

# Tax Update

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THE TAX UPDATE IS A  
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PUBLISHED BY THE  
PENNSYLVANIA  
DEPARTMENT  
OF REVENUE  
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SECRETARY OF REVENUE  
**EDWARD G. RENDELL**  
GOVERNOR



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## FAST FACT:

About \$222 million in rebates have been sent to 508,587 homeowners and renters through the Property Tax/Rent Rebate Program - that is 194,680 more households and \$101 million more than last year.

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[www.revenue.state.pa.us](http://www.revenue.state.pa.us)

## PROPERTY TAX RELIEF ISSUED TO MORE THAN 500,000 SENIORS

*200,000 MORE SENIORS ENCOURAGED TO APPLY BEFORE DEC. 31 DEADLINE;  
REVENUE EXTENDS CUSTOMER SERVICE HOURS*

More than half a million Pennsylvania seniors have received rebates of up to \$650 on their property taxes or rent thanks to the expanded Property Tax/Rent Rebate program. In addition, customer service hours have been extended for 200,000 seniors who have yet to apply.

"Revenue from slots gaming is already providing desperately-needed property tax relief to hundreds of thousands of our seniors," Governor Rendell said. "At least 200,000 more seniors qualify for the program but have not yet applied. I encourage all who qualify to take advantage of the tax relief available and apply before the Dec. 31, 2007 deadline."



*(Photo: Gov Rendell visiting Jerome and Veronica Dell who received a 10 percent rebate on their property taxes for the first time.)*

Act 1 of Special Session 2006, signed by Governor Rendell on June 27, 2006, delivered the largest property tax cut in Pennsylvania's history — \$1 billion annually to Pennsylvania homeowners. Seniors get the most significant property tax relief through an expansion of the Property Tax/Rent Rebate Program that began this year.

So far, \$222 million in rebates have been sent to 508,587 homeowners and renters through the Property Tax/Rent Rebate Program. That is 194,680 more households and \$101 million more than last year.

The total number of senior homeowners receiving property tax rebates under the state's program is estimated to increase from about 155,000 last year to 575,000 by the end of this year. Nearly 200,000 of these senior homeowners will pay no school property taxes once gaming revenue is available for general property tax relief to all homeowners.

The rebate program benefits eligible Pennsylvanians age 65 and older; widows and widowers age 50 and older; and people with disabilities age 18 and older. The 2006

program expansion increases the income limit from \$15,000 to \$35,000 (which excludes half of Social Security income) for homeowners and raises the maximum rebate for both homeowners and renters from \$500 to \$650.

Because applicants can exclude half of Social Security income, residents can make significantly more than \$35,000 a year and still qualify for a rebate. The Governor doesn't want any seniors to miss out on receiving the help they need in paying their property taxes.

The expanded household income limits and maximum rebate amounts are:

• \$0 and \$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 with incomes between \$0 and \$8,000 now receive a \$650 rebate and those with incomes between \$8,001 and \$15,000 receive a \$500 rebate.

To better serve seniors who need help applying for the rebate program, the Department of Revenue's customer service center (1-888-222-9190) has extended its hours. From Nov. 13 through the end of the year, the service center will be open from 7:30 a.m. to 7:30 p.m., Monday through Thursday, and 8 a.m. to 4 p.m. Saturdays (except for Nov. 24 and Dec. 29). The call center will be open during regular business hours, 7:30 a.m. to 5:30 p.m., on Fridays and during the weeks of Thanksgiving (Nov. 19 –23) and Christmas (Dec. 24 – 28).

Property Tax/Rent Rebate claim forms (PA-1000) and information are available online at [www.PaPropertyTaxRelief.com](http://www.PaPropertyTaxRelief.com) or by calling 1-888-222-9190. Forms and assistance are also available at Department of Revenue district offices (listed in the government section of local telephone directories), local Area Agencies on Aging, senior centers and state legislators' offices. Claimants are reminded to provide all the necessary income, property tax or rental information for their claims to be processed accurately and quickly.

The Property Tax/Rent Rebate Program is one of five programs supported by the Pennsylvania Lottery. Since the program's 1971 inception, more than \$3.8 billion has been paid to qualified applicants. The expanded portion of the rebate program is being paid for with revenue from slots gaming.

## VOLUNTARY DISCLOSURE

The Voluntary Disclosure Program provides an opportunity for businesses and individuals who have recently become aware of their Pennsylvania tax obligations to voluntarily come forward. In return for coming forward voluntarily, filing their tax returns and clearing their tax debts, taxpayers are only responsible for the payment of tax and interest. All of the penalties for all taxes administered by the Department of Revenue will be waived when the requirements of the Voluntary Disclosure Agreement have been completed.

The program is only available to those taxpayers who are not registered with the department, and for whom no investigations or collection actions have begun.

The Voluntary Disclosure Program was created for individuals and businesses that have not met their tax obligations because they were not aware of them. Pennsylvania's Voluntary Disclosure Program offers one-stop service for all taxes. The department's liaison officer will work to make sure that all of the taxpayer's filing and payment requirements have been fulfilled. Taxpayers emerge from the program with a clean slate and on the right track.

For taxpayers accepted into the program, the responsibility for payment and filing of non-corporate taxes will be limited to three years plus the current year. This exposure limitation does not apply to Business Trust Fund Taxes (Sales and Employer Withholding) when the tax has been collected by a taxpayer, but not remitted. Taxpayers who failed to remit taxes collected must comply from the date the tax was collected. Taxpayers must file applicable returns and pay all tax and interest for periods covered in the Voluntary Disclosure Agreement. Penalties will be removed when all requirements of the agreement have been satisfied. Foreign and domestic corporations registered with the PA Department of State are only eligible for participation for non-corporate taxes.

For corporate taxpayers accepted into the program, the responsibility for the payment and filing of corporate taxes will be limited to five years plus the current year. Taxpayers are responsible for filing the applicable tax returns and payment of all taxes and interest.

Taxpayers not eligible to participate in the Voluntary Disclosure Program include the following:

1. Any taxpayer currently registered with the Department of Revenue in a non-filed or delinquent status for periods the taxpayer requests Voluntary Disclosure participation;

2. Foreign and domestic corporations registered with the PA Department of State are automatically registered with the Department of Revenue, and these taxpayers are not eligible for participation for corporation tax liabilities. This does not preclude them from participating in the program for other types of non-corporate taxes; and/or
3. Any taxpayer currently under investigation by the department's Bureau of Audits or Discovery Division.

All of the following information must be provided in writing for the department to evaluate eligibility for participation in the program:

1. The type (s) of tax involved and the date the taxpayer's activities began in Pennsylvania.
2. A detailed description of the taxpayer's activities in Pennsylvania and the product sold/service provided.
3. An explanation of the taxpayer's failure to file and pay the applicable taxes in the past.
4. A statement that the taxpayer has not been contacted previously by the department concerning the tax liability.
5. A completed Business Activities Questionnaire (DEO-50), provided by the Voluntary Disclosure Office.

All cases are reviewed by a Voluntary Disclosure Committee. Once approved, the taxpayer/representative will receive two copies of the proposed Voluntary Disclosure Agreement for signature. Any modification of this agreement will render it void. Both copies of the agreement must be completed and signed by the taxpayer or his/her authorized representative and returned to the department within 45 business days of the original mailing date. Ultimately, the agreements will be signed by the appropriate official of the department and, if required, by the appropriate official of the Office of the Auditor General. A signed copy will be returned to the taxpayer/representative with specific instructions for the filing of returns and payment. Appropriate forms will be provided.

Failure to comply with the terms of the agreement or other requirements of the program in a timely and accurate manner will render the agreement void. In such a situation, the taxpayer will be subject to all assessment action deemed appropriate by the department.

All correspondence, telephone inquiries and requests for the Business Activities Questionnaire (DEO-50) concerning the program should be directed to the Voluntary Disclosure Program, PA Department of Revenue, PO Box 281100, Harrisburg, PA 17128, or by phone at (717) 787-9832.

## CORPORATION TAX SETTLEMENT PROCESS CHANGES JAN. 1, 2008

Act 119 (SB 993), signed into law on October 27, 2006, by Governor Edward G. Rendell, replaces the current corporation tax settlement process with an assessment and reassessment process beginning Jan. 1, 2008. With this change, corporation tax returns will be treated similarly to other tax returns and similarly to the tax return processes used in other states. Returns will be considered accepted as filed unless the Pennsylvania Department of Revenue or Auditor General selects them for review or audit.

Three major provisions of the law become effective Jan. 1, 2008. Act 119 will require the Department of Revenue to issue assessments of \$300 or more (as amended by Act 55 of 2007), by certified mail, including the basis for such assessments, for all taxes covered by the statute. Another significant change is the replacement of the current settlement procedure for corporation taxes with an assessment process comparable to that used for other Pennsylvania state taxes. Finally, consistent appeal procedures will be adopted for major state taxes.

### To summarize, Act 119:

- Standardizes assessment terminology throughout the tax code;
- Replaces the existing settlement process for corporation taxes with an assessment and reassessment process similar to that used for the other major state taxes (including sales and use and personal income taxes);
- Requires all tax assessment notices of \$300 or more, (as amended by Act 55 of 2007) to be sent by certified mail;
- Allows the department to issue estimated assessments for failure to file a corporation tax report (or for filing a return that is too incomplete to determine the tax);
- Provides new administrative procedures for petitions for

reassessments and petitions for refunds made to the Board of Appeals; and

- Authorizes new time limits for tax assessments.

A new article in the Tax Reform Code, Article (XXVII), adopts more uniform rules for petitions for reassessments and petitions for refund content and procedures that are appealed by the taxpayer. This new assessment process does not apply to liquid fuels tax, oil company franchise tax, or motor carriers road tax. The new appeal procedures do not apply to inheritance taxes (Article XXI).

### Before Act 119:

- Assessments and settlements of state taxes were occasionally misdirected in the mail and the appropriate taxpayers' officials could not confirm that they received the information. (By sending assessments of \$300 or more via certified mail, the department can now confirm with some certainty whether or not an assessment has been received by the taxpayer.)
- Under the tax settlement process, there was no final determined tax liability until either the state settled the return or the settlement period expired. This led to the existing process in which all corporation tax reports are settled within 18 months of receipt to legally determine the tax liability, even if no adjustment or change was made with settlement. Under Act 119, Pennsylvania will now treat corporation taxes like it does other major taxes – with an assessment and reassessment process.

The Department of Revenue is working to implement the changes required by Act 119. Currently, the department is finalizing its testing of the process and taxpayer notices necessary for changing the corporation tax settlement process to an assessment process.

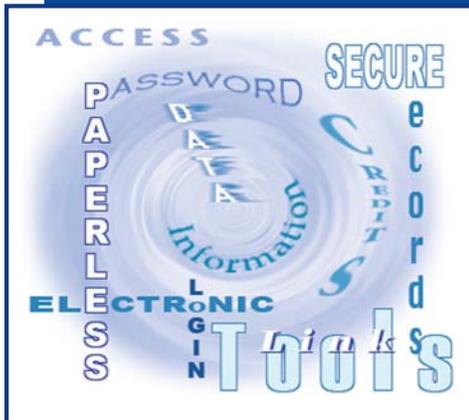
## PA TREASURY - UNCLAIMED PROPERTY

April 15 is not only the tax filing deadline for most taxpayers, it is also the deadline for businesses to file their annual Unclaimed Property Reports with the Pennsylvania Treasury Department.

Unclaimed property includes any financial asset that has been left with a "holder" such as a bank, insurance company or other business or organization without activity or contact for a period ranging from two to five years, based on property type.

To find reporting instructions, learn about recent legislative changes, download free reporting software, review Pennsylvania's Unclaimed Property Act and search the unclaimed property database, visit [www.patreasury.org](http://www.patreasury.org). To speak with a professional to determine if your business or organization is holding unclaimed property, call 1-800-379-3999.

## TAX PROFESSIONAL E-SERVICES CENTER



Tax Professionals are encouraged to use the department's new Tax Professional e-Services Center for easy access to their client's tax information.

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

## 2007 FALL TAX SEMINARS SCHEDULE

SPONSOR	DAY	DATE	CONTACT	SEMINAR LOCATION
<b>Harrisburg Area Community College</b> 3300 Cameron Street Road Harrisburg, PA 17110	Tuesday	11-27-2007	<b>Non-Credit Registration Dept.</b> (717) 780-2414 dgroot@hacc.edu	<b>Rose Lehrman Arts Center Auditorium</b> Harrisburg Area Community College 1 HACC Drive Harrisburg, PA 17110-2999
<b>Penn State University Ogontz Campus</b> 1600 Wood Land Road Abington, PA 19001	Wednesday	12-05-2007	<b>Theresa Bloom</b> (215) 881-7402 tmb17@psu.edu	<b>Holiday Inn, Select</b> 4700 Street Road Trevoise, PA 19053

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## 2007 FALL TAX SEMINAR AGENDA

*See Page 4 for Seminar Schedule Dates*

TIME	TOPIC	PRESENTER
8:00 - 9:30 AM	<b>INTRODUCTION &amp; PERSONAL INCOME TAX UPDATES</b> <ul style="list-style-type: none"> <li>&gt; PIT Tax Law Changes</li> <li>&gt; Impact of Act 119 of 2006</li> <li>&gt; PA PIT Forms Changes</li> <li>&gt; Miscellaneous Items Affecting PA PIT</li> </ul>	<i>David A. Braden, CPA Sylvia Olimpi or Donald Bianchi, CPA Bureau of Individual Taxes</i>
9:30 - 10:15 AM	<b>PASS THROUGH BUSINESS UPDATES</b> <ul style="list-style-type: none"> <li>&gt; Tax Benefit Rule</li> <li>&gt; Non-Resident Withholding</li> <li>&gt; Centralized Database</li> <li>&gt; Health Insurance – S-Corps vs. Partnerships</li> <li>&gt; S-Corp Acquisition Interest</li> <li>&gt; Problem Areas</li> </ul>	<i>Mary Hubler Pass Through Business Office</i>
<i>10:15 - 10:30 AM Break</i>		
10:30 - 11:15 AM	<b>USE TAX VOLUNTARY COMPLIANCE PROGRAM AND OTHER VOLUNTARY COMPLIANCE INITIATIVES</b>	<i>Kevin Milligan Enforcement, Planning, Analysis and Discovery</i>
11:15 - 11:45 AM	<b>STATE TREASURY DEPARTMENT</b> <ul style="list-style-type: none"> <li>&gt; Bureau of Unclaimed Property</li> <li>&gt; Annual Unclaimed Property Reporting: What, When and How Business Should Report</li> </ul>	<i>Calvin Gilchrist State Treasury Department</i>
11:45 - NOON	<b>QUESTIONS AND ANSWERS</b>	
<i>Noon - 1:00 PM Lunch</i>		
1:00 - 2:00 PM	<b>CORPORATION TAX UPDATES</b> <ul style="list-style-type: none"> <li>&gt; Act 119 Changes</li> <li>&gt; Act 67 &amp; Act 116 Changes</li> <li>&gt; Fed/State e-file</li> </ul>	<i>Greg Skotnicki, John Naccarato, Jeffrey A. Creveling, Joseph Clover or Michael Answine, CPA Bureau of Corporation Taxes</i>
2:00 - 3:00 PM	<b>SALES AND USE TAX UPDATES</b> <ul style="list-style-type: none"> <li>&gt; Update - Tax Law &amp; Court Decisions</li> <li>&gt; Refund Petitions - Statute of Limitations</li> <li>&gt; Aircraft Issues</li> <li>&gt; Building Machinery and Equipment</li> </ul>	<i>Jeffery Snavelly, Esq. and Lora Kulick, Esq. Office of Chief Counsel</i>
<i>3:00- 3:15 PM Break</i>		
3:15 - 4:15 PM	<b>UNEMPLOYMENT COMPENSATION TAX UPDATES (LABOR AND INDUSTRY)</b> <ul style="list-style-type: none"> <li>&gt; Relief from Charges and Their Effect on Rates</li> <li>&gt; What's New in UC</li> </ul>	<i>Timothy McGarvey or Paul Bowes Labor and Industry</i>
4:15 - 4:30 PM	<b>QUESTIONS AND ANSWERS</b>	

*In compliance with the Americans with Disabilities Act, the department will make every effort to provide an alternative format for seminar content to persons with disabilities.*