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TAX RECIPROCAL AGREEMENT WITH NEW JERSEY WILL CONTINUE

The tax reciprocal agreement between Pennsylvania and New Jersey will continue in 2017. In late November New Jersey indicated that it was reversing its previously announced termination of the agreement between the two states.

Pennsylvania has supported the agreement for 40 years and was pleased that it will remain in place. The agreement allows commuters to pay income tax to the state where they live, rather than the state where they work.

The continuation of the tax reciprocal agreement means:

- **Pennsylvania employers of New Jersey residents** will continue to withhold New Jersey personal income tax on behalf of their New Jersey resident employees and remit that tax to the State of New Jersey.
- **New Jersey employers of Pennsylvania residents** will continue to withhold Pennsylvania personal income tax on behalf of their Pennsylvania resident employees and remit that tax to the Commonwealth of Pennsylvania.

In recent weeks the Department of Revenue shared information with employers to help them prepare employees for the termination of the reciprocity agreement. Since the agreement will continue employers should disregard that communication.

The department thanks the Pennsylvania residents, employers and payroll companies that were preparing for this now-cancelled change in tax policy. The cooperation of all parties is appreciated. If you have questions about the tax reciprocal agreement with New Jersey, please visit the department online at revenue.pa.gov.

REMINDER: PA TAX AMNESTY COMING IN 2017

The Pennsylvania Department of Revenue will administer a 60-day tax amnesty from April 21 through June 19, 2017. During this limited opportunity authorized by Act 84 of 2016, all penalties and half of the interest owed will be waived for those who apply and pay delinquent taxes.

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REMINDER: PA TAX AMNESTY COMING IN 2017 (cont.)

Who is eligible?

Individual and businesses with unpaid or underpaid Pennsylvania taxes or unfiled returns as of Dec. 31, 2015 are eligible. More than 30 state taxes administered by the department are included, such as the personal income tax, corporate net income tax, sales and use tax, and inheritance tax. A complete list is available online at revenue.pa.gov/taxamnesty.

Who is not eligible?

Participants in the 2010 Tax Amnesty are ineligible to participate, as are taxpayers under criminal investigation, criminal prosecution, or criminal restitution for allegedly violating a tax law and taxpayers with a voluntary disclosure agreement for periods eligible for tax amnesty. Taxpayers in bankruptcy must be granted permission from Bankruptcy Court.

How to apply?

Participants must apply, file missing returns, and pay the tax and half of the interest owed by the end of Tax Amnesty on June 19, 2017. Individuals and businesses with tax liabilities eligible for Tax Amnesty, but do not participate will be assessed a 5 percent penalty.

Application and payment instructions and a dedicated Tax Amnesty website will be announced closer to the start of the program. For additional resources, please visit www.revenue.pa.gov/taxamnesty.

**THE PENNSYLVANIA
DEPARTMENT OF REVENUE
WANTS TO SHARE THIS
INFORMATION WITH YOUR
AUDIENCE. IF YOUR
ORGANIZATION HAS AN
UPCOMING MEETING OR
EVENT IN WHICH A MEMBER
OF OUR EXECUTIVE STAFF
COULD ADDRESS TAX
AMNESTY, PLEASE CONTACT
MAIA WARREN AT
717-787-6960 OR
MAIWARREN@PA.GOV.**

OTHER TOBACCO PRODUCTS FLOOR TAX RETURN DUE DEC. 29, 2016

Retailers in Pennsylvania are reminded the floor tax return, REV-1141, and payment for the new tax on other tobacco products is due by Dec. 29, 2016. Act 84 of 2016 established the tax which took effect on Oct. 1, 2016.

The first filing period for the quarter from October through December is due by Jan. 20, 2017. However, the filing period changes to monthly in 2017. The return, schedules, payment, and report will be due by the 20th day of the following month. For example, the January 2017 return, schedule, payment, and report will be due by Feb. 20, 2017.

Other tobacco products include e-cigarettes, pipe tobacco, chewing tobacco, snuff, and any other tobacco products for chewing, ingesting or smoking, except cigars.

Similarly, the tax on roll-your-own tobacco takes effect Dec. 14, 2016. On that date all retailers and vending machine operators must take an inventory of RYO products. The floor tax return and payment is due by March 14, 2017. The first filing period for RYO is due by Jan. 20, 2017.

More information, including the returns and schedules, is available from the department online at revenue.pa.gov.

GROSS RECEIPTS TAX REPORT (RCT-113B) MANAGED CARE ORGANIZATIONS – FINAL REPORT

Gross receipts tax is imposed on Medicaid Managed Care Organizations (MMCO) that conduct business in Pennsylvania. The tax applies to the sum of payments pursuant to a Medicaid Managed Care Agreement with the PA Department of Human Services through its medical assistance program as reported on the GRT MMCO Revenue Report.

If an organization is considered the assignee, they must file the RCT-113B and include the total payments from the GRT MMCO Revenue Reports for the assignee and each assignor.

Act 84 of 2016 eliminated the tax effective Jan. 1, 2017. Taxpayers must file their final 2016 return by March 15, 2017 or extend to May 15, 2017. That return will include their 2016 receipts that the PA Department of Human Services provides to them via certificate in early 2017. The final payment is due by March 15, 2017. No estimated prepayments are required in 2017.

With the elimination of the gross receipts tax on Medicaid Managed Care Organizations, the Pennsylvania Department of Human Services began implementing health related assessments on certain Managed Care Organization as of July 1, 2016.

REVENUE LAUNCHES TAX REGISTRATION OFFICE TO STREAMLINE BUSINESS REGISTRATION FUNCTIONS

In response to requests from several businesses and tax practitioners, the Pennsylvania Department of Revenue is pleased to announce the launch of the Tax Registration Office. This newly established office will combine business registration functions previously managed separately by the Bureau of Business Trust Fund Taxes and the Bureau of Corporation Tax into one centralized area. Taxpayers and tax professionals will no longer need to contact multiple bureaus for their registration needs.

The Tax Registration Office will be a one-stop shop to register and update account information for the following tax types:

- Corporation Taxes
- Employer Withholding Tax
- Promoter License
- Public Transportation Assistance Tax License
- Sales Tax Exempt Status

- Sales, Use, Hotel Occupancy Tax License
- Small Games Of Chance License/Cert.
- Transient Vendor Certificate
- Use Tax
- Vehicle Rental Tax
- Wholesaler Certificate

By restructuring the way the department handles the registration and maintenance of taxpayer accounts, the department is streamlining its internal process and improving customer service for internal and external customers that rely on the accuracy of information being entered into the business tax systems.

For questions relating to corporation taxes, please contact 717-705-6225 and select menu option 8. For information regarding business trust fund taxes, please contact 717-787-3653.

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.



PADIRECTFILE REMAINS A FREE STATE INCOME TAX E-FILING OPTION AS PA FREE FILE ENDS

Taxpayers can continue to e-file state income tax returns for free using padirectfile next year, but PA Free File will not be available. The Free File Alliance ended an agreement with the Department of Revenue to offer PA Free File as a no cost option for Pennsylvanians with a federal adjusted gross income of \$62,000 or less to file state income tax returns.



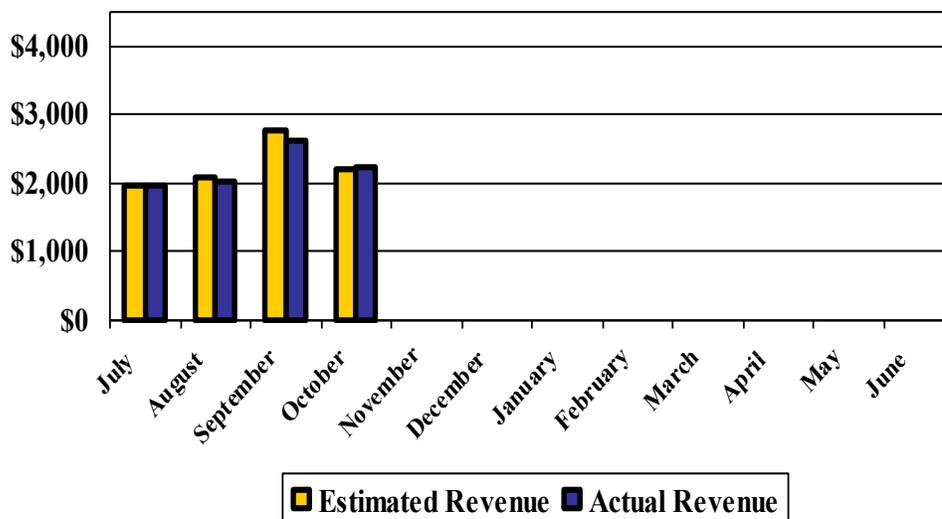
The alliance terminated the agreement because Pennsylvania offers padirectfile, a no cost state-only personal income tax filing system through the department's website at www.revenue.pa.gov. Income-eligible taxpayers can still file federal income tax returns through the Free File Alliance, but should expect a fee from the software company to file their Pennsylvania tax return.

In addition to e-filing for free using padirectfile, taxpayers can choose to complete tax forms on the department's website that are submitted electronically or printed and mailed. Other options, such as purchasing commercial tax preparation software, are also available.

2016-2017 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

Fiscal year-to-date General Fund collections totaled \$8.8 billion, which is \$182.4 million, or 2 percent, below estimate.



TOP 10 BTS FILING TIPS: CORPORATION TAXES

1. Use the correct form.

All corporate tax reports for tax years beginning prior to 2016 must be filed using the non-year specific **PA Corporate Tax Report (RCT-101)**.

For tax years beginning 2016 and after the PA Corporate Tax Report (RCT-101) has been redesigned and renamed to the PA Corporate Net Income Tax Report. Taxpayers are encouraged to thoroughly review the new report and instructions for all changes.

Due Dates: For tax years beginning after December 31, 2015, the PA Corporate Net Income Tax Report (RCT-101) is due 30 days after the federal report is due, or would be due if that corporation were required to file federally.

2. Properly submit amended returns.

If an amended return must be filed for tax years beginning prior to 2016, taxpayers must complete the non-year specific RCT-101 PA Corporate Tax Report (RCT-101). All sections of the return, regardless of what items are being amended, must be completed. The amended report check box under Step B, Page 1 of the RCT-101 must also be checked.

For tax years beginning 2016 and after taxpayers must file an amended return using the revised PA Corporate Net Income Tax Report (RCT-101).

Act 84 of 2016 included changes to filing amended corporate tax reports. Taxpayers will have three years from the due date of the original report to file an amended report. The department will have one year from the date the amended report is filed to notify the taxpayer if the changes are accepted. If the taxpayer is not notified within one year, the report is deemed accepted.

3. Use only numbers in numeric fields.

Alphabetic or non-numeric characters should never be used in numeric fields. Use of "none" or "NA" in an

apportionment field will cause the business tax system to calculate a 100 percent apportionment factor.

4. Use checkboxes appropriately.

Checkbox indicators on the return:

- a. If the corporation has an extension of time to file its federal income tax return, or if the income of the entity is included on the income tax return of another business or individual with an extension of time to file the federal income tax return, "Federal Extension Granted" must be checked.
- b. If checking "Holding Company," do not use three-factor apportionment.
- c. If checking "Investment in LLC" or "Family Farm," do not complete Section A.
- d. If checking "Solicitation Only," "Single-Member LLC," "Multi-Member LLC," or "PA S Corporation," do not complete Section C, Corporate Net Income Tax.
- e. When filing the RCT-101 or the RCT-101I as a FINAL report, check the final report box and enter the date all business activity ceased.
- f. Taxpayers no longer subject to Capital Stock/Foreign Franchise Tax should check the final report checkbox and include a statement accompanying the report stating the entity is no longer subject to the Capital Stock/Foreign Franchise Tax. This is expected for paper filers as well as electronic filers who can attach a .pdf to their report submission.

Act 52 of 2013 requires the add-back of intangible expense to income for interest, royalties, patents, trademarks, etc. between affiliated companies in certain instances. This is effective for tax years beginning in 2015. Taxpayers should check the appropriate checkbox on page 1 of the new PA Corporate Net Income Tax Report (RCT-101) and complete and include forms Rev-802 and Rev-803 with the report.

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5. Provide all demographic information.

The "Corp Tax Account ID," "Federal EIN," "Business Activity Code," "Corporation Name," Address Lines, "City," "State," and "ZIP" must be completed in Step C on Page 1 of the RCT-101.

Indicate a change of corporate address by checking the box under Step B, Page 1 of the RCT-101. If this box is not checked a change of address will not occur on your account.

Please also complete all corporate officer information located in the corporate officers section of the tax report. Corporate officers can also be updated by accessing e-TIDES from our website www.revenue.pa.gov.

6. Complete history of earnings correctly.

For tax periods beginning prior to January 1, 2016 when filing the PA Corporate Tax Report (RCT-101) the History of earnings for capital stock/foreign franchise tax must be in order, starting with the oldest year on Year 1. If only one year is applicable, the first year should be entered on the Current Year line. There should be no gaps in the history of earnings period begin and period ending dates, and the most recent consecutive five years must be provided.

7. Claim bonus depreciation properly.

If taking a deduction for bonus depreciation, Section B1, Current Year Federal Depreciation of 168K Property, must be completed on Page 3 of the PA Corporate Tax Report or Section A in the PA Corporate Net Income Tax Report for 2016 and after. Also, Schedule C-3 (REV-799) must be filled out and included with the RCT-101.

8. Calculate apportionment appropriately.

For tax years beginning prior to January 1, 2016 when claiming three-factor apportionment, the denominator of each factor must equal the property, payroll, and sales reported on the federal income tax return regardless of the activity in Pennsylvania.

NOTE: The integrated tax system considers apportionment factors as follows:

- 0/0 = 1.000000 and
- 0/1 = 0.000000.

The numerators and denominators must be entered on Schedule A-1 and Schedule C-1.

9. Report foreign corporations' lack of activity.

For tax years beginning prior to January 1, 2016 a foreign corporation with no property, payroll, or sales anywhere must complete Schedule A-1 and/or C-1 on Page 4 of the PA Corporate Tax Report (RCT-101), using zero as the numerator and one as the denominator.

10. Account for partnership activity.

If a corporation owns underlying partnerships, the corporation's share of the partnerships' property, payroll, and sales factors must be included in the property, payroll, and sales of the corporation.

BONUS: Apply electronic payments properly/other services.

In order to ensure proper application of tax payments, follow the detailed instructions regarding ACH debit and credit electronic funds transfer. Visit www.etides.state.pa.us, selecting "Instructions" under the "Options" category, then "Payment Methods" under the Electronic Funds Transfer (EFT) header.

NEW in e-TIDES: Business taxpayers and tax practitioners now have the ability to electronically request and receive a more detailed version of the Statement of Account (e-SOA) in PDF format through the new Document Center section in e-TIDES. The e-SOA can be requested at any time and is made available in PDF format in the Document Center to print or download on the next business day. The new online delivery saves time and money and provides more up-to-date information.