

**IN THIS ISSUE:**

- DRILLING INDUSTRY PAID MORE THAN \$1 BILLION IN STATE TAXES SINCE 2006 *Pages 1*
- SECRETARY MEUSER CONFIRMED, SWORN IN *Page 2*
- RECORD NUMBER OF PENNSYLVANIA TAXPAYERS FILE ELECTRONICALLY *Page 2*
- BUDGET SECRETARY CERTIFIES \$776.2 MILLION FOR STATEWIDE PROPERTY TAX RELIEF *Page 3*
- PRE-PAID E-911 SURCHARGE TAKES EFFECT JULY 1 *Page 3*
- DECEDENT ACCOUNT E-SERVICES CENTER REPLACES PAPER DATA *Page 4*
- DEPARTMENT OF REVENUE DISCONTINUES MAILING OF CORPORATE TAX COUPONS *Page 4*
- DEPARTMENT SIMPLIFIES SECURITY REQUIREMENTS FOR TAX APPEALS TO COMMONWEALTH COURT *Page 5*
- SAFE DEPOSIT BOX INVENTORIES AND NOTICE *Page 5-6*
- 2010-2011 GENERAL FUND REVENUES *Page 6*

DRILLING INDUSTRY PAID MORE THAN \$1 BILLION IN STATE TAXES SINCE 2006**Tax Payments in First Quarter of 2011 Already Surpass 2010 Totals**

At the direction of Governor Tom Corbett, the Department of Revenue recently released an analysis showing that companies engaged in and related to natural gas drilling activities in Pennsylvania have paid more than \$1.1 billion in state taxes since 2006.

Those taxes came on top of the billions of dollars of infrastructure investments, royalty payments and permit fees paid by the industry.

The Revenue Department's analysis, which breaks out tax payments from oil and gas companies and their affiliates through April 2011, indicates that 857 of these companies have already paid \$238.4 million in capital stock/foreign franchise tax, corporate net income tax, sales/use tax and employer withholding to the state in 2011.

These figures from the first quarter of this year already exceed by nearly \$20 million the total tax payments made in all of 2010.

The department's analysis also identified \$214.2 million in personal income taxes paid since 2006 attributable to Marcellus Shale lease payments to individuals, royalty income and sales of assets.

A comprehensive analysis of personal income tax paid on Marcellus Shale business profits is not feasible because the department cannot conclusively determine what profits from Marcellus Shale partnerships, S corporations and LLCs were passed through to individuals as opposed to C corporations, which are taxed at 3.07 percent and 9.99 percent, respectively.

However, the department can determine that these oil and gas companies, and their affiliates, include 1,096 pass-through businesses. These businesses reported \$675.4 million in 2008 income.

FAST FACT:

A record 4.2 million 2010 personal income tax returns were filed electronically.

SECRETARY MEUSER CONFIRMED, SWORN IN

Daniel Meuser was unanimously confirmed by the Pennsylvania Senate as Secretary of the Department of Revenue on May 3, and he was sworn in on May 20.

"I look forward to bringing my private-sector experience along with my lifelong interest in government into this leadership role," Meuser said. "It is an honor to serve the commonwealth and its taxpayers."

Meuser's goals for improving the Department of Revenue focus on four core initiatives, including increasing efficiencies, improving customer service, enhancing revenue collections through equitable tax administration and following Governor Corbett's direction of doing all possible to foster a competitive business and job creation environment in the



commonwealth – all in the interest of building public trust and becoming better stewards of taxpayers' money.

Prior to his nomination as Revenue Secretary, Meuser was with Pride Mobility Products for more than 20 years and is the former President of Pride USA. Located in Luzerne County, Pride Mobility Products Corp. is the world's leading designer, manufacturer and distributor of power wheelchairs and scooters.

Meuser serves on the Board of the Wilkes-Barre Chamber of Commerce, the Board of Trustees of the Wilkes-Barre YMCA and the Board of Trustees of Misericordia University.

RECORD NUMBER OF PENNSYLVANIA TAXPAYERS FILE ELECTRONICALLY

A record 4.2 million 2010 personal income tax returns were filed electronically, the Department of Revenue recently reported.

The electronically filed returns represent roughly 69 percent of all returns filed to date. The state has received 19 percent more tax returns electronically so far this year compared to the total number of similarly filed returns last year.

"Electronic filing is a win-win for taxpayers: it lets filers receive refunds more quickly while saving state government \$3.18 in processing costs per return," said Secretary of Revenue Daniel Meuser. "Electronic filing is more efficient for the department, which

benefits all Pennsylvania taxpayers, and it provides enhanced customer service through error-reducing automatic calculators, faster refunds and direct-deposit options."

Taxpayers who use e-file options may have refunds deposited directly into bank accounts or pay balances due electronically. This year, more than 934,000 taxpayers chose to directly deposit refunds; more than 292,000 paid taxes through electronic funds transfer; and more than 17,000 individuals paid state taxes by credit card.

For more information on electronic filing options, visit www.revenue.state.pa.us

BUDGET SECRETARY CERTIFIES \$776.2 MILLION FOR STATEWIDE PROPERTY TAX RELIEF

Budget Secretary Charles B. Zogby certified in April that \$776.2 million in gaming revenue will be available for property tax relief in 2011.

The 2006 Taxpayer Relief Act established the Property Tax Relief Fund as a way to use gaming revenue to reduce property taxes for homeowners. The law requires the budget secretary to certify the actual balance in the fund on April 15 of each year and to project gaming revenue coming into the fund in the next six months.

Zogby certified that the balance in the Property Tax Relief Fund on April 15 was \$386.3 million, including \$34.7 million in the Property Tax Relief Reserve Fund. Gaming revenue from April 15 through Oct. 15 is projected to add \$402.7 million to the relief fund, bringing the total amount in the fund at that time to approximately \$789 million (including the reserve fund).

The average statewide property tax reduction for each household is expected to be about \$200 this year. School districts will receive their share of property tax relief in two equal installments in August and October.

Homeowners in 66 counties will receive reductions in the school property tax bills they will receive this summer. In accordance with the Taxpayer Relief Act,

Philadelphia's share of funding for broad-based tax relief – \$86.3 million – will be used to reduce the city's wage tax.

Zogby notified acting Secretary of Education Ronald J. Tomalis by letter of the results of his certification. The amount of property tax relief will vary by school district, and the Department of Education notified each school district of its specific level of property tax relief in early May. Under the law, Pennsylvania homeowners will see the property tax reduction itemized on their tax bill, which most school districts will issue this summer.

The amount of property tax relief in each school district is available online at the School District Property Tax Relief section of the Department of Education website at www.education.state.pa.us.

Gaming revenue also supports the Property Tax/Rent Rebate Program. Under this program, older and disabled homeowners with incomes up to \$35,000 – and renters with incomes up to \$15,000 – are eligible for rebates of up to \$650. Supplemental rebates for qualifying homeowners can increase rebates to \$975. The deadline to apply for the program is June 30; information is available at www.revenue.state.pa.us or by calling 1-888-222-9190.

PRE-PAID E-911 SURCHARGE TAKES EFFECT JULY 1

Effective July 1, 2011, pre-paid telecommunication services and wireless telephones will be subject to a pre-paid wireless Emergency-911 surcharge (pre-paid E-911 surcharge) at the rate of \$1 per retail transaction. This surcharge is collected on each retail transaction regardless of whether the service or pre-paid wireless telephone is purchased in person, by telephone, through the Internet or by any other method.

The pre-paid E-911 surcharge is to be charged and collected by the retailer in addition to any other charges or fees, but is not to be included for purposes of calculating sales tax.

Pre-paid E-911 surcharges are to be reported on the sales tax return, which will include a separate line-item to report the surcharge. Retailers collecting and reporting the pre-paid E-911 surcharge must file electronically using the department's online filing system, e-TIDES, or by TeleFile, 1-800-748-8299.

For more information on the pre-paid E-911 surcharge, visit the department's Online Customer Service Center at www.revenue.state.pa.us or call 717-787-1064 and press Option 2 for sales and use tax.

DECEDENT ACCOUNT E-SERVICES CENTER REPLACES PAPER DATA

To further reduce processing costs and maximize operating efficiencies, effective Aug. 1, 2011, all financial institutions must use the department's Web-based Financial Institution Decedent e-Services Center to access decedent data and submit Notices of Decedent Account Status, REV-1549, to the department electronically.

This e-Services Center has proved effective and efficient for the last three years, allowing financial institutions to realize savings in preparation, printing and postage costs. The e-Services Center provides for quick and easy cross-matching of decedent data against company records, account reporting in large batch transmissions and simultaneous system access by multiple users from the same financial institution.

To gain access to the Web-based reporting service, financial institutions must first register by creating a PA e-signature account at <http://www.doreservices.state.pa.us/eServices/FinancialInstitutions/>.

After Aug. 1, the department will no longer provide decedent data to financial institutions by paper or on compact disks, nor will it accept paper REV-1549 submissions.

The department is available to assist institutions' computer staff in developing data cross-match and batch transmission processes. For further information or assistance, please contact the Inheritance Tax Division at 717-787-8327.

DEPARTMENT OF REVENUE DISCONTINUES MAILING OF CORPORATE TAX COUPONS

For tax years beginning on or after Jan. 1, 2012, the department will no longer mail coupon packets to corporation taxpayers. Elimination of these seldom-used mailings will result in significant cost savings for the commonwealth.

Over the past several years, the number of corporations remitting estimated tax payments and requesting extensions of time to file using ACH Debit, the Department of Revenue's e-TIDES website or coupons generated by various tax software programs has greatly increased.

Currently only a small percentage of corporate taxpayers use the coupons mailed by the department when making payments or requesting extensions.

These coupons will still be available by visiting www.revenue.state.pa.us or calling the department's 24-hour toll-free Forms Ordering Service at 1-800-362-2050.

TAX PROFESSIONAL E-SERVICES CENTER



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

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

DEPARTMENT SIMPLIFIES SECURITY REQUIREMENTS FOR TAX APPEALS TO COMMONWEALTH COURT

Whereas the department used to require a taxpayer appealing a decision of the Board of Finance and Revenue to post a bond securing the commonwealth's interest in the disputed liability – or in cases where no bond was posted, the department would issue a bond lien protecting the commonwealth's interest – it recently changed its policy to reduce burden on the taxpayer, now accepting financial statements as proof the disputed amount is not in jeopardy, should it be determined as due the department.

Upon filing a petition for review to the Pennsylvania Commonwealth Court in which a taxpayer seeks review of a Board of Finance and Revenue decision, the taxpayer may submit a current financial statement to:

Board of Appeals (Attn: Financial Security)
Pennsylvania Department of Revenue
10th Floor, Strawberry Square
P.O. Box 281021
Harrisburg, Pennsylvania 17128-1021

The taxpayer should submit the most recent financial statements available which should include a balance sheet, income statement and all notes pertaining to the statements. A copy of the taxpayer's most recent federal tax return, including Schedule L, with applicable notes, would also be acceptable. An individual may be required to submit a personal balance sheet. The current financial statement

should demonstrate that ultimate collection of the unpaid amount contested is not in jeopardy.

If the department determines, based on the financial statement submitted, that the unpaid amount under appeal is not in jeopardy, the department will not pursue any collection action, including the filing of any lien, pending resolution of the appeal even though the taxpayer does not file "appropriate security" with the Prothonotary of the Pennsylvania Commonwealth Court. If the taxpayer fails to submit a financial statement, the department may pursue any collection action as stated above.

The following procedure will be used to implement this change:

1. The taxpayer will be requested to provide a current financial statement within 30 days of filing its appeal at the Pennsylvania Commonwealth Court as stated in the acknowledgment letter from the Pennsylvania Office of Attorney General.
2. The department will notify the taxpayer, based on the financial statement submitted or the failure to submit a financial statement, whether the department intends to file a lien or pursue other collection action. If the department intends to file a lien or pursue collection action, it will provide the taxpayer 15 days to file appropriate security with the Pennsylvania Commonwealth Court Prothonotary before filing a lien or pursuing any other collection action.

SAFE DEPOSIT BOX INVENTORIES AND NOTICE

The department recently modified the procedures under which estate representatives may enter the safe deposit box of a decedent.

Effective immediately, neither a department or bank employee, nor lawyer or CPA must be present at a safe deposit box inventory. The department will no

longer provide employees to be present at safe deposit box inventories. Instead, a person wishing to enter the safe deposit box of a decedent may submit notice of the proposed date and time of entry to the Department of Revenue and the financial institution in which the box is located within seven days of the proposed entry.

Continued on Page 6

Continued from Page 5

Notice of a proposed safe deposit box entry and inventory must be delivered to the department via U.S. Postal Service with return receipt service. When a person furnishes a signed statement under penalty of perjury that he or someone in his behalf has given this notice, the financial institution in which a safe deposit box of a decedent is located shall permit entry into the box and removal of its contents, without the presence of a department or bank employee.

The notice must include the name of estate and person entering the box, name and street address of the financial institution in which the box is located, and date and time of entry. The notice must also be delivered via U.S. Postal Service, return receipt service, copied to the financial institution in which the box is located and sent at least seven days in advance to:

PA Dept of Revenue
Safe Deposit Box Unit
P.O. Box 280601
Harrisburg, PA 17128-0601

At the time of entry, the estate representative must also provide a statement to the financial institution attesting the notice was sent to the department, with the following or similar language:

Under penalties of perjury I swear that I gave the notice required under Section 2193 of the Inheritance and Estate Tax Act, 72 PS § 9193, to the Pennsylvania Department of Revenue, via United States Postal Service, of my intention to enter this safe deposit box on today's date.

Within 20 days of entry, the estate representative must also return a completed Safe Deposit Box Inventory form, REV-485, to the department's Safe Deposit Box Unit.

2010-2011 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

Fiscal year-to-date General Fund collections total \$22.5 billion, which is 2.3 percent above estimate.

