Earned Income Tax Credit for tax year 2025?" and then enter the taxpayer's federal EITC amount on the respective line.
- Upload a copy of the federal Form 1040 at the end of the filing.
- The Department of Revenue will automatically calculate and apply the WPTC to the return.

STEPS FOR PAPER FILING

- File the federal Form 1040 and claim the federal EITC with the IRS.
- Complete the paper PA-40, Pennsylvania personal income tax return and include a copy of the federal Form 1040. This must be included with all paper returns so the Department of Revenue can verify eligibility.
- The Department of Revenue will automatically calculate and apply the WPTC to the taxpayer's return.

INSTRUCTIONS FOR AMENDED RETURNS

AMENDED RETURNS WITH A BALANCE DUE

If a taxpayer files an amended return, they **should not include** the WPTC amount received in that filing. All amended return figures should be based on the originally filed PA-40 that was submitted to the department. The Department of Revenue will recalculate the credit amount once the amended return is received.

If the amended return results in a tax liability higher than the tax credit issued, the taxpayer will have a balance due to the department. (The department will bill the taxpayer.)

AMENDED RETURNS WITH AN OVERPAYMENT

If the amended return results in an additional credit (refund) amount due the taxpayer, the department will issue payment for the difference.

For example, if the taxpayer is issued an \$80 credit with the original return, but upon filing the amended return they are determined to qualify for a \$90 credit, the department will issue an additional overpayment for the \$10.



HOW THE DEPARTMENT WILL PROCESS THE CREDIT

For the 2025 tax year (the first year of the program), the Department of Revenue will calculate the WPTC automatically if the customer includes a copy of their federal Form 1040 with their filing.

- No changes or additions to the PA-40 or its schedules are required.
- The department will calculate the credit based on the amount of federal EITC claimed on Line 27 of the taxpayer's Form 1040.
- The calculated amount will be automatically added by the department to the taxpayer's 2025 Personal Income Tax account during processing.
 - Any additional refund awarded the taxpayer will be paid with their requested overpayment.
 - Any reduction in tax liability reported will either be refunded or used to offset any remaining tax due.

HOW REFUNDS WILL BE ISSUED

- If the taxpayer requested their overpayment be issued via direct deposit, the direct deposit will include the WPTC.
- If the taxpayer requested their overpayment be issued via paper check the WPTC will be issued via paper check.
- If the taxpayer requests their overpayment as a carryforward credit, the WPTC will be included in the credited amount. For partial credit/partial refund requests, the credit will be issued in the amount originally requested, and the remaining balance will be issued per the taxpayers originally requested refund method.
- Any refund issued to a taxpayer due to the WPTC reducing their tax liability will be issued via paper check.

TAXPAYER NOTIFICATION

Since many taxpayers may not know about the credit, the department will not only calculate and automatically apply the credit, but also issue a letter to the taxpayer advising what had occurred.

- This letter will be viewable in myPATH after the return is processed and the credit is applied.
- The Department of Revenue will attempt to time the mailing of the letter, so it arrives close to when the refund is received. However, direct deposits may be credited to bank accounts before the letter arrives.