TO: University Community  
FROM: Tax and International Operations  
DATE: October 28, 2016  
SUBJECT: New Jersey Governor’s Ending of Reciprocal Tax Agreement between New Jersey and Pennsylvania

New Jersey Governor Chris Christie recently announced that the reciprocal agreement between Pennsylvania and New Jersey will terminate effective January 1, 2017. The current agreement allows for individuals in either of these two states to pay taxes in their state of residence, rather than the state in which they work. This announcement was made in an effort to fund New Jersey state budget deficits unless other funding sources are identified.

The effect of this change is that for Pennsylvania residents working in New Jersey, the University would be required to withhold New Jersey income taxes, instead of Pennsylvania income taxes. For New Jersey residents working in Pennsylvania and living in New Jersey, the University would be required to withhold Pennsylvania income taxes instead of New Jersey. The Philadelphia wage tax for residents and non-residents would not change.

To give a broader illustration of the impact, please refer to the chart below.

<table>
<thead>
<tr>
<th>LIVE IN...</th>
<th>NJ</th>
<th>PA (NOT Philadelphia)</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>Only subject to NJ tax (No Change)</td>
<td>Wages subject to NJ and PA local tax. All income subject to PA tax w/credit allowed for NJ tax paid. <strong>Will pay more if NJ tax on wages is greater than PA tax</strong></td>
<td>Wages subject to NJ and Philadelphia tax. All income subject to PA tax w/credit allowed for NJ tax paid. <strong>Will pay more if NJ tax on wages greater than PA tax.</strong></td>
</tr>
<tr>
<td>PA (Not Philadelphia)</td>
<td>Wages subject to PA tax and PA local tax. All income subject to NJ tax w/credit allowed for PA state and local tax paid. <strong>Will pay more if PA tax on wages greater than NJ tax</strong></td>
<td>Subject to PA and local tax (No Change)</td>
<td>Subject to PA and Philadelphia Tax (No Change)</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>Wages subject to PA and Philadelphia tax. All income subject to NJ tax w/credit allowed for PA and Philadelphia tax paid. <strong>Will pay more if PA and Philadelphia tax on wages greater than NJ tax</strong></td>
<td>Subject to PA and Philadelphia Tax (No Change)</td>
<td>Subject to PA and Philadelphia Tax (No Change)</td>
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</tbody>
</table>

For specific advice on how this change may affect you, please consult your tax advisor.

Governor Christie has said he could decide to continue the reciprocity agreement if the state's budget can be balanced using other means. However, unless otherwise notified, the change in tax will begin January 1, 2017.