

**Act 48 of 2009**  
**HB 1531, PN 2748**

- **Sales and Use Tax**

- Exclusion – The sale at retail of helicopters and similar rotorcraft are excluded from sales and use tax. In addition, repairs to and the sale of replacement parts for helicopters and similar rotorcraft are exempt from sales and use tax.
- Returns and Remittances – Sales tax licensees reporting a total tax liability of \$25,000 or more for the third calendar quarter of the preceding year are required to report and remit payment to the department on a semi-monthly basis. For the period of the first day of the month through the 15<sup>th</sup> day of the month, the return and remittance are due on or before the 25<sup>th</sup> day of the month. For the period from the 16<sup>th</sup> day of the month to the last day of the month, the return and remittance are due on or before the 10<sup>th</sup> day of the following month. This change will be effective for reporting periods beginning after May 31, 2011.

- **Personal Income Tax**

- Check-offs – The sunset dates for the following check-offs on the Personal Income Tax return have been extended to Jan. 1, 2014: Wild Resource Conservation, Organ and Tissue Donation Awareness, and Military and Family Relief Assistance. The sunset dates for the check-offs for Breast and Cervical Cancer Research and Juvenile Diabetes Cure Research Funds have been extended indefinitely.
- Employer Withholding Reports and Remittances – An employer that can reasonably anticipate that its employer withholding will be \$20,000 or more in a calendar year will be required to report and remit the tax on a semi-weekly schedule. This change requires the largest employers to submit withheld taxes to the department on a schedule similar to the one used by the IRS. This change is effective for periods beginning after May 31, 2010.

- **Business Taxes**

- Sales Factor – For tax years beginning after Dec. 31, 2008, the sales factor used in calculating the Corporate Net Income Tax will increase from 70 percent to 83 percent. The sales factor weight will be further increased from 83 percent to 90 percent for tax years beginning after Dec. 31, 2009.

- Net Operating Loss – The cap on the net operating loss will increase to the greater of \$3 million or 15 percent for tax years beginning after Dec. 31, 2008, and \$3 million or 20 percent for tax years beginning after Dec. 31, 2009.
  - Capital Stock and Franchise Tax Valuation – The standard deduction used in calculating the Capital Stock and Franchise Tax will increase from \$150,000 to \$160,000 for tax years beginning after Dec. 31, 2009.
  - Capital Stock and Franchise Tax Rate – The tax rate has been set as follows:
    - 2.89 mills for tax years beginning in 2008 through 2011;
    - 1.89 mills for the tax year beginning in 2012; and
    - 0.89 mills for the tax year beginning in 2013.
  - Gross Receipts Tax – A tax of 59 mills is imposed upon each dollar of gross receipts received by Managed Care Organizations pursuant to a contract with the PA Department of Public Welfare.
- **Cigarette Tax**
    - Cigarette Excise Tax – Effective Nov. 1, 2009, the cigarette tax rate increases from 6.75 cents to 8 cents per stick. Therefore, the cigarette excise tax on a pack of 20 cigarettes increases from \$1.35 to \$1.60, an increase of \$0.25 cents per pack, and on a pack of 25 cigarettes the tax increases from \$1.6875 to \$2, an increase of \$0.3125 per pack. A floor tax will be due on inventories of previously-stamped cigarette packs for the difference of the tax. The floor tax return and payment is due Jan. 29, 2010.
    - Little Cigars – The definition of cigarettes was expanded to include little cigars, weighing less than four pounds per thousand. Beginning Nov. 1, 2009, little cigars in packages of 20 or 25 per pack are required to be tax stamped like cigarettes. Little cigars in packages other than 20 or 25, which are determined to be “unstamped”, become taxable at the same rate of 8 cents per stick on Jan. 4, 2010. The tax will be imposed on the sale by the wholesaler to the retailer, and reported and paid to the department by the 20<sup>th</sup> of the following month. Retailers will be required to calculate a floor tax on “unstamped” little cigars in inventory on Jan. 4, 2010. The floor tax return and payment will be due by Jan. 29, 2010. Taxpayers who have not sold cigarettes prior to Nov. 1, 2009, but sell little cigars, will be required to obtain a cigarette dealers license. Shippers are required to report to the department the weight, brand name, number per package and to whom the little cigars were shipped.
- **Tax Credits**
    - Research and Development Tax Credit – The current one-year holding period for the transfer or assignment of the R&D tax credit has been removed. For fiscal

year 2009-10, the annual credit cap will be \$20 million. For fiscal year 2010-11, the cap will be \$18 million.

- Educational Improvement Tax Credit – This credit has been relocated from the Public School Code to the Tax Reform Code. The maximum annual household income to qualify will be \$50,000 until July 1, 2011, and \$60,000 thereafter. For fiscal year 2009-10, the annual credit cap will be \$60 million. For fiscal year 2010-11, the cap will be \$50 million.
  - Film Production Tax Credit – For fiscal year 2009-10, the annual cap will be \$42 million. For fiscal year 2010-11, the cap will be \$60 million.
  - Alternative Energy Production Tax Credit – For fiscal years 2009-10 and 2010-11, the annual credits available have been reduced to \$0.
  - Other Tax Credits – For the following tax credits, the total amount available for award to eligible taxpayers will be 50 percent of the total amount otherwise available for award in fiscal year 2009-10, and 45 percent of the total amount otherwise available for award in fiscal year 2010-11. This applies to the Call Center Credit, Employment Incentive Payments, Job Creation Tax Credit, Neighborhood Assistance Tax Credit, Resource Enhancement and Protection Tax Credit, and the First Class Cities Economic Development District Credit.
- **Tax Amnesty**
    - A tax amnesty program will occur from April 26 through June 18, 2010. Taxpayers who are delinquent for eligible taxes as of June 30, 2009, may apply to the department to participate in the program. Qualifying taxpayers will be required to file an amnesty return with the department and pay all delinquent taxes, along with 50 percent of the interest. All penalties for qualifying participants will be abated. Taxpayers will also be required to submit all unfiled tax returns and reports. Taxpayers reporting taxes due that are unknown to the department will be required to pay up to five years of taxes due in order to qualify for amnesty. Anyone interested in more information on the tax amnesty program should periodically check the Department of Revenue's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) for information as the amnesty period approaches.

**Act 50 of 2009**  
**HB 1614, PN 2799**

- **Mandatory Electronic Filing**
  - The department may require any return, report or other document required to be filed for any tax administered by the department prepared by a third party who submits 50 or more returns per year to be filed by any method prescribed by the department including telephonic, electronic or other method. The department anticipates implementing this requirement for personal income tax returns filed beginning after Jan. 1, 2011 for the 2010 tax year. Interested parties should refer to the Department of Revenue's Web site at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) for more information on this subject as it becomes available.

**Act 44 of 2009**  
**HB 1828, PN 2638**

- **Philadelphia Local Sales and Use Tax**
  - Effective Oct. 8, 2009, the City of Philadelphia increased its local sales and use tax rate from 1 percent to 2 percent. The increase does not apply to the Philadelphia local hotel occupancy tax. This is in addition to the state Sales, Use and Hotel Occupancy tax rate, which remains at 6 percent. The additional local tax is effective until June 30, 2014.