



IN THIS ISSUE:

- NOTIFICATION OF PHILADELPHIA LOCAL SALES AND USE TAX RATE INCREASE, EFFECTIVE OCT. 8 Page 1
- REVENUE DEPARTMENT RELEASES AUGUST COLLECTIONS Page 2
- PA REVENUE DEPARTMENT TO REDUCE PRINTING AND MAILING IN 2010 Page 2
- REVENUE DEPARTMENT BEGINS FILING LIENS OUTSIDE PENNSYLVANIA Page 3
- REVENUE DEPARTMENT FOCUSES ON DISCOVERY OF TAX DELINQUENTS Page 3
- FEDERAL TAX PROGRAM BENEFITS CERTAIN RENEWABLE ENERGY PROJECTS Page 3
- REVENUE DEPARTMENT OFFERS GUIDANCE ON FRAUDULENT INVESTMENT SCHEMES Page 4
- IRS TO HOLD WORKSHOPS FOR PENNSYLVANIA'S SMALL AND MID-SIZED TAX-EXEMPT ORGANIZATIONS Page 5
- PA DEPARTMENT OF REVENUE TO LAUNCH NEW WEB SITE THIS FALL Page 5
- NEW SERVICE ALLOWS INHERITANCE TAX EXTENSION REQUESTS TO BE SUBMITTED VIA E-MAIL Page 5
- STATE REVENUE DEPARTMENT ANNOUNCES FALL TAX SEMINAR SCHEDULE Page 6
- 2009 FALL TAX SEMINAR SCHEDULE Page 6
- 2009 FALL TAX SEMINAR AGENDA Page 7

A special edition of *PA Tax Update* will be released soon that provides an in-depth look at how the fiscal year 2009-10 budget impacts the commonwealth's tax rates, codes and laws.

NOTIFICATION OF PHILADELPHIA LOCAL SALES AND USE TAX RATE INCREASE EFFECTIVE OCT. 8

Effective Oct. 8, 2009, the City of Philadelphia is increasing its local sales and use tax rate from 1 percent to 2 percent, except for the Philadelphia local hotel occupancy tax which will remain at 1 percent. This is in addition to the state sales, use and hotel occupancy tax rate which remains at 6 percent. Under Act 44 of 2009, signed into law on Sept. 18, 2009, this tax rate change is effective from Oct. 8, 2009 to June 30, 2014.

Sales taxes are collected and administered by the Pennsylvania Department of Revenue. State and local sales, use and hotel occupancy returns and payments may be filed online at www.etides.state.pa.us, or by calling, toll-free, 1-800-748-8299. Both filing services are free.

Reminder: All sales tax licensees that remit Philadelphia hotel occupancy tax are required to file their returns online at www.etides.state.pa.us.

For more information about the Philadelphia sales tax increase, call 717-787-1064. A Retailers' Information Booklet (REV-717), containing a listing of taxable and non-taxable items and a description of taxable services, is available at: www.revenue.state.pa.us.

FAST FACT:

The Department of Revenue has begun filing liens against out-of-state businesses that owe Pennsylvania tax liabilities of at least \$5,000.

REVENUE DEPARTMENT RELEASES AUGUST COLLECTIONS

Pennsylvania collected \$1.6 billion in General Fund revenue in August, which was \$19.9 million, or 1.2 percent, less than anticipated. Fiscal year-to-date General Fund collections total \$3.3 billion, which is \$22 million, or 0.7 percent, below estimate.

Sales tax receipts totaled \$662.7 million for August, \$13.4 million below estimate. Year-to-date sales tax collections total \$1.4 billion, which is \$13.4 million, or 1 percent, less than anticipated.

Personal income tax (PIT) revenue in August was \$683.5 million, \$28.3 million below estimate. This brings year-to-date PIT collections to \$1.3 billion, which is \$28.4 million, or 2.1 percent, below estimate. August corporation tax revenue of \$50.2 million was \$3.9 million above estimate.

Year-to-date corporation tax collections total \$137.9 million, which is \$2.1 million, or 1.6 percent, above estimate.

Other General Fund revenue figures for the month included \$59.2 million in inheritance tax, \$2.6 million

below estimate, bringing the year-to-date total to \$122.5 million, which is \$2.7 million below estimate.

Realty transfer tax was \$29.1 million for August, \$2.2 million below estimate, bringing the total to \$58.7 million for the year, which is \$2.2 million less than anticipated.

Other General Fund tax revenue, including cigarette, malt beverage and liquor taxes totaled \$91.5 million for the month, \$8.5 million above estimate and bringing the year-to-date total to \$174 million, which is \$8.4 million above estimate.

Non-tax revenue totaled \$29.3 million for the month, \$14.2 million above estimate, bringing the year-to-date total to \$42 million, which is also \$14.2 million above estimate.

In addition to the General Fund collections, the Motor License Fund received \$151.5 million for the month, \$23.8 million below estimate. Fiscal year-to-date collections for the fund total \$471.3 million, which is \$23.8 million, or 4.8 percent, below estimate.

PA REVENUE DEPARTMENT TO REDUCE PRINTING AND MAILING IN 2010

Pennsylvania taxpayers and practitioners will see fewer materials printed and mailed from the PA Department of Revenue this coming year.

"In these challenging economic times, we have to reduce spending wherever we can," Revenue Secretary Stephen H. Stetler said. "Reducing the number of items we print and mail, especially since all the forms are available online, saves taxpayers' money."

The following changes will be made for tax year 2009 and 2010 forms, booklets and coupon packets:

- Corporation Tax Package X (instructions, tax reports and schedules) will no longer be printed and mailed.
- Personal Income Tax Package X (instructions, returns and schedules) will no longer be printed and mailed – a letter/order form will be mailed in its place.
- PA-V (Payment Voucher for Individual Income Tax Returns) will only be printed and mailed to those taxpayers who used a 2008 PA-V to submit their payment to the department.

- 2010 PA-40ES (Individual, Fiduciary and Partnership/PA S Corporation Estimated Payment Coupons) estimated coupon packets for taxpayers who used coupons prepared by their practitioner's software in 2009 will no longer be mailed.
- PA Schedule C-F Reconciliation (Adjusting Federal Business Expenses for PA Tax Purposes) is being discontinued.
- PA Schedule A/B (Interest Income/Dividend Income) duplicate copy is being removed from PA-40 booklet.
- PA Schedule E [Rents and Royalty Income (Loss)] duplicate copy is being removed from PA-40 booklet.
- PA Schedule J/T (Income from Estates or Trusts/Gambling and Lottery Winnings) duplicate copy is being removed from PA-40 booklet.
- PA-20S/PA-65 (PA S Corporation/Partnership Information Return) will no longer be printed and mailed.

All the above-mentioned forms will be available on the department's Web site, www.revenue.state.pa.us.

REVENUE DEPARTMENT BEGINS FILING LIENS OUTSIDE PENNSYLVANIA

Over the summer, the Department of Revenue began filing liens against hundreds of out-of-state businesses identified as owing Pennsylvania tax liabilities of at least \$5,000.

The goal of the lien effort is to encourage out-of-state businesses operating in the commonwealth to comply with Pennsylvania tax laws. The program will make businesses accountable in their home states for tax liabilities assessed in Pennsylvania.

The Revenue Department uses the original liens filed in Pennsylvania against a company to export and domesticate the liens in the business taxpayer's state of domicile. Prior to filing a lien, however, the department notifies each taxpayer of its intent to lien and provides one final opportunity for the taxpayer to satisfy its tax obligations.

REVENUE DEPARTMENT FOCUSES ON DISCOVERY OF TAX DELINQUENTS

Over the past two years, the Revenue Department has used data from other state agencies, the federal government, media and referrals to increase its efforts to discover potential tax delinquents.

Collections attributed to this focused discovery program totaled \$28.5 million for the recently completed fiscal year, compared with \$26 million collected in fiscal year 2007-08.

The discovery initiative has also registered about 3,500 new businesses in the past two years, including a subchapter S corporation manufacturing construction materials that had utilized an independent representative to solicit sales in Pennsylvania. An employee of the company had also provided some related services in the commonwealth. The company was subject to capital stock/foreign franchise tax and corporate net income tax since 2003. From 2006 forward, the state will accept the company's subchapter S status and require it to pay foreign franchise tax.

The discovery effort has also led the department to a limited liability company (LLC) treated as a disregarded entity for federal purposes that is engaged in servicing equipment in Pennsylvania. From 2004 forward, the company is required to pay franchise tax.

The department was also made aware of a subchapter S corporation engaged in staffing services in Pennsylvania since February of 2007. It is subject to franchise tax and has a potential sales tax obligation for taxable services of help supply. From 2007 forward, the company is required to pay corporation tax and sales tax.

By identifying and educating individuals and businesses non-compliant with Pennsylvania tax law, the discovery program not only generates tax revenue during the year the tax delinquent is discovered, but it also ensures additional tax revenue in future years, as that individual or business continues to understand and satisfy tax obligations years down the line.

FEDERAL TAX PROGRAM BENEFITS CERTAIN RENEWABLE ENERGY PROJECTS

Pennsylvania businesses may be eligible for a federal tax program related to renewable energy generation.

The American Recovery and Reinvestment Act of 2009 provides for direct payments, in lieu of the otherwise available federal tax credits, to eligible entities that place into service specified renewable energy generation projects. Eligible projects include wind, solar, biomass, landfill gas, geothermal and combined heat and power.

These direct payments are limited to for profit businesses and range from 10 to 30 percent of the project cost depending on the technology installed.

To qualify for the direct payments, the energy project must be placed in service or start construction in 2009 or 2010. Applications must be submitted after construction commences, but before Oct. 1, 2011. Additional information can be found at [this link](#).

REVENUE DEPARTMENT OFFERS GUIDANCE ON FRAUDULENT INVESTMENT SCHEMES

In response to taxpayer inquiries regarding fraudulent investment schemes and losses as they relate to Pennsylvania personal income tax, the Department of Revenue provides the following guidance.

Pennsylvania's treatment of losses from such schemes, often referred to as Ponzi schemes, differs from **federal income tax treatment**.

For Pennsylvania personal income tax purposes, a loss from a fraudulent investment scheme must be reported as a loss from the sale, exchange or disposition of property on the PA-40 Schedule D.

This rule applies to direct and indirect investors in S corporations and partnerships. A direct investor is one whose investment was an ownership interest in the fraudulent investment scheme or in the assets purportedly to be purchased in the investor's name by the perpetrator of the investment fraud. An indirect investor is one who was exposed through fund investments diversified in some of the fraudulent investment scheme or who was exposed through investments in third party funds (such as "funds of funds") with unreported investments in the fraudulent investment scheme.

An investor experiences a loss upon a disposition of direct or indirect investment to the extent the taxpayer's basis in the investment is greater than the amount recovered from the investment. The investor's basis in the investment is the initial investment and any subsequent actual or fictitious income from the investment – reported by the investor and on which PA personal income tax was paid – less any distributions and losses utilized by the taxpayer in Pennsylvania or any other state. If the investment is in a partnership, the basis of a partner's interest is determined using Pennsylvania personal income tax rules as explained in **Chapter 16 of the PA Personal Income Tax Guide**. Chapter 16 also discusses stock basis adjustments for S corporations. In addition, **PIT Bulletin 2005-02 Gain or Loss Derived from the Disposition of a Going Concern** provides income sourcing rules.

If a taxpayer reported fictitious income from a fraudulent investment scheme in a prior tax year, the department will not accept an amended return to remove such income from the prior tax year. Rather, such income increases the taxpayer's basis in the investment. Consequently, upon final disposition of the investment, any loss will be greater because of the basis increase from fictitious income reported in prior years.

A loss from a direct or indirect investment in a fraudulent investment scheme can only be reported in the year in which some identifiable event closed and completed the transaction and fixed the loss amount so there is no possibility of eventual recoupment. Any recovery from a direct or indirect investment is considered a distribution and reduces taxpayers' basis in the investment. Any recovery in excess of basis is reported as gain from the disposition of property and is reported on PA-40 Schedule D. The recovery period is considered final at the conclusion of all court and legal action to obtain recovery on the investment, when the taxpayer receives notification all proceeds have been paid out of existing funds, and/or when any other legal or final acts dissolve the investment.

Losses are only recognized on transactions entered into for profit, such as investments, business property and real estate. Losses are not recognized on the sale of property that was not acquired as an investment or for profit. Carry-forward or carry-back of any unused losses on the sale, exchange or disposition of property is not permitted.

If your investment was held in any entity other than a S corporation or partnership, please contact the department for further guidance.

Questions on reporting or calculating losses from fraudulent investment schemes may be directed to 717-787-8201.

IRS TO HOLD WORKSHOPS FOR PENNSYLVANIA'S SMALL AND MID-SIZED TAX-EXEMPT ORGANIZATIONS

The Internal Revenue Service (IRS) is hosting three one-day workshops in suburban Philadelphia in October to help small and mid-sized tax-exempt organizations in Pennsylvania comply with their tax obligations and maintain their tax-exempt status.

The workshops are designed for board members, officers, volunteers and staff of these organizations and for the tax preparers and stakeholders who work with them.

IRS revenue agents will lead the workshops which will cover the "nuts and bolts" of tax compliance for exempt organizations. Workshop topics include an in-depth discussion of activities that can jeopardize 501(c)(3) status, unrelated business income, gaming and employment issues. Particular emphasis

will be given to explaining the revised Form 990 and 990-EZ annual information returns that tax-exempt organizations submit to the IRS.

The workshops will be held on Oct. 6, 7 and 8 at the Radisson Hotel Valley Forge in King of Prussia. The workshop costs \$45 per person and includes a handbook and relevant IRS forms and publications. Pre-registration is required.

For more information or to register, go to the "Charities and Nonprofits" page on the IRS Web site at www.irs.gov/eo and click the "Calendar of Events" link. Information and registration is also available by calling Events by Design, Inc., IRS's registration services provider, at 800-521-3980 or 703-579-1496.

PA DEPARTMENT OF REVENUE TO LAUNCH NEW WEB SITE THIS FALL

The Web site for the Pennsylvania Department of Revenue will have a new look later this fall. While the Web address will remain the same - www.revenue.state.pa.us - a lot of other things about it will be different.

"The new Web site will include a more powerful search engine, easier navigation and other improvements," Secretary of Revenue Stephen H. Stetler announced.

The new Web site will continue to offer subscription services to the PA Tax Update e-newsletter, news releases and reports. Those who already receive such e-alerts will receive an e-mail soon that explains how to continue receiving e-alerts after the new Web site is launched.

NEW SERVICE ALLOWS INHERITANCE TAX EXTENSION REQUESTS TO BE SUBMITTED VIA E-MAIL

Taxpayers and professionals are encouraged to use the PA Department of Revenue's Inheritance Tax Division's new e-mail address RA-InheritanceTaxExt@state.pa.us to file for extension requests. Questions may be directed to the division at 717-787-8327.

TAX PROFESSIONAL E-SERVICES CENTER



Tax professionals are encouraged to use the department's Tax Professional e-Services Center for easy access to clients' tax information.

Visit the department's [Online Customer Service Center](#) or call 717-787-1392.

STATE REVENUE DEPARTMENT ANNOUNCES FALL TAX SEMINAR SCHEDULE

Opportunity for Tax Professionals to Earn Continuing Professional Education Credits

Tax professionals are encouraged to learn about changes to state tax laws and policies during one-day seminars to be held across the state this fall, Secretary of Revenue Stephen H. Stetler said.

The Department of Revenue's fall tax seminars educate Pennsylvania tax professionals on personal income taxes, sales taxes, corporate taxes, compliance initiatives and using the department's Web site, www.revenue.state.pa.us, to establish tax accounts for new businesses, file tax returns and pay state taxes.

"For 27 years, the Revenue Department has offered these seminars to educate tax professionals on changes in tax laws," said Stetler. "I encourage accountants, lawyers and other tax professionals to take advantage of these informative sessions."

A nominal fee is charged for each seminar by the host institutions. Participants receive eight continuing professional education (CPE) credits upon successfully completion. Space in many of the locations is limited, so those interested in attending should reserve a seat as soon as possible. Pre-registration is required.

2009 FALL TAX SEMINARS SCHEDULE

SPONSOR	DAY	DATE	CONTACT PERSON	SEMINAR LOCATION
Alvernia College 400 St. Bernadine St. Reading, PA 19607	Thursday	10-22-2009	Alan D. Ross, C.P.A. (610) 372-9911 ARoss@RossCpa.com	Alvernia College 400 St. Bernadine St. Reading, PA 19607
Duquesne University School of Bus. and Admin. 701 Rockwell Hall Pittsburgh, PA 15282-0104	Monday	11-2-2009	Pat Police (412) 396-1643 police@duq.edu	Duquesne Union Hall Locust Street, Duquesne University Pittsburgh, PA 15282-0104
Wilkes University Continuing Education Dept. 215 S. Franklin St. Wilkes-Barre, PA 18766	Thursday	11-5-2009	Margaret Petty (570) 408-4460 Margaret.Petty@wilkes.edu	The Woodlands Inn and Resort Highway 315 Wilkes-Barre, PA 18766
Harrisburg Area Community College 1 HACC Dr. Harrisburg, PA 17110	Tuesday	11-17-2009	Non-Credit Registration Dept. (717) 780-2414 mjlampre@hacc.edu	C. Ted Lick Wildwood Conference Center Harrisburg Area Community College 1 HACC Drive Harrisburg, PA 17110-2999
Neumann College Continuing Education Dept. 1 Neumann Dr. Aston, PA 19014-1298	Thursday	11-19-2009	Allison Jones (610) 358-4580 jonesa@neumann.edu	Neumann College Life Conference Center Aston, PA 19014-1297
Penn State University 1600 Woodland Rd. Abington, PA 19001	Wednesday	12-16-2009	Theresa Bloom (215) 881-7402 tmb17@psu.edu	Penn State University Abington Campus Abington, PA 19001

2009 FALL TAX SEMINAR AGENDA

See Page 6 for Seminar Schedule Dates

TIME	TOPIC	PRESENTER
8:30 - 10 a.m.	INTRODUCTION & PERSONAL INCOME TAX UPDATES <ul style="list-style-type: none"> > 2009 Tax Law Changes > 2009 Forms and Instructions Changes > Reporting Income/(Loss) from a Federal K-1 for Personal Income Tax Purposes > Appeals Procedures for Preassessment, Assessment and Adjustment Notices 	David A. Braden, CPA or Sylvia Olimpi <i>Bureau of Individual Taxes</i>
10 - 11 a.m.	PASS THROUGH BUSINESS UPDATES <ul style="list-style-type: none"> > Issues Regarding the PA Taxation of Partnerships, S Corporations, LLCs and Estates and Trusts > Differences Between Pennsylvania and Federal Tax Treatment > Basis, Non-Resident Withholding and Built-in Gains 	Regis Egan <i>Pass Through Business Office</i>
11 - 11:15 a.m. Break		
11:15 a.m. - 12:15 p.m.	CORPORATION TAXES UPDATES <ul style="list-style-type: none"> > Registering and Closing a Business Entity > Common Problems > Contact Information 	Michael Answine, Joseph Clover, Jeffrey A. Creveling, John Naccarato or Greg Skotnicki <i>Bureau of Corporation Taxes</i>
12:15 - 1:15 p.m. Lunch		
1:15 - 2:15 p.m.	ELECTRONIC SERVICES <ul style="list-style-type: none"> > The Department's Web site > Self-Service Applications 	Wendi Taylor or Danette Roberts <i>Planning and Program Management Office</i>
2:15 - 3:15 p.m.	LIENS, CLEARANCES AND OTHER COMPLIANCE CUSTOMER SERVICE INITIATIVES <ul style="list-style-type: none"> > Liens > Wage Garnishment - Key Provisions to the Law > Clearances - Definition and Purpose > BLIX - Business Licensee Information Exchange 	Tracy Hulstine or Michael Martin <i>Bureau of Compliance</i>
3:15 - 3:30 p.m. Break		
3:30 - 4:30 p.m.	BUSINESS USE TAX AND VOLUNTARY COMPLIANCE INITIATIVES <ul style="list-style-type: none"> > Stimulating Voluntary Compliance > Review of Voluntary Compliance Initiatives > Use Tax - Canvassing of Business Taxpayers > Review of Discovery Initiatives & Projects 	James Foster, William Hartman, CPA or Kevin Milligan <i>Enforcement Planning, Analysis, and Discovery</i>

In compliance with the Americans with Disabilities Act, the department will make every effort to provide the content of the seminars in an alternative format to persons with disabilities.