



THE TAX UPDATE IS A  
BI-MONTHLY E-NEWSLETTER  
PUBLISHED BY THE  
PENNSYLVANIA  
DEPARTMENT  
OF REVENUE  
**GREGORY C. FAJT**  
SECRETARY OF REVENUE  
**EDWARD G. RENDELL**  
GOVERNOR



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## FAST FACT:

*The first rebate checks for the expanded Property Tax/Rent Rebate program will be distributed on July 1.*

## DEPARTMENT OF REVENUE SENDS INCORRECT 1099-G AND 1099-INT FORMS TO TAXPAYERS

*Correct Forms Will Be Mailed By February 9*

In January, the Pennsylvania Department of Revenue mailed incorrect 1099-G and 1099-INT forms to taxpayers. The forms report tax refunds or interest received from the commonwealth and may be used by taxpayers to prepare their federal tax returns.

The incorrect forms contained information for refunds and interest paid in 2005, rather than 2006. Revenue Secretary Gregory C. Fajt said correct 1099-G and 1099-INT forms will be mailed no later than February 9.

"I apologize on behalf of the Revenue Department for this mistake," Fajt said. "We will distribute updated 1099-G and 1099-INT forms as soon as possible."

Because the incorrect mailing was based on 2005 tax data, Fajt said taxpayers who received refunds or interest in 2006, but not in 2005, were not included in the initial mailing. Those taxpayers will receive 1099 forms from the Revenue Department for the first time in the second mailing.

Taxpayers who received incorrect 1099-G or 1099-INT forms will receive new forms labeled "corrected" in the second mailing.

Additional information about the 1099 form mailings may be obtained by calling the Revenue Department's Taxpayer Services and Information Center at (717) 787-8201, by visiting the department's Web site, [www.revenue.state.pa.us](http://www.revenue.state.pa.us), or by calling or visiting any of the department's field offices throughout the state.

## INCOME TAX DEADLINE EXTENDED TO APRIL 17

Pennsylvania taxpayers will have until Tuesday, April 17, 2007, to file their 2006 state income tax returns and pay any taxes due - not April 16 as previously reported. On January 24, the Internal Revenue Service announced that the federal filing deadline would be extended until April 17. Pennsylvania law mirrors the federal law in this area; therefore, the deadline is automatically extended for state returns also.

Taxpayers will have extra time to file and pay because April 15 falls on a Sunday in 2007, and the following day, Monday, April 16, is Emancipation Day, a legal holiday in the District of Columbia.

## TAX PROFESSIONALS E-SERVICES CENTER

The Revenue Department recently added a new feature to its Web site, the **Tax Professional e-Services Center**. The Center is being implemented in two phases. Phase I was implemented in mid-November 2006 when the new **Tools Section** went online. Phase II, the **Client Data Access Area** of the Center, will be available soon. Pennsylvania Tax Professionals will be able to manage their business online more efficiently with the addition of the Center.

### Phase I

The new **Tools Section** organizes most of the information and services that tax professionals use most in one place. The **Tools Section** has separate options for Individual and Business taxes. The following sections are for Individual Taxes in the **Tools Section** of the site:

- What's New
- Tools
- e-Services
- Fed/State e-File
- Multi-state Filing
- Incentives/Programs

No registration is required for the **Tools Section**, which can be accessed by going to the Department's Web site,



[www.revenue.state.pa.us](http://www.revenue.state.pa.us), selecting 'e-Services Center' and then selecting 'Tax Professionals'.

### Phase II - Client Data Access Area

A one-time registration process is required to use the **Client Data Access Area** of the Tax Professional e-Services Center. Tax professionals who register for this portion of the site will be able to access their client's tax data online without having to call the Revenue Department.

To access clients' PA Personal Income Tax records, payments/credits, and tax returns, the tax professional must have registered to use the Revenue Department's Tax Professional e-Services Center and:

- Filed their clients' Pennsylvania income tax returns through Fed/State e-file program;

- Have their client's Power of Attorney form on file;
- Have a PA e-Signature account with the Revenue Department. (If you do not have a PA e-Signature, you can obtain one on the department's **e-Services** Web site.); and
- Have an IRS approved PTIN and EFIN.

When the **Client Data Access Area** is ready, tax professionals will be able to register for the Center by going to the department's Web site,

[www.revenue.state.pa.us](http://www.revenue.state.pa.us), clicking on the 'e-Services Center', then 'Tax Professionals', and finally on the 'Register' icon.

Taxpayers will also have new online features available to manage their tax account. They will be able to cancel a payment, view their tax returns, and grant or restrict their tax professional's access to the data.

For questions concerning the Center, refer to the department's Online Customer Service Center or call the Revenue Department at (717) 787-1392.

## PERSONAL INCOME TAX EXEMPTION FOR ACTIVE NATIONAL GUARD MEMBERS

**Beginning with tax years after Dec. 31, 2006, compensation earned by National Guard members on active duty and responding to an emergency shall not be considered income.**

SB 1139 amended the Tax Reform Code to provide an exemption for Personal Income Tax on compensation earned by National Guard members who respond to **active** state duty for emergencies within or outside the Commonwealth. This includes duty ordered pursuant to Title 35, Chapter 76 (relating to emergency management assistance compact) of the Pennsylvania Consolidated Statutes.

## PROPERTY TAX/RENT REBATE PROGRAM EXPANSION

With the newly expanded Property Tax Rent Rebate Program signed into law by Governor Ed Rendell, 420,000 more Pennsylvanians are now eligible to receive a property tax or rent rebate of up to \$650.

The Property Tax/Rent Rebate program benefits eligible Pennsylvanians age 65 and older; widows/widowers age 50 and older; and people with disabilities age 18 and older.

Act 1 of 2006, increases the income limit from \$15,000 to \$35,000 for homeowners and boosts the maximum rebate for both homeowners and renters from \$500 to \$650. Applicants can still exclude one-half of their Social Security, Supplemental Security Income and Railroad Retirement Tier 1 benefits, so homeowners who make more than \$35,000 a year and renters who make more than \$15,000 may still qualify for a rebate.

### HOMEOWNERS

#### THE EXPANDED HOUSEHOLD INCOME LIMITS AND REBATE AMOUNTS ARE:

\$0 to \$8,000	\$650 rebate
\$8,001 to \$15,000	\$500 rebate
\$15,001 to \$18,000	\$300 rebate
\$18,001 to \$35,000	\$250 rebate

### RENTERS

#### THE EXPANDED HOUSEHOLD INCOME LIMITS AND REBATE AMOUNTS ARE:

\$0 to \$8,000	\$650 rebate
\$8,001 to \$15,000	\$500 rebate

The rebates for property taxes or rent paid during 2006 will be distributed beginning July 1, 2007.

Pennsylvanians who think they may qualify for a rebate under the expanded guidelines can sign-up now to have a 2006 Property Tax/Rent Rebate form (PA-1000) mailed to them by calling toll-free 1-888-222-9190 or by visiting the property tax relief web site at [www.papropertytaxrelief.com](http://www.papropertytaxrelief.com). Those who qualified for the 2005 rebate program and received a rebate in 2006 will automatically receive a book in the mail and do not need to sign-up.

## NEW TAX ENFORCEMENT TOOLS A FACTOR IN RECORD FISCAL YEAR 2005-2006 DELINQUENT TAX COLLECTIONS

Fiscal Year 2005-06, that ended June 30, 2006, was a record year for the amount of delinquent taxes collected by the Pennsylvania Department of Revenue - \$799 million. Under Governor Rendell's directive, the Revenue Department has increased delinquent tax collections every year since 2003.

A number of new enforcement initiatives, including those recently authorized by the General Assembly, contributed to the record amount of delinquent tax collections. More importantly, more delinquent taxpayers now comply voluntarily with just a warning of the *potential* enforcement actions.

New Revenue Department enforcement initiatives since 2003 include:

- Issuing citations for businesses operating without a valid Sales Tax license;
- Garnishing the wages of taxpayers to collect delinquent taxes;
- Recouping the costs borne by the department to collect delinquent taxes; and
- Publishing the names of delinquent taxpayers on the Internet.

The department takes very seriously its obligation to safeguard the equity of the state tax system and the great majority of taxpayers who routinely and timely report and pay their Pennsylvania taxes. The department is also committed to working diligently in a fair and flexible manner with delinquent taxpayers to resolve their tax obligations, including the use of deferred payment plans when warranted.

### CITATION AUTHORITY

Act 46 of 2003, gave the Revenue Department authority to issue citations to businesses operating without a valid Sales Tax license. The department also has the authority to revoke the Sales Tax license of delinquent businesses that refuse to resolve their tax obligations.

A notice of the intent to cite is the first action taken by department collection agents. To date, the department has cited 7 percent of those businesses on notice. Since the inception of the citation program, more than \$23 million in delinquent taxes have been collected from just 5,723 cases. For most delinquent taxpayers, the possibility of getting a citation from the department was enough to encourage them to comply.

### WAGE GARNISHMENT

Act 46 of 2003, also authorized the department to garnish the wages of a person with personal income tax liabilities. Wage garnishment is an effective tool to collect both delinquent Personal Income Taxes and personally-assessed trust fund taxes such as Sales and Employer Withholding Taxes. Through the department's wage garnishment program, \$3.5 million in previously delinquent taxes have been collected from 1,156 cases. Used in conjunction with the other enforcement tools, the risk of wage garnishment has brought many taxpayers into compliance.

### RECOUPING DELINQUENT COLLECTION COSTS

Act 40 of 2005, allows the PA Department of Revenue to add the cost of collection to delinquent tax liabilities. The department can charge delinquent taxpayers a fee if their account has to be referred to a private collection agency or incurs other specific costs to collect outstanding tax liabilities. This authority allows the department to recoup the cost of retaining private collection agencies so that the Commonwealth receives 100 percent of the tax liability.

State taxes currently subject to delinquent collection add-on fees are: Sales and Use, Employer Withholding, Corporation, Personal Income and Inheritance/Estate Taxes.

These add-on fees range from 19 percent to 29 percent, depending on if it is a first or second placement collection agency. Under certain circumstances, legal fees incurred by the department and/or the collection agency may be charged to the delinquent taxpayer. This would include items such as lien filing and satis-

*Continued from page 4. New Tax Enforcement Tools a Factor in Record Fiscal Year 2005-2006 Delinquent Tax Collections.*

faction fees and Treasury Offset Program fees, in which federal tax refunds are intercepted to pay Pennsylvania tax obligations.

## PENNSYLVANIA TAX DELINQUENT LIST

In a new effort to collect unpaid state taxes, the state Department of Revenue in April 2006, began publicizing the names of people and businesses that owe delinquent taxes on the Internet.

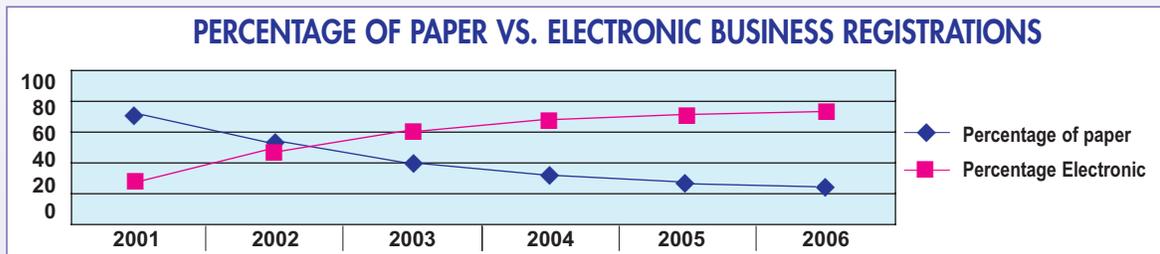
The businesses and individuals listed on the Web site were contacted by the department and given one final chance to make payment arrangements before appearing on the list, either by paying the taxes due in full or entering into a payment plan agreement. The prospect of appearing on the list has helped convince most delinquent taxpayers to work with the Department of Revenue to resolve their tax obligations. To date, the prospect

of appearing on the list has helped convince delinquent taxpayers to pay \$18.4 million and enter into deferred payment plans for an additional \$16.1 million in previously unpaid taxes.

Information on the Web site is public as a result of a lien filed by the Revenue Department. The liens are recorded in a county prothonotary's office where the person resides or does business. The amounts listed on the Web site are the amounts of the original liens. The current amount of tax due may differ from the amount listed on the site because of partial payments and/or the accrual of additional interest since the tax lien was filed.

The complete **PA Tax Delinquent List** is available on the PA Department of Revenue's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us).

## BUSINESSES CONTINUE RECORD NUMBER OF ELECTRONIC REGISTRATIONS



The number of new businesses registering electronically with the PA Department of Revenue has been steadily increasing since 2001, when the option was first offered. In calendar year 2006, a record 78 percent of business registrations were submitted electronically, compared to 71 percent in 2005.

The number of business applications submitted electronically has increased from 25 percent in 2001, to 78 percent as of January 2007.

The **PA Open for Business Web site** allows users to register an enterprise electronically with the Commonwealth in two ways: an online interactive interview or an online version of the PA-100 Enterprise Registration Form. The Online PA-100 is an online fill-in form, and allows users to register an enterprise with the Departments of Labor & Industry and Revenue, but does not register the enterprise with the Department of State. The

Online PA-100 is designed for users who are familiar with the PA-100 process and know the taxes and services for which they need to register. The Online Business Registration Interview is a step-by-step wizard that guides users through the process of registering an enterprise with the departments of **Labor & Industry, Revenue and State**. It is designed for:

- Users who are unfamiliar with Pennsylvania taxes, services and business registration requirements.
- Enterprises that have not registered their Limited Liability Company, Corporation, Limited Partnership, Limited Liability Partnership or Fictitious Name with the Department of State.

To view all of the department's electronic services, visit the Revenue **e-Services Center** at [www.revenue.state.pa.us](http://www.revenue.state.pa.us).