



Pennsylvania Tax Update

www.revenue.state.pa.us

CORPORATION TAX POLICY CHANGE

On March 1, 2003, the Bureau of Corporation Taxes will implement a policy that will eliminate the use of "jeopardy settlements" and broaden the utilization of estimated settlements as follows:

If, while reviewing a PA Corporate Tax Report, the Taxing Officer determines additional information is required, the Taxing Officer will continue to initiate correspondence requesting this information. If the taxpayer fails to respond to this correspondence, the action taken by the Taxing Officer will be dependent upon the nature of the missing information as follows:

If, as a result of the missing information, the Taxing Officer is unable to calculate a Capital Stock Value, PA Taxable Income, or Taxable Indebtedness, the report will be removed from the corporate tax ledger as an incomplete report and the Taxing Officer will impose estimates on the

Tax Types involved. Examples of this missing information would be a copy of the Federal Income Tax Return, Balance Sheets (Separate Company and /or Consolidated), Income Statement, and History of Earnings. Once the information is received the report will be posted as received on that date. The Taxing Officer will then complete the settlement and the estimate will be stricken. In this case, the imposition of any late filing penalties will be based on the date the additional information is received, not the original filing date of the tax report. Authority for this position can be found in Section 403 of the Tax Reform Code of 1971.

If, as a result of the missing information, the Taxing Officer is unable to verify one of the components used in the calculation of Taxable Capital Stock Value, PA Taxable Income or Taxable Indebtedness, the Taxing Officer will initiate the settlement, making all adjustments in favor of the Common-

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New Vendor Enforcement Program



Act 89 of 2002 contained revisions to the Tax Reform Code which will enable the PA Department of Revenue to implement a new Vendor Enforcement Program (VEP) that is intended to level the playing field between out-of-state and in-state vendors of tangible personal property.

The revisions to the definition of "maintaining a business" in the Tax Reform Code now provide that out-of-state vendors or their subsidiaries, agents or representatives, who enter the Commonwealth for the purpose of delivering, assembling, servicing or repairing tangible personal property, are liable for sales, corporation and other taxes.

The amendment also provides the Department with authority to issue jeopardy assessments to those vendors who have not paid any tax properly owing to the Commonwealth. Further, the Department has been given authority to seize property as a means of compelling security for

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Fast Fact:

**So far, 20%
more people
are filing their
PA Income
Tax Return
electronically
than last year.**

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GREGORY C. FAJT

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CORPORATION TAX POLICY CHANGE*Continued from page 1*

wealth. Examples of this type of information would include apportionment information, details of increases to retained earnings reported on Federal Schedule M-2, or a schedule of taxes expensed on the Federal Income Tax Return.

This policy will apply to all reports received settled after March 1, 2003.

Vendor Enforcement Program . . .*Continued from page 1*

payment of tax. These new laws were enacted June 29, 2002 and became effective July 1, 2002.

The Department intends to implement this legislative mandate with a newly established Vendor Enforcement Program. This program will entail establishing roadside stops to interview truck drivers to determine whether their business activities within the Commonwealth would subject them or the persons for whom they act as agents, representatives or subsidiaries, to the payment of Pennsylvania taxes, specifically sales, corporate and personal income taxes.

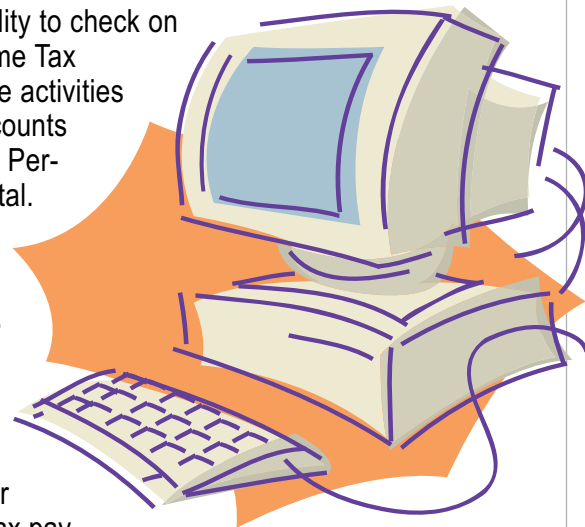
The Department will conduct this program at PennDOT weigh stations throughout the state and will rely on the assistance of the Pennsylvania State Police to stop and temporarily detain the vehicles. Once the vehicles are stopped, Department of Revenue personnel will interview the truck drivers and inspect shipping documents, bills of

PIT Web Portal

Taxpayers will soon have the ability to check on the status of their Personal Income Tax refunds and perform maintenance activities to their Personal Income Tax Accounts online, via the Department's new Personal Income Tax (PIT) Web Portal. The site is scheduled to be up and running in early spring.

This Web site will allow taxpayers online access to create their own online Personal Income Tax Account so they can change their name and address; retrieve an account number (Account Number Look-up); verify their Estimated Tax payments; and check the status of their Personal Income Tax refunds. This Web site will also include a link that permits taxpayers to pay their Personal Income Taxes using most major credit cards.

Future enhancements to the site will allow taxpayers to calculate their own Estimated Tax Underpayment Penalty; calculate late filing penalty and interest; determine their total delinquent Personal Income Tax liability for all years; and pay their Personal Income Taxes using Electronic Funds Withdrawal.



lading and invoices to determine if taxes are owed to the Commonwealth.

The inspecting agent will issue a jeopardy assessment if appropriate. The truck driver vendor (company) will either pay the jeopardy assessment, post a bond, or register for a license. Should the truck driver (company) refuse to comply, the Revenue Department now has the authority to require security by seizing both the vehicle and the goods.

Also, all jeopardy assessments and supporting documentation will be forwarded to the Department's Discovery Unit for further review and disposition.

The State of New Jersey has used a similar program for more than six years with much success to increase enforcement and tax compliance with out-of-state vendors doing business within their state borders.

The program director for the vendor enforcement program is Anthony Rovito. He may be reached at (717) 787-6611.

A WORD FROM ACTING SECRETARY FAJT

I am honored to have been chosen as the Secretary of the Pennsylvania Department of Revenue by our new Governor Ed Rendell. While at the time of the production of this newsletter my nomination has not been confirmed by the Pennsylvania Senate, I have begun the daunting task of filling my predecessors' shoes. I am honored to serve with the likes of former secretaries Larry Williams and Robert Judge.

Much progress has been made here at the Department. Our customer service initiatives have paid off several fold. Online filing for personal income tax and business taxes has streamlined the tax return process. Integrated technological services within the Department have turned arduous, time-consuming processes into a simple matter of pressing a few buttons on a workstation.

But we aren't done yet. As we look to the future, the Department has room to advance in providing excellent customer service to all taxpayers in the Commonwealth. I once heard an adage that went something like this -- for every tax problem there is a solution which is straightforward, uncomplicated



Gregory C. Fajt Biography

Gregory C. Fajt was nominated as Secretary of the Pennsylvania Department of Revenue in January 2003 by Governor Edward G. Rendell.

Fajt served as State Representative for the 42nd District in Allegheny County from 1991 to 1996. During his tenure in the Pennsylvania Legislature, he focused on tax policy and economic development issues. He served on the Finance, Judiciary, Professional Licensure and Tourism Committees.

Fajt last served as a partner with Leech Tishman Fuscaldo and Lampl, LLC of Pittsburgh, PA. His expertise was utilized in the areas of estate planning and administration and corporate law. Fajt also served as counsel for tax, corporate, and ERISA for

and wrong. My philosophy is to keep the first two parts of the solution and change the "wrong" to "right".

Also, I personally believe that open door policies work best. For too long public officials have insulated themselves from the public. As a public servant, my responsibility is to be available to the citizens I serve.

Furthermore, I believe in the sanctity of our government's responsibility to the taxpayer, not just in providing great service, but also in strong fiscal oversight of spending and waste. I am determined to implement better fiscal control to both the Revenue Department and the Pennsylvania Lottery which operates under the Department of Revenue's jurisdiction.

I have had the pleasure to work with many of the state's tax professional associations as both a CPA and a tax attorney. I am familiar with working within the confines of state and federal tax codes, and with the even greater task of working with the entities that enforce those tax laws. I will endeavor to continue the job of improving every channel of service to taxpayer and tax professional alike. Not just because it makes sense, but because it is the right thing to do.

Joy Technologies Inc., a Pittsburgh-based Fortune 500 company.

Fajt earned his law degree from Duquesne University in 1984, where the major emphasis of his studies was taxation. He graduated cum laude from St. Vincent College in Latrobe, PA., with a Bachelor of Science in Accounting in 1977. Fajt is a licensed attorney within the Commonwealth of Pennsylvania and a Certified Public Accountant (CPA).

The Secretary has a long history as a volunteer for many community and charitable organizations. Fajt is listed in the publication Outstanding Young Men of America 1988-1990.

Fajt was born November 30, 1954 in Greensburg, PA.

AUTOMATIC EXTENSION OF TIME TO FILE WHEN PAYING BY CREDIT CARD

Taxpayers who owe taxes, but will file their tax return late, can pay their PA Personal Income Tax Extension Payments by credit card on or before April 15, 2003. When they pay by credit card, the PA Department of Revenue will automatically grant and code the account with a four-month extension. REV-276, Application for Extension of Time to File form, no longer needs to be filed with the Department.

To pay by credit card, go to the Department's home page at www.revenue.state.pa.us and click on "Pay Your Taxes by Credit Card". Once con-

nected with the credit card service provider, select "PA Personal Income Tax – Extension Payment" for the type of payment. Or place a toll-free call to 1-888-PATAXES for details on how to pay over the telephone.

When the PA-40 is filed, the extension oval at the top right corner of the form should be filled in completely. Nothing needs to be attached to the PA-40 to show that the taxpayer was granted an automatic extension if a credit card extension payment was made.

PAY YOUR PENNSYLVANIA TAXES BY CREDIT CARD



Cards



Deadline to Display New Road Tax/IFTA decals

March 1 is the deadline to display the new Road Tax/IFTA decals. The 2003 Motor Carrier Road Tax/IFTA decals must be displayed on all qualified motor vehicles which are: two-axle trucks having a gross or registered gross weight greater than 26,000 pounds; three-axle trucks regardless of weight; and combinations greater than 26,000 pounds, unless exempted by law.

Trucks that operate solely in Pennsylvania need PA Non-IFTA decals. Trucks that operate in Pennsylvania and out of state must display IFTA decals.



Truck operators should contact the Bureau of Motor Fuel Taxes at 1-800-482-4382 if they need an application (IFTA-200A) for the decals, or visit the PA PowerPort at www.state.pa.us, PA Keyword: "PA Decal". The \$5 decal set (one set per truck is needed) also may be purchased in person at Revenue offices in Harrisburg, (717) 783-1405 (Strawberry Square) or (717) 787-3937 (Brookwood Street); Wilkes-Barre, (570) 826-2087; Pittsburgh, (412) 920-2044; and Norristown, (610) 270-1638.

Tax Update

NEW ONLINE QUESTION & ANSWER DATABASE LAUNCHED

The Department of Revenue has launched a brand new online question-and-answer database called "Right Now!". This new service is designed to give taxpayers quick answers to their tax questions. The online support center allows taxpayers and tax professionals access to a comprehensive database of answers to tax questions 24 hours a day. Visitors to the site can also send comments, complaints and suggestions through the online support center.

The Department implemented the new system because the previous E-mail inquiry system was no longer serviceable. Also, the number of e-mail requests had increased dramatically in the past two years, slowing response time considerably. The new online support system will replace all E-mail requests sent to parev@state.pa.us. Any messages sent to the old E-mail address will get an automated response directing the user to the online support center.

The Right Now! system offers several important features for enhanced customer service:

- A way to search the knowledge base to see if a question has already been asked and answered. If so, customers can get their answer immediately without waiting for an answer.
- A log of all e-mail questions and answers preserved in a personal account for each user. The personal profile can be accessed using a password, which the user chooses.
- Customers can arrange to receive notification when the answer to a question in their log is updated. This new feature means our customers won't miss important developments and changes in taxes.
- A systematic method to survey the Department's customers to see whether they got acceptable service and answers.
- Finally, the system counts how many times the same question has been asked. This helps the Department learn which issues need to be clarified.

To access the system, just logon to the Department's Web site at www.revenue.state.pa.us and then select "Ask a Question" prominently displayed on the home page.

The opening screen contains four sections: (1) Find answers; (2) Submit a question; (3) My profile; and (4) Provide feedback.

Find Answers

Using the "Find an answer" feature, customers can type in the subject and read the various questions and answers on the subject. In that way, citizens may be able to get their answer to commonly answered questions or the "hot" topics instantly.

Currently, about 25 percent of the people say they found their answer in the commonly asked questions.

As the knowledge base grows, the Department hopes that a higher percentage of the people will find their answers instantly.

Submit a Question

Customers who do not find their answer can ask their question and have it answered by a representative, just as the Department has always done. However, in order to ask a question, customers must open an account, by giving their name, e-mail address, and choosing a password.

Upon asking their question, the system will search the keywords in the question and offer the answers that are part of commonly asked questions in its knowledge base. If the answer is not there, customers can submit their question. The Department strives to answer questions within four business days. However, during the height of tax season, the turnaround time may expand to seven days.

Customers can also indicate they would like to be notified if the answer is updated with new information.

My Profile

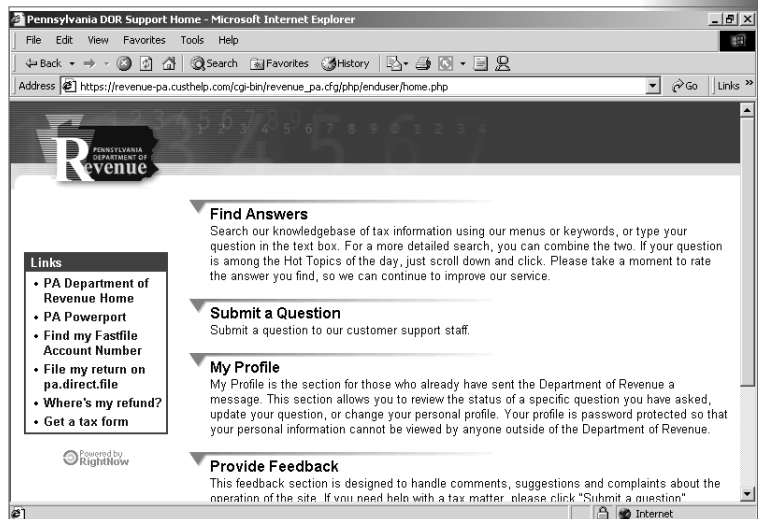
Once an account is opened, customers can check their account using the password they selected. Customers can review a log of questions they've asked, the answers, and any updates they requested. This feature is particularly beneficial to those who frequently contact the Department.

Provide Feedback

Visitors to the site have an opportunity to rate the helpfulness of the answer they found and suggest ways to improve the answer to better address the issue. However, feedback is not designed to handle actual tax questions. Feedback is reviewed to assist in improving the e-mail system.

Customers sending tax questions to the Department using the former e-mail address (parev@state.pa.us) will be directed by a link to the online support center.

Tax Update



PA-40 2002 Scan Band Return Alert

The PA Department of Revenue has been receiving many scan band returns that are missing either Page One or Two. In some cases we are receiving one page of the software version and one page of the Department's pre-printed form. If you are using scan band software to produce an individual tax return, please make sure that both pages are submitted using the forms generated by the software. Failure to do so delays the processing of refunds, since the Department must go back to the taxpayer for additional information.

Tax Update

e-TIDES Expands with 2 New Services

The PA Department of Revenue has expanded services for businesses by adding two new services to the Electronic Tax Information and Data Exchange System (e-TIDES).

The new electronic filing services expand the ability of businesses to electronically file their Corporation Tax estimated payments, annual extension requests with payments, and year-end employee Wage and Tax Statement (W-2) data and W-2 Transmittal.

Businesses registered for e-TIDES can now file and pay their quarterly estimated and annual extension requests with payments online. Each quarter, corporations will be able to electronically submit these records along with their payments to the PA Department of Revenue.

Registered employers are also now able to electronically file their year-end employee Wage and Tax Statement (W-2) data and W-2 Transmittal through e-TIDES.

Filers receive a notification that their return has been received by the Department. Filers can even

check their payment history and upload certain computer files of records.

Corporations not registered with the e-TIDES program can obtain an electronic signature and register as a filer through the department's Web site at www.revenue.state.pa.us.

In addition, businesses can file and pay Sales Tax, Employer Withholding Tax 501 Deposits, W-3 Quarterly Reconciliation's, Liquid Fuels and Fuel Tax, and Unemployment Compensation on e-TIDES.

By law, businesses with liabilities of \$20,000 or more must remit payments by Electronic Fund Transfer. However, the electronic payment option is available to all businesses regardless of the amount of their tax payments.

For more information, just go to the PA PowerPort at www.state.pa.us, PA Keyword: "e-TIDES".

