

Pennsylvania Tax Update

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SECRETARY OF REVENUE
EDWARD G. RENDELL
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FAST FACT:

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www.revenue.state.pa.us

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REVENUE SECRETARY WOLF ADDRESSES YORK COUNTY RESIDENTS ON GOVERNOR RENDELL'S "PRESCRIPTION FOR PENNSYLVANIA"



Secretary Wolf addressing York County Residents – May 17

At the York City Council Chambers on May 17, Revenue Secretary Thomas Wolf was one of a four-member panel: Eve Gardner (Healthy York Network); Sharon Ward (Keystone Research Center) and Rep. Eugene DePasquale, which discussed at length Governor Edward Rendell's health care plan, "Prescription for Pennsylvania."

Prescription for Pennsylvania is a set of integrated, practical strategies for improving health care and containing costs for all Pennsylvanians. The core components are **affordability, accessibility and quality**.

To improve access to health care by lowering costs, Governor Rendell's proposal calls for the creation of Cover All Pennsylvanians (CAP), a program which will offer affordable basic health coverage to small businesses and the uninsured through the private insurance market.

Cover All Pennsylvanians focuses urgent help where it is needed the most – on small businesses and on the uninsured. The majority of uninsured adults in Pennsylvania are employed, and most of the uninsured workers hold full-time jobs. Bringing down the cost of coverage makes it easier for businesses and employees to obtain desperately needed health coverage.

Businesses may participate in CAP if they have not offered health care for their employees in the past six months, if they have fewer than 50 employees and if, on average, those employees earn less than the state average annual wage (approximately \$39,000). Businesses that choose to join the program will pay approximately \$130 per employee per month, and their employees will pay on a sliding scale, ranging from \$10 to \$70, depending on income.

Governor Rendell said all uninsured Pennsylvanians – no matter what size their employer – will be able to purchase affordable health insurance through CAP. Every uninsured adult who earns more than 300 percent of the federal poverty level can participate in CAP by paying the full cost of the premium, which will be approximately \$280 per month.

Uninsured adults who earn less than 300 percent of the federal poverty level and employees of small businesses whose average wages are lower than the Pennsylvania average, will get help paying CAP premiums through discounts and subsidies. For example, a family of four who earns up to \$60,000 a year will be eligible for assistance.

The Governor plans to phase in a mandate requiring health insurance for those with incomes more than 300 percent of the federal poverty level (\$60,000 for a family of four) and require that full-time four-year college students and graduate students have insurance coverage. He said if more people are covered, it will drive down health care costs for everyone.

There would be a fair share assessment on all companies that do not insure their employees. That assessment would be used to help pay for the cost of the CAP program. In the first year of the assessment, employers with fewer than 50 employees would be exempt.

As proposed, the tax amount for fiscal years 2007-2008 through 2009-2010 is 3 percent of wages paid by the employer, and thereafter, the tax will be 3.5 percent of wages. Start up credit over the first five years will assist all employers, but especially small employers, in adjusting to the tax.

Additional credit is available to employers equal to 3 percent of the wages paid by the employer for fiscal years 2007-2008 through 2009-2010 and 3.5 percent of the wages thereafter are as follows:

- Employer must offer qualifying health care coverage to all employees working 30 hours or more per week.
- Employees working less than 90 consecutive days are not included in requirement.
- Qualifying coverage will be determined by Departments of Labor & Industry and Insurance based on out-of-pocket cost to employee and level of participation in employer's plan.

Each quarter, employers who have a preliminary tax liability after calculation of tax and subtraction of start-up credit must file a report with Department of Labor & Industry.

For more information on Governor Rendell's Prescription for Pennsylvania and the proposed Cover All Pennsylvanians program, visit www.gohcr.state.pa.us.

RECORD NUMBER OF PENNSYLVANIA TAXPAYERS FILED THEIR STATE TAXES ELECTRONICALLY

More than 2.9 million taxpayers, or about half of all individual taxpayers, filed their 2006 state personal income tax returns electronically this year, setting an all-time record for electronic filing.

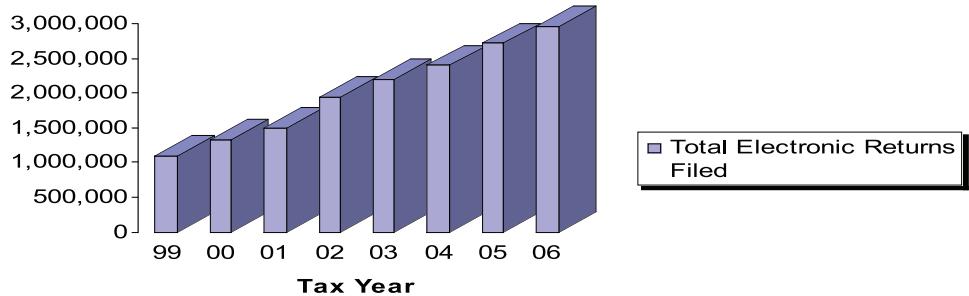
"Each year, more and more taxpayers file their tax returns electronically," said Secretary of Revenue Thomas W. Wolf, who noted that the state received 7 percent more tax returns electronically this year than last year. "It is the most cost-effective method of filing a tax return and gives taxpayers more options and advantages compared to filing a traditional paper return."

Taxpayers who file using an electronic method can have their refund deposited directly into their bank account or

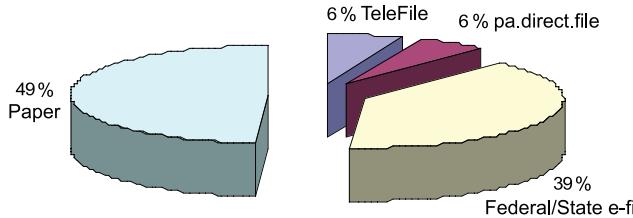
pay a balance due electronically. This tax season, more than 540,000 taxpayers chose to directly deposit their refund; about 201,000 chose to pay their taxes using the ACH debit/credit option; and more than 21,000 chose to pay their taxes by credit card.

The department's Web site, www.revenue.state.pa.us, continues to be a popular source for tax information as more than 198.7 million hits were recorded this tax season, a 13 percent increase from last year. The site allows taxpayers to download forms, receive answers to their most commonly asked questions through the online customer service center, and file their state income tax returns electronically for free.

Personal Income Tax Electronic Filing



2006 State Personal Income Tax Returns Received



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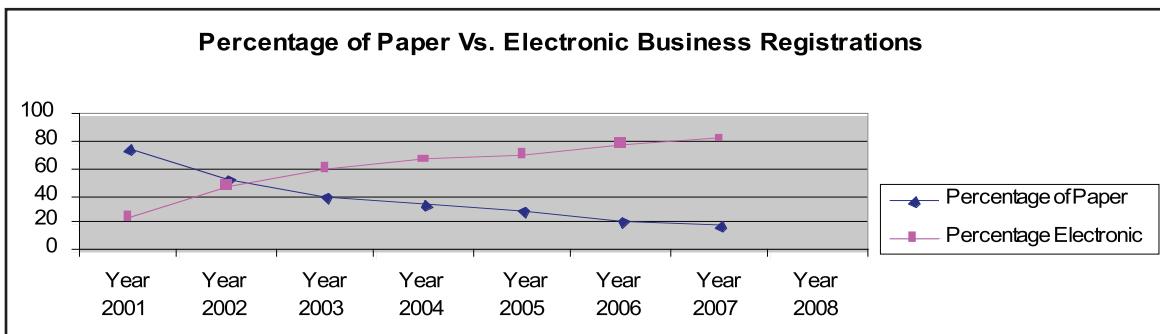
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ELECTRONIC BUSINESS REGISTRATIONS CONTINUE TO RISE

The Department of Revenue has seen a steady increase in the percentage of businesses using the Internet to register their businesses since 2001. During the week of April 16, the department received 88 percent of business registration applications electronically.

Overall, the number of business applications submitted electronically has increased from 25 percent in 2001 to 82 percent in 2007, as of April 30.

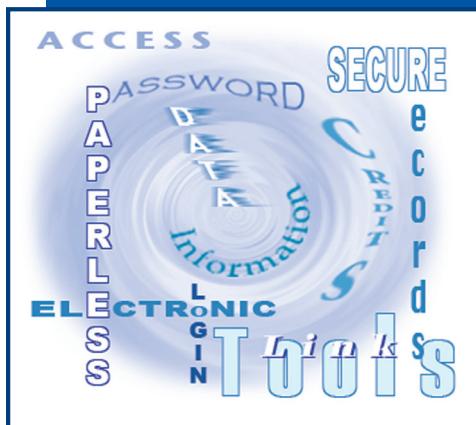


The [PA Open for Business Web site](#) allows users to register an enterprise electronically with the commonwealth in two ways: an online interactive interview or an online version of the PA-100 Enterprise Registration Form. The Online PA-100 is a fill-in form, and allows users to register an enterprise with the Departments of Labor & Industry and Revenue, but **does not** register the enterprise with the Department of State. The Online PA-100 is designed for users who are familiar with the PA-100 process and know the taxes and services for which they need to register. The Online Business Registration Interview is a step-by-step wizard that guides users through the process of registering an enterprise with the departments of **Labor & Industry**, **Revenue** and **State**. It is designed for:

- Users who are unfamiliar with Pennsylvania taxes, services and business registration requirements.
- Enterprises that have not registered their Limited Liability Company, Corporation, Limited Partnership, Limited Liability Partnership or Fictitious Name with the Department of State.

To view all of the Department's electronic services, visit the Revenue **e-Services Center** at www.revenue.state.pa.us.

TAX PROFESSIONAL E-SERVICES CENTER



Tax Professionals are encouraged to use the department's new Tax Professional e-Services Center for easy access to their client's tax information.

For questions concerning the Center, refer to the department's **Online Customer Service Center** or call (717) 787-1392.

PENNSYLVANIANS WHO PURCHASED CIGARETTES OVER THE INTERNET MUST PAY PA STATE TAXES

Revenue Department Mailed Letters to 4,329 People on April 18

Pennsylvanians who purchased 100 cartons of cigarettes or more over the Internet or from out-of-state mail order companies were the first to receive letters from the PA Department of Revenue asking them to pay state taxes owed on the purchases.

Under the federal Jenkins Act, vendors that ship cigarettes into another state are required to release information about the purchases to state taxing authorities.

In April, the Revenue Department mailed cigarette tax forms and letters explaining Pennsylvania's cigarette tax law to 4,329 people who purchased 100 or more cartons of cigarettes or more from out-of-state sources since January 2005.

The department estimates that the commonwealth is owed about \$9.3 million in cigarette taxes and another \$1.1 million in sales and use taxes from these purchases. These individuals purchased a total of 694,126 cartons of cigarettes; the average number of cartons purchased was 160.

If recipients of the letters respond by the due date listed, the department will waive late-payment penalties. Deferred payment plans are available for those who cannot afford to pay the taxes they owe at one time by calling the department at (717) 214-7287.

The state Revenue Department has been receiving information on cigarette purchases from a number of Web sites nationwide. The department plans to contact everyone who avoided the tax by purchasing cigarettes online, including those who purchased less than 100 cartons. Everyone will have an opportunity to pay within a penalty-free time period, and with a payment plan if needed.

At least 13 other states, including neighboring New Jersey, Ohio and New York, have also been using the federal information to collect cigarettes taxes.

All cigarettes sold legally in Pennsylvania are marked with a Pennsylvania cigarette tax stamp on the bottom of the pack to show that the appropriate tax has been paid. The cigarette tax is imposed on the ultimate consumer, but licensed cigarette stamping agents remit the tax, currently \$1.35 per pack of 20 cigarettes, to the commonwealth.

The cigarette tax is the same regardless of where the cigarettes are purchased -- in a local store or online. The only difference is who is responsible for paying the tax. The cigarette tax is included in the price of cigarettes purchased from Pennsylvania stores. Cigarettes purchased online most likely do not include the tax, so the person who purchases the cigarettes is responsible for paying it.

Retailers that sell cigarettes bearing the appropriate Pennsylvania Cigarette Tax stamp are at a competitive disadvantage against retailers that do not. By enforcing the Cigarette Tax laws of the commonwealth, the Department of Revenue is helping to ensure a level playing field among businesses.

The department has sent posters and flyers to businesses across Pennsylvania that sell cigarettes. Click here to view the [poster](#) and [flyer](#). If you are interested in obtaining these materials to display in your cigarette retail establishment, please contact Janis Holloway by phone at (717) 787-6960 or by e-mail at janhollowa@state.pa.us.

