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TIPS FOR TAX PROS TO PROTECT AGAINST CYBERCRIMINALS

The Internal Revenue Service and the Department of Revenue are urging tax professionals to take preventive measures to secure taxpayer information during the 2017 tax season.

“Over the last few years, we’ve seen a surge in the number of reported incidents of refund fraud and identity theft,” said Revenue Secretary Eileen McNulty. “Given the ongoing threat, tax professionals are urged to be vigilant when handling taxpayers’ personal information.”

While many tax professionals have strong security safeguards in place, the IRS Security Summit noted that tax preparers are increasingly the target of cyber-attacks nationwide. These criminals are actively targeting tax professionals to steal taxpayer information, in order to file fraudulent tax returns.

Last November the Security Summit – the public-private collaboration that is tackling the problem – revealed some of the dozens of changes and new programs that will be in place for the 2017 filing season.

To increase awareness about data security, the Department of Revenue joined the IRS and other states to create the public awareness campaign Taxes. Security. Together. This year, that campaign has been expanded to tax professionals through the Protect Your Client; Protect Yourself campaign.

Tips to avoid a possible security breach:

- Periodically change required passcodes. Use strong passwords.
- Properly secure stored confidential taxpayer information. Taxpayer data should be stored in a secure system and encrypt information when transmitting across networks.
- Protect facilities from unauthorized access and potential danger.
- Create security requirements for all staff regarding computer information systems, paper records, and use of taxpayer data.
- Beware of email phishing schemes posing as potential clients. Many criminals try to trick tax preparers into downloading malware.
- Devise a plan of steps to notify taxpayers in the event of a security breach or theft.

For additional resources, including videos, fact sheets and publications, please visit <https://www.irs.gov/individuals/protect-your-clients-protect-yourself>.

CRIME VICTIMS ACT AUTHORIZES REFUND OFFSETS FOR 2017 TAX SEASON

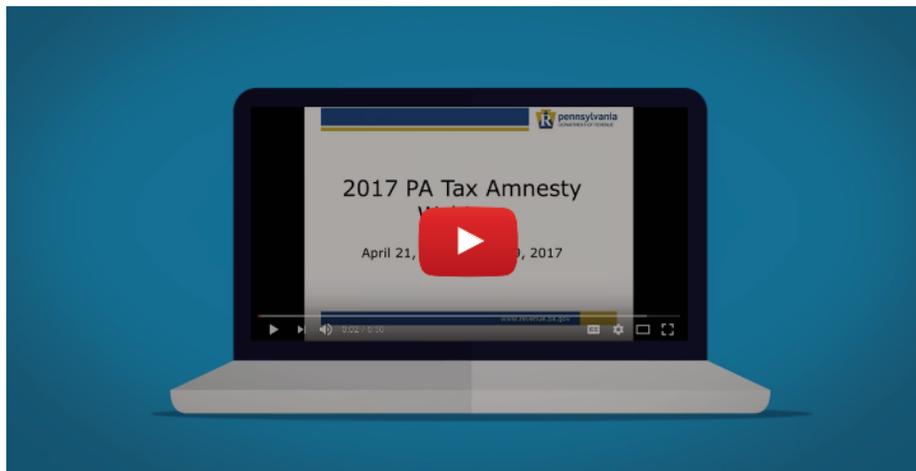
On July 20, 2016, Governor Tom Wolf signed into law Act 93 of 2016, which amended the Crime Victims Act. The amendment is effective January 16, 2017. The Act authorizes the Department of Revenue to deduct from a personal income tax refund, the amount of any court-ordered obligation arising from a criminal prosecution or proceeding.

Any liability deducted from a refund will be remitted by the department directly to the clerk of court for the county in which the order was entered. An administrative fee of \$15 for performing the offset will also be deducted from the refund prior to remitting to the court. Any

remaining amount of the refund will be issued to the taxpayer.

The Department of Revenue will notify taxpayers in writing of the offset. The notification will include the amount of the offset and the name and contact information for the court to which the payment was remitted. Taxpayers who wish to contest the obligation or have any questions regarding the offset must contact the court indicated on the notice.

For additional information regarding Act 93, please visit our website at www.revenue.pa.gov.



Scan this QR code with your smartphone to watch the video



REVENUE LAUNCHES TAX AMNESTY WEBINAR

The 2017 Pennsylvania Tax Amnesty Program begins April 21, 2017 and runs through June 19, 2017. As an added resource to help taxpayers and tax practitioners prepare for tax amnesty, the department recently launched a **webinar** with an overview of the program.

The webinar will be updated closer to the start of tax amnesty to include a dedicated tax amnesty website, and application and payment details. More about the Pennsylvania Tax Amnesty Program is on the department's temporary tax amnesty webpage at revenue.pa.gov/taxamnesty.

REMINDER: PA LOTTERY WINNINGS ARE REPORTABLE INCOME

Beginning with prizes paid January 1, 2016, Pennsylvania Lottery monetary prizes are taxable income and should be reported by winners when filing state tax returns. These winnings were previously taxable only at the federal level.

Under law, Pennsylvania Lottery cash prizes over \$5,000 are subject to withholding. This means that the Lottery withholds 25 percent in federal taxes and 3.07 percent in state taxes before paying the prize.

For all prizes of \$600 or more, winners will receive a W-2G form from the Lottery to submit with their tax returns. These forms usually arrive by mail in February for prizes awarded in the preceding calendar year.

For more information about the applicability of Pennsylvania's Personal Income Tax to lottery winnings, visit: www.revenue.pa.gov/lotterywinnings.

YEAR IN REVIEW:

DEPARTMENT OF REVENUE HIGHLIGHTS 2016 ACCOMPLISHMENTS

The Department of Revenue is continuously working to improve the services provided to Pennsylvania taxpayers. Throughout 2016, the department processed more than 6.4 million personal income tax returns, provided \$260 million in property tax and rent rebates, expanded online information, and once again the PA Lottery generated record profits to benefit programs for Pennsylvania seniors.

Enhanced Customer Service

The department is committed to providing excellent customer service to Pennsylvania taxpayers and is making innovative enhancements. This year the department:

- Rolled out online access to a business's statement of account at the request of business taxpayers and tax professionals. Previously businesses waited days for less detailed information to be mailed. Since implementation, 150 tax practitioners have registered to request almost 10,000 electronic account statements in less than six months. The project was recognized by the Office of Administration for the Pennsylvania Excellence in Technology Award.
- Launched a new Tax Registration Office providing businesses with a one-stop-shop to update their tax account information. The streamlined process reassigned staff handling registration functions from two bureaus.

- Reached an agreement with Airbnb for the online home-sharing broker to voluntarily collect and remit hotel occupancy tax collected by the department, simplifying the process for its Pennsylvania hosts.
- Answered nearly 1.2 million taxpayer phone calls, a 10 percent increase from the previous fiscal year, while continuing to reduce wait times.
- Created an online system for organizations ordering tax forms in bulk.
- Established a Sales Tax Desk Review process to help businesses comply with state sales tax laws. Nearly \$13 million was assessed in the first year.
- Revamped a five-year strategic plan with a vision to be a tax administration and public service agency known for customer service, integrity, innovation, processing, and compliance.

Fraud Investigation Unit Established

With tax fraud scams on the rise, the department launched a new Fraud Investigation Unit to help identify theft victims if a fraudulent tax return is filed in their name. When automated fraud filters flag a return, the department attempts to confirm the information and, when necessary, letters are mailed explaining how the taxpayer can verify their identity. In 2016 more than 31,000 taxpayers were contacted, an increase from 1,000 in 2014, and more than \$6.4 million has been saved since the unit was launched.

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PA Lottery sets records for sales, profits and senior program funding

During 2016, the Pennsylvania Lottery surpassed \$4 billion in total sales for the first time in its nearly 45-year history. The sales record of \$4.13 billion for the 2015-16 fiscal year produced a record of more than \$1.12 billion in net revenue to fund benefit programs serving older Pennsylvanians. It marked the fifth consecutive fiscal year the Lottery generated more than \$1 billion in profits. A record \$2.6 billion in prizes was paid in the fiscal year, an increase of \$228.2 million. More than 9,000 licensed Lottery retailers statewide earned a record \$218.30 million in sales commissions, an increase of approximately \$15 million from the prior fiscal year.

Serving Millions of Customers

In 2016, the department processed more than 6.4 million personal income tax returns, of which 85 percent were

filed electronically, a 3 percent increase from 2015. Electronic filing is safe and secure for taxpayers and reduces costs for the department. Additionally, more than 572,000 seniors and people with disabilities applied for the Property Tax/Rent Rebate Program and over \$260 million in rebates have been issued.

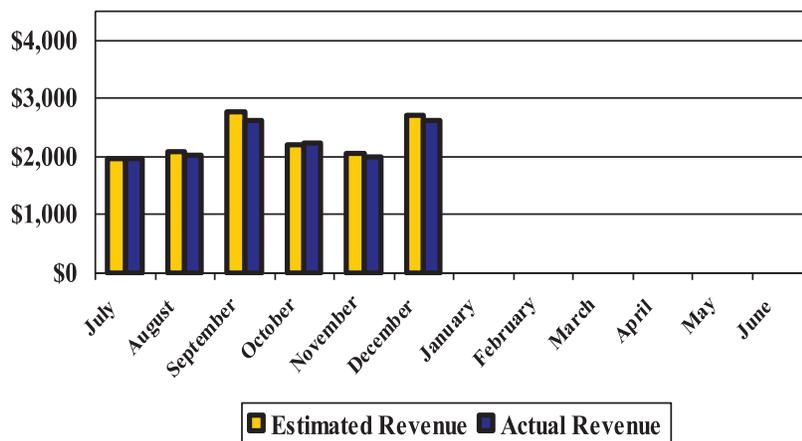
Electronic Filing of Motor Fuels Tax Reports increased to 98 percent

The department continues to make electronic filing options easier for business taxpayers. In 2016, electronic filing of Motor Fuels Tax Reports for Class 1 through 6 fuels distributors increased to 98 percent from 43 percent in 2015.

2016-2017 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

Fiscal year-to-date General Fund collections totaled \$13.5 billion, which is \$367 million, or 2.7 percent, below estimate.



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.

