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**TAX AMNESTY PROPOSAL IS SHORT-SIGHTED; LAWMAKERS SHOULD INVEST IN THE REVENUE DEPARTMENT, NOT CUT IT***By Stephen H. Stetler, Secretary of Revenue*

Some supporters of tax amnesty programs fail to recognize the inherent flaw of such a proposal: why reward tax scofflaws and hinder future tax collection efforts when amnesty will not produce the promised revenue?

A tax amnesty program is short-sighted. Rather than offering one-time forgiveness for tax cheats, the legislature should give the Revenue department the tools and legal authority it needs to further improve delinquent tax collections. The legislature should invest in the department's aging information technology system, which is still programmed in COBOL, and give it the enforcement powers it needs to collect delinquent taxes year after year.

The Revenue Department's sole purpose is to fairly and efficiently collect tax revenues due to Pennsylvania to fund necessary government services. Since the department has no General Fund-supported programs to cut, some legislators proposed cutting the department's general operating budget by nine percent, which would force the department to cut revenue-generating positions. It has also been proposed that Revenue's enforcement budget be reduced by 13 percent and its modernization and technology budget be eliminated. At a time when state government needs every penny it is owed, it makes no sense to weaken revenue collection efforts.

A 1995-96 tax amnesty offered under former Governor Ridge generated \$93 million, but only on paper. It cost the department \$10 million to administer the program. In the two years following the amnesty, delinquent tax collections dropped by an astounding \$62 million. Finally, the amnesty forgave taxpayer penalties of \$10 million. That means the net benefit totaled only \$11 million, or about four one-hundredths of one percent of our total General Fund budget.

*Continued on Page 2***FAST FACT:**

More than 475,000 senior homeowners, renters and people with disabilities were issued rebates totaling \$222.7 million from the Property Tax/Rent Rebate Program on July 1.

*Continued from Page 1*

In fact, the Revenue Department concluded in a 1996 **report** that future tax amnesty offerings "would be harmful to the progress being made by the department" in getting taxpayers to pay their taxes.

Another reason a tax amnesty program is unlikely to generate significant new revenue is that the Rendell administration has dramatically improved delinquent tax collections over the last six years. In 2007-08, the department collected a record \$900 million in delinquent

taxes, 60 percent more than the year before Governor Rendell took office.

In Pennsylvania, 97 percent of taxes are paid voluntarily and timely, proving that the vast majority of hard-working Pennsylvanians meet their responsibility to contribute to roads, schools, economic growth and vital services. A tax amnesty that would reward the few who break the law is an insult to Pennsylvanians who pay taxes in full and on time.

### PA Department of Revenue's 2009-10 budget, as proposed:

	<b>Governor Rendell's Proposed Budget</b>	<b>House Bill 1416</b>	<b>Senate Bill 850</b>	<b>House Republican Amendments</b>
General Government Operations	\$136.6 million	\$136.6 million	\$124.9 million	\$124.8 million
Technology & Modernization	\$18.2 million	\$15 million	\$0	\$0
Enforcement	\$7.6 million	\$7.6 million	\$6.6 million	\$6.6 million

## SHARON MINNICH NAMED REVENUE'S CHIEF INFORMATION OFFICER

The Department of Revenue's new Chief Information Officer is Sharon Minnich.

Minnich joined the department on June 15 and is actively engaged in planning, directing, controlling and implementing all information technology services in support of the Revenue Department's goals, operational requirements and legislative mandates.

Prior to joining Revenue, Minnich was deputy secretary for Financial Administration in the Office of the Budget. She has also worked for the Pennsylvania departments of General Services and Community and Economic Development, as well as Highmark Blue Cross Blue Shield and Meridian Bank.

Minnich has a master's degree in Government Administration from the Fels Center of Government at the University of Pennsylvania and a Bachelor of Arts from Albright College.



*Revenue's new Chief Information Officer Sharon Minnich.*

"Sharon's wealth of experience makes her ideally suited to meet the challenges of the position," Secretary of Revenue Stephen H. Stetler said. "She will be a great asset to the department as we move forward with updating our computer systems and operating procedures."

## 2008-09 FISCAL YEAR-END COLLECTIONS

Secretary of Revenue Stephen H. Stetler reported in July that the state collected \$2.3 billion in General Fund revenue in June, \$415.3 million, or 15.5 percent, less than anticipated. Fiscal year 2008-09 General Fund collections totaled \$25.5 billion, which is \$3.25 billion, or 11.3 percent, below estimate.

Sales tax receipts totaled \$675.6 million for June, which was \$67.6 million below estimate. Sales tax collections for the fiscal year totaled \$8.1 billion, which is \$595.3 million, or 6.8 percent, less than anticipated.

Personal income tax (PIT) revenue in June was \$818.4 million, which was \$207.1 million below estimate. This brought fiscal year PIT collections to \$10.2 billion, which is \$1.3 billion, or 11.2 percent, below estimate.

June corporation tax revenue of \$411.6 million was \$82.2 million below estimate. Fiscal year corporation tax collections totaled \$4.8 billion, which is \$613.9 million, or 11.3 percent, below estimate.

Other General Fund revenue figures for the month included \$67.7 million in inheritance tax, \$10.6 million

below estimate, bringing the fiscal year total to \$772.2 million, which is \$105 million below estimate.

Realty transfer tax was \$27.1 million for June, bringing the total to \$294.5 million for the fiscal year, which is \$117 million less than anticipated.

Other General Fund revenue including cigarette, malt beverage and liquor taxes totaled \$101.3 million for the month, \$5 million below estimate, bringing the fiscal year total to \$1.1 billion, which is \$26.2 million below estimate.

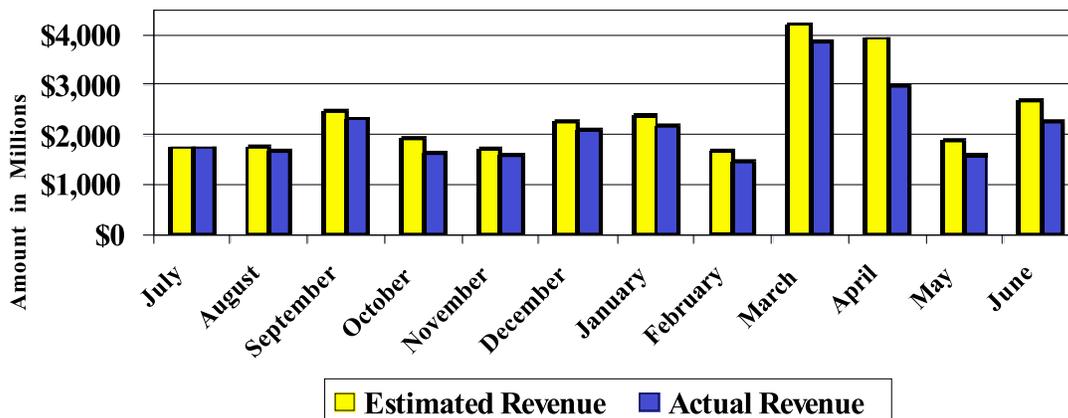
Non-tax revenue totaled \$155.9 million for the month, \$30.9 million below estimate, bringing the year-to-date total to \$235.2 million, which is \$506.4 million below estimate.

In addition to the General Fund collections, the Motor License Fund received \$161.7 million for the month, \$38.6 million below estimate. Fiscal year collections for the fund totaled \$2.6 billion, which is \$175.8 million, or 6.4 percent, below estimate.

### 2008-09 General Fund Revenues

#### *Estimated versus Actual Revenue Collections*

*For fiscal year 2008-09, General Fund collections totaled \$25.5 billion, which is \$3.25 billion, or 11.3 percent, below estimate.*



## PROPERTY TAX/RENT REBATE PROGRAM APPLICATION DEADLINE EXTENDED TO END OF YEAR

*More than 475,000 rebates totaling \$222.7 million distributed July 1*

The deadline for seniors and disabled residents to apply for rebates on property taxes or rent paid in 2008 was extended to Dec. 31. The Property Tax/Rent Rebate Program benefits eligible Pennsylvanians age 65 and older; widows and widowers age 50 and older; and people with disabilities age 18 and older.

Secretary of Revenue Stephen H. Stetler also recently announced that a record number of rebates were distributed by mail and direct deposit on July 1, the first day rebates can be distributed, by law. \$222.7 million was distributed to more than 475,000 households, 58,000 more rebates than were distributed last year on July 1.

As of July 17, \$239 million was distributed to 510,500 homeowners and renters through the Property Tax/Rent Rebate Program, 10 percent more rebates than were issued by the

same time last year. Rebates will continue to be distributed as claims are received and processed through the rest of the year.

"Property Tax/Rent Rebates are combining with general property tax relief from slots gaming to completely eliminate school property taxes for about 110,000 older adults this year," said Stetler. "Governor Rendell is extending the program deadline again this year because he wants to be sure all those who are eligible have ample time to apply for property tax or rent rebates."

About 578,000 seniors are expected to benefit from rebates this year, compared to 310,000 before the program's expansion in 2006.

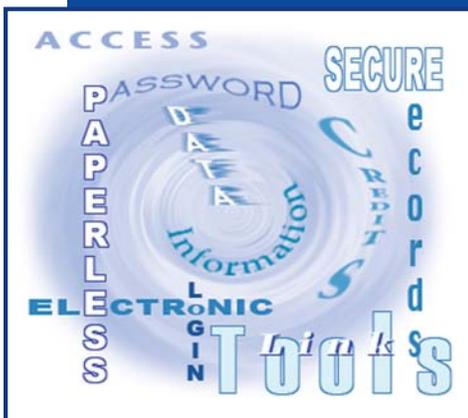
Property Tax/Rent Rebate claim forms (PA-1000) and information are available online at [www.PaPropertyTaxRelief.com](http://www.PaPropertyTaxRelief.com)

and by calling 1-888-222-9190. Forms and assistance also are available at Department of Revenue district offices (listed in the government section of telephone directories), local Area Agencies on Aging, senior centers and state legislators' offices.

Applicants who already submitted claims for Property Tax/Rent Rebates may check the status of claims online at [www.PaPropertyTaxRelief.com](http://www.PaPropertyTaxRelief.com) or by calling, toll-free, 1-888-PATAXES.

The Property Tax/Rent Rebate Program is one of five programs supported by the Pennsylvania Lottery. Since the program's 1971 inception, seniors and adults with disabilities have received \$4.2 billion worth of property tax and rent rebates. The expanded portion of the rebate program is paid for with revenue from slots gaming.

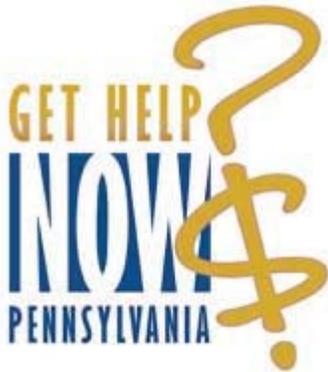
## TAX PROFESSIONAL E-SERVICES CENTER



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.

## FREE LEGAL, FINANCIAL HELP AVAILABLE THROUGH NEW “GET HELP NOW” INITIATIVE



Pennsylvania consumers facing financial or legal crisis as a result of the economic downturn have a new place to turn for help. Under the *Get Help Now, Pennsylvania* initiative, volunteer attorneys, banking experts, mortgage professionals and

financial analysts will offer free assistance at **locations throughout the commonwealth** through mid-September.

“The sour national economy has left so many people stymied, so many people frustrated and so many people challenged,” said First Lady Judge Marjorie O. Rendell, whose office is one of those overseeing the program. “There are Pennsylvanians who have called a mortgage company, a bank or legal office and may not have gotten a call back yet and don’t know where to turn. ‘Get Help

Now’ is designed to provide that place for them to turn and get that help that they need.”

The First Lady noted that like other Americans, many Pennsylvanians are struggling financially. Nearly 115,000 Pennsylvania homeowners were delinquent with their mortgages in the first quarter of 2009. In 2008, there were 42,949 foreclosures across Pennsylvania – an increase of 127 percent from 2007. As foreclosures continue to rise, so do credit card debt and bankruptcies.

*Get Help Now, Pennsylvania* is a collaborative effort of the Pennsylvania Bar Association, the Pennsylvania Bankers Association, the Pennsylvania Credit Union Association, the Pennsylvania Association of Community Bankers, the Mortgage Bankers Association of Pennsylvania, the Pennsylvania Association of Mortgage Brokers, the Pennsylvania Financial Services Association, the Office of the First Lady and the Pennsylvania Department of Banking.

Volunteer experts will be available to offer financial and legal services on Tuesdays and Thursdays through Sept. 11.

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## PA'S ONLINE TAX DELINQUENT LIST EXPOSES HUNDREDS OF BUSINESSES, MILLIONS OF DOLLARS IN DELINQUENT TAXES

More than 200 businesses that failed to remit \$7.4 million in sales and/or employer withholding taxes are featured on the Department of Revenue’s Tax Delinquent List at [www.revenue.state.pa.us](http://www.revenue.state.pa.us).

“These businesses collected taxes from their customers and employees but failed to send the money to the commonwealth,” said Secretary of Revenue Stephen H. Stetler.

Information on the Web site is public as a result of liens filed by the Revenue Department with the county prothonotaries’ offices where the taxpayers live or do business. The amounts listed on the Web site represent the original liens. The current amount due may differ from the amount listed on the site because of partial payments and/or the accrual of additional interest since liens were filed.

Delinquent taxpayers who resolve their tax liabilities are removed from the site each month. To resolve tax liabilities, taxpayers are encouraged to contact the nearest **Revenue district office**.

Before being listed on the Web site, businesses and individuals are contacted by the department and given one final chance to make payment arrangements. The prospect of appearing on the list has helped convince delinquent taxpayers to pay \$94.3 million and enter into deferred payment plans for an additional \$11.7 million in previously unpaid taxes since the list’s April 2006 inception.

Many states have found that public identification of tax delinquents can be a successful tax collection incentive. At least 21 other states, including Maryland, New Jersey and Virginia, use Internet lists to help collect unpaid taxes.

## DEADLINE EXTENDED FOR RETAILERS TO CLEAR OUT NON-FIRE-SAFE CIGARETTE STOCK

Governor Edward G. Rendell recently signed **House Bill 1342**, amending the Cigarette Fire Safety and Firefighter Protection Act, and giving Pennsylvania wholesalers, vending machine operators and retailers an extra year to remove non-fire-safe cigarettes from stock.

Retailers now have until July 1, 2010, to purge existing inventories of non-fire-safe cigarettes in accordance with minimum price regulations.

The recently signed deadline extension does not impact the Cigarette Fire Safety and Firefighter Protection Act, its provisions or requirements in any other way.

Any questions regarding fire-safe cigarette requirements may be directed to the Department of Revenue's Bureau of Business Trust Fund Taxes at 717-783-9374.