



IN THIS ISSUE:

- C. DANIEL HASSELL CONFIRMED AS REVENUE SECRETARY
Page 1
- GOVERNOR WOLF COMMENDS PASSAGE OF BIPARTISAN GENERAL APPROPRIATIONS BILL, COMMITS TO FINISHING BUDGET
Page 2
- 2017 TAX AMNESTY HIGHLIGHTS
Page 2
- ELECTRONIC SALES SUPPRESSION REVIEW
Page 3
- 2016-2017 GENERAL FUND REVENUES
Page 3
- TIPS FOR SUCCESSFULLY FILING PA SCHEDULE C
Page 4 & 5
- SALES, USE AND HOTEL OCCUPANCY TAX DESK REVIEW
Page 5
- FALL TAX SEMINAR SCHEDULE
Page 6

C. DANIEL HASSELL CONFIRMED AS REVENUE SECRETARY

On June 19, 2017, C. Daniel Hassell, who was nominated by Governor Tom Wolf as Acting Secretary of Revenue on April 21, 2017, was confirmed as Pennsylvania Department of Revenue Secretary by the Pennsylvania Senate.

Hassell is an expert in tax policy with more than three decades of experience with the Department of Revenue and the Pennsylvania Senate. In December 2009, Governor Ed Rendell nominated Hassell as Secretary of Revenue, after which he was confirmed on April 14, 2010, and served in that capacity until January 2011.

Previous to his most recent nomination and confirmation, Hassell served as Deputy Secretary for Tax Policy for the department, where he coordinated department decisions on all aspects of tax policy. Hassell evaluated the impact of proposed tax legislation, regulations, policies, procedures and public statements, as well as researched and prepared tax revenue projections for the Office of the Budget and the Governor.

Additionally, Hassell has worked for the Department of Revenue since 1995, and he worked for Revenue from 1981 to 1985. For the nine years he departed from department service, Hassell served as a budget specialist for the Pennsylvania Senate Appropriations Committee.

Hassell is an Erie native who graduated valedictorian of Strong Vincent High School in 1979. He earned a Bachelor of Arts from Westminster College and a Master of Science in Public Management and Policy from Carnegie-Mellon University's Heinz School of Urban and Public Affairs.



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.



GOVERNOR WOLF COMMENDS PASSAGE OF BIPARTISAN GENERAL APPROPRIATIONS BILL, COMMITS TO FINISHING BUDGET

On June 30, 2017, Governor Tom Wolf released a statement on the major bipartisan support in both the House and Senate for the compromise General Appropriations bill.

"Over the past two years, Republicans and Democrats have worked together to make progress for the people of Pennsylvania," said Wolf. "After decades of failure, we passed pension reform that will put Pennsylvania on the path to a sustainable fiscal future, save taxpayers billions, and reduce payments to Wall Street fund managers. This budget fully funds our pension obligations. We passed the most significant liquor reform since prohibition. We set our differences aside, and made real changes for customers and taxpayers."

"Together, we've fought the heroin and opioid crisis that continues to plague our communities. We have developed treatment options and provided lifesaving medicine, but we know the crisis has not abated so we're continuing to fight by making drug courts available to low level offenders so those who are struggling can get treatment," said Wolf. "This budget includes much of the savings, efficiencies, and cuts I proposed in February in my budget address. But we avoided deep, indiscriminate cuts that would have endangered our ability to deliver services to the people of Pennsylvania."

"This budget invests over \$175 million more in our schools. Over the past two years, we've restored more than \$800 million in cuts to schools," said Wolf. "This budget helps those in Pennsylvania who need help the most. It reduces the waiting list for those with intellectual disabilities; this budget makes additional investments in our efforts to fight the opioid epidemic; this budget invests in key programs to create manufacturing jobs in Pennsylvania, and allows the commonwealth to team up with businesses and institutions of higher learning to create jobs and a strong workforce."

In closing, Wolf said, "But there is still work to do: We need a sustainable revenue package that gets Pennsylvania on track. For too many years, Pennsylvania has lurched from crisis to crisis. We

began to address it with pension reform, and by fully funding our pension obligation, we have taken another important step. But Pennsylvania cannot get ahead if we do not take our responsibility for long term financial stability seriously. Let's redouble our efforts, and continue to show people the progress we can make by working together."

2017 TAX AMNESTY HIGHLIGHTS

The 2017 Pennsylvania Tax Amnesty Program will provide \$114.5 million for the 2016-17 fiscal year budget, exceeding the \$100 million net revenue estimate.



The temporary program enabled tens of thousands of individuals and businesses to settle their state tax debt and make things right with the commonwealth.

By running the tax amnesty program efficiently, the department will provide more revenue than expected for the general fund.

Act 84 of 2016 authorized a tax amnesty that waived all penalties and half of the interest for eligible individuals or businesses that applied to the program and paid delinquent state taxes between April 21 and June 19, 2017.

As of June 30, 2017, the program generated \$126.7 million in gross collections, of which \$114.5 million in net collections was transferred to the commonwealth's general fund.

For those who were eligible for the program, but did not participate, a 5 percent penalty will be added to the accounts of those taxpayers.

The preliminary tax amnesty collections totals may be revised slightly in the coming weeks.

ELECTRONIC SALES SUPPRESSION REVIEW

The Pennsylvania Department of Revenue’s electronic sales suppression (ESS) enforcement pilot and follow up statewide rollout began in 2014. It has been successful in confirming the presence of ESS in restaurants and other establishments all across the commonwealth.

Electronic sales suppression is a practice using software known as “zappers” or “phantomware” to evade taxes by falsifying point of sale records. As a result of Act 84 of 2016 the legislature made it a misdemeanor to purchase, install, use, sell, transfer, or possess a zapper, automated sales suppression device, or phantomware. A violation of this law is punishable by up to one year in prison and \$10,000 per violation. Zappers, automated sales suppression devices, and phantomware are all software that falsifies electronic sales records and other transaction data. It needs to be noted that it is already a crime to file fraudulent returns or assist others in filing fraudulent returns.

To combat this unlawful practice, the department is:

- Expanding its ESS audit program

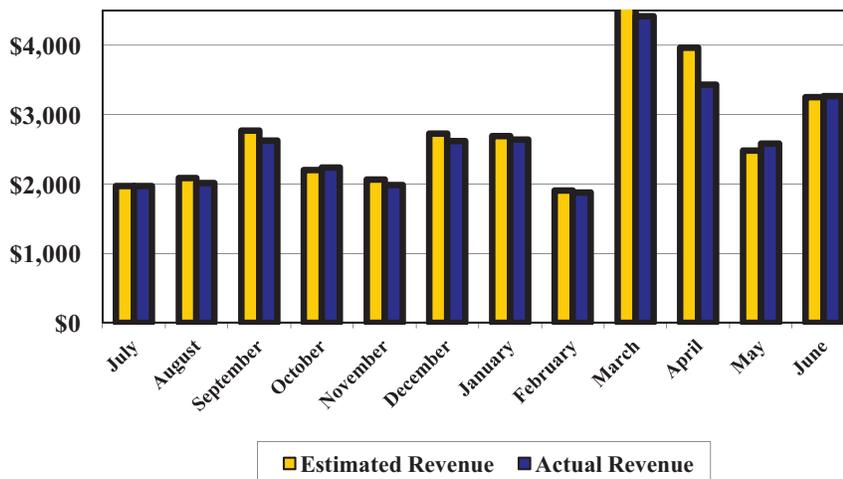
- Continuing its work with other states to address this nationwide problem through information sharing
- Exploring potential outreach and education strategies to educate the business community about ESS, the commonwealth’s “anti zapper” law and criminal penalties related to theft of trust fund taxes.

ESS impacts both business and government revenues. It puts businesses, who are fulfilling their legal tax obligations, at a competitive disadvantage with those who are not. It steals tax revenue from the citizens of the commonwealth meant to fund government operations. This increasingly sophisticated practice presents a nationwide detection challenge that shows no signs of abating. The Pennsylvania Department of Revenue intends to continue raising awareness and enforcement efforts to detect and mitigate this emerging fraudulent and criminal issue.

2016-2017 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

Fiscal year-to-date General Fund collections totaled \$31.7 billion, which is \$1.1 billion, or 3.4 percent, below estimate.



TIPS FOR SUCCESSFULLY FILING PA SCHEDULE C

Since tax year 2015, the Pennsylvania Department of Revenue has been conducting routine and systemic reviews of the PA Schedule C expenses and deductions. Only business expenses are allowable and the expenses must be ordinary, necessary, reasonable and directly related to the production and marketing of the taxpayer's products, goods and services. The department may contact taxpayers to request an explanation or supporting information for any amount reported on the PA-40, Schedule C. The department makes requests for additional information with the expectation that the taxpayer can substantiate the information that they previously provided on their return.

General Tips

- The amount reported on Line 2, Cost of Goods Sold should be the same for Pennsylvania and federal purposes. If the amount reported is different for Pennsylvania an explanation must be submitted. Itemized spreadsheets or general ledgers outlining the expenses claimed are typically acceptable; however, the department may require actual receipts or invoices to support the amount claimed.
- You may deduct advertising and marketing expenses. The department may require detailed receipts or invoices to support the advertisement expense claimed on Line 6, Advertising.
- You may deduct 100 percent of your actual vehicle expenses or you may use the federal standard mileage rate. If your vehicle is used for both business and personal travel, you may only deduct the business portion. The department may require detailed travel logs, receipts and business purposes to support the expenses claimed on Line 10, Car and Truck Expenses.
- Pennsylvania allows 100 percent of customary and reasonable amounts expensed on business meals, entertainment and travel as opposed to the federal limit of 50 percent. The department may require detailed travel logs, receipts and business purposes for all expenses claimed on Line 31, Travel and Entertainment.
- Pennsylvania allows the deduction of monthly utility bills. If the utilities include both business and personal use, you may only deduct the

business portion. The department may require copies of monthly bills for all utility expenses claimed on Line 32, Utilities.

- You may deduct any other costs of doing business or providing professional services that do not fall under the other lines on the PA Schedule C. These expenses must be itemized on Line 37, Other Expenses. The department may require the itemized breakdown and additional documentation to support the amount claimed.
- If you are including income reported on a 1099-MISC as gross receipts or sales on the PA Schedule C, Line 1a, do not list the same information on the form W2-S.

Submitting Documentation

When submitting the documentation being requested it is important to remember that organizing it in a logical format will help to speed up processing.

- Grouping receipts for a particular line item will help the department review the information quickly.
- Circling the exact line item claimed as a business expense on a receipt will help avoid additional questions.
- Use page separators to differentiate between the expenses for each line item. If submitting a large file electronically send each line in a separate transmission. Files cannot exceed 15MB.
- Include detailed breakdowns of your calculation when prorating or amortizing expenses.

To prevent delays in processing a tax return, the supporting PA Schedule C documentation may be submitted as a .pdf attachment when the return is electronically filed.

If unable to attach the documentation to the electronically filed return, it may be sent to:

**PA DEPARTMENT OF REVENUE
ELECTRONIC FILING SECTION
PO BOX 280507
HARRISBURG PA 17128-0507**

Fax: 717-772-4193

E-mail: ra-bitpitelfcorfaxes@pa.gov

Continued on Page 5

Continued from Page 4 – TIPS for Successfully Filing PA Schedule C

If the department requested the supporting documentation, please send the information to:

**PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280501
HARRISBURG PA 17128-0501**

Fax: 717-783-5823

Email: ra-bitpitholdcorfaxe@pa.gov

For additional information regarding the PA Schedule C go to the department's website at www.revenue.pa.gov and link to the PA PIT Guide or you can contact our Taxpayer Service and Information Center at 717-787-8201.

SALES, USE AND HOTEL OCCUPANCY TAX DESK REVIEW PROGRAM

In 2015, the Pennsylvania Department of Revenue established a Sales, Use and Hotel Occupancy Tax Desk Review unit in the Pass Through Business Office (PTBO). PTBO reviews taxpayers who may be non-filers, non-registrants, and under reporters for sales and use tax and hotel occupancy tax.

A **Non-Filer** receives a Notice of Delinquent Returns that identifies the missing periods for a Sales Tax Return (PA-3). The letter advises the taxpayer to file a return for each missing period through either e-TIDES, Telefile, or an approved third-party software vendor. Upon receipt of the letter notifying the taxpayer of the delinquent Sales Tax Returns, the taxpayer has thirty days to respond. The letter provides the name and direct contact information of the analyst who has reviewed the taxpayer's account.

A **Non-Registrant** receives a Notice of Non Registrant that identifies the taxpayer based on a review of either an individual income tax return or business return and the taxpayer's potential obligation to collect and remit sales tax. Included with the letter is a Business Activities Questionnaire (BAQ). The taxpayer is required to complete the questionnaire, with any additional information and return to the department within thirty days. The letter provides information on applying for a Sales, Use and Hotel Occupancy Tax License online at www.pa100.state.pa.us along with instructions on filing sales tax returns through e-TIDES or Telefile. The letter provides the name and direct contact information of the analyst who has reviewed the taxpayer's account.

Specific to **1099K and Cash Sales**, an **Under Reporter**, receives a Notice of PA-3 Sales, Use and Hotel Occupancy Tax that identifies a potential sales

tax liability based on information from various sources including the IRS, other state agencies, and third party commercial data. The letter compares the gross sales and net taxable sales as reported on the PA-3 and provides an estimated calculation of gross sales and net taxable sales. A cash component is part of the calculation based on 1099-K information, the potential understatement of gross sales and compares the estimated taxable sales based on industry standards established as part of data analytics, 1099-K Merchant codes, NAICS codes, and business location. The letter advises the taxpayer to review the information; review returns previously filed, and respond to the department within thirty days. The letter provides the name and direct contact information of the analyst who has reviewed the taxpayer's account.

With any of the initial notices sent, if the taxpayer does not respond, the department will send a **Second Notice Request** providing taxpayers an additional ten days to respond.

The department advises taxpayers to respond to the notice and reminds taxpayers to respond timely. If the taxpayer does not agree, the taxpayer must contact the department via email, phone, or in writing explaining why they disagree. The taxpayer may provide the department copies of original books of entry, for example, accounts receivable journal, cash receipts journal, or sales journal, a general ledger, income statement for the year under review, and chart of accounts in order to substantiate sales.

The department works with the taxpayer and/or practitioner to resolve these notices. A taxpayer's failure to respond to the Initial Notice and Second Notice will result in an estimated assessment.

35TH ANNUAL FALL TAX SEMINAR

Planning for the 35th annual Fall Tax Seminar is currently underway. Once again, this year's event will center on how to further Governor's Wolf's initiative of *Government that Works*. There will be sessions on personal income tax, pass thru entities, and Sales Tax. As well as, updates on What's New within the Department of Revenue and discussions on new tax compliance programs. The Department of Banking and Securities will also join with a presentation on elder financial abuse and protecting your nest egg.

Please see the schedule below for a complete listing of seminar dates and locations including our newest location in the Poconos!

2017 FALL TAX SEMINARS SCHEDULE

DATE	SPONSOR	CONTACT PERSON	CONFERENCE LOCATION
Thursday Sept. 21, 2017	Poconos PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Inn at Pocono Mountain Route 314, One Manor Drive Pocono Manor, PA 18349
Wednesday Oct. 04, 2017	CPE Forum of Central PA 601 Hawthorne Drive, Suite 2-B Hollidaysburg, PA 16648	Kelly Park 814-695-1558 kelly.park@wfadvisors.com	The Casino 300 Lakemont Park Blvd. Altoona, PA 16602
Wednesday Sept. 27, 2017	Harrisburg PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Radisson Penn Harris Hotel & Convention Ctr 1150 Camp Hill Bypass US 15 Camp Hill, PA 17011
Tuesday Oct. 17, 2017	Central Chapter PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	The Inn at Reading 1040 North Park Road Wyomissing, PA 19610
Thursday Oct. 19, 2017	Lehigh Valley PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Breinigsville Holiday Inn Conf. Center 7736 Adrienne Drive Breinigsville, PA 18013
Wednesday Oct. 25, 2017	Philadelphia Tri-County Chapter PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Springfield Country Club 400 W. Sproul Road (Rte 320) Springfield, PA 19064
Friday Oct. 27, 2017	South Central Chapter PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Eisenhower Conference Center 2634 Emmitsburg Road Gettysburg, PA 17325
Tuesday Oct. 31, 2017	Pittsburgh PSTAP	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Cranberry Regional Learning Alliance Center 850 Cranberry Woods Drive Cranberry Township, PA 16066
Thursday Nov. 02, 2017	Wilkes University Continuing Education Dept. 84 W. South Street Wilkes-Barre, PA 18766	Margaret Petty 570-408-4460 Margaret.Petty@wilkes.edu	The Woodlands Inn and Resort Highway 315 Wilkes-Barre, PA 18766
Thursday Nov. 16, 2017	Neumann University Div. of Business & Info. Mgt. 1 Neumann Dr. Aston, PA 19014-1298	Janet Massey 610-558-5588 jmassey@neumann.edu	Neumann University Thomas A. Bruder, Jr. Life Center Bldg. 1 Neumann Drive Aston, PA 19014
Wednesday Dec. 13, 2017	Penn State University 1600 Woodland Rd. Abington, PA 19001	Theresa Bloom 215-881-7402 tmb17@psu.edu	Penn State University Abington Campus 1600 Woodland Road Abington, PA 19001