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GOVERNOR RENDELL SIGNS BUDGET WITH NO BROAD-BASED TAX INCREASES, KEEPS PROPERTY TAXES DOWN, BOOSTS EDUCATION FUNDING AND CUTS OVERALL SPENDING

Governor Edward G. Rendell praised lawmakers for the components of the \$27.799 billion General Fund budget for 2009-10 – a budget that increases education funding while reducing overall spending, contains no new broad-based taxes and keeps property taxes down.

"While the budget I signed was late, it's a responsible budget, given the economic condition of the nation and the state," Governor Rendell said. "This budget is a half billion dollars smaller than the budget we enacted last year. In fact, it is only the third budget in the past 50 years that is lower than the previous year's."

Despite a national recession that caused a dramatic decline in state revenues, Pennsylvania balanced its budget without any broad-based tax increases. During the past year, 11 other states increased their personal income taxes or added brackets, 12 states increased their sales taxes or broadened the base, and 11 states raised business taxes.

Pennsylvania also invested in its economic future by increasing or maintaining funding for its most critical long-term needs.

Of the 657 line items in last year's budget, this plan completely cuts appropriations to 142 line items. Another 360 line items are reduced from last year's amounts. Administrative spending declines by 9 percent; the Governor's office is funded at 1997-98 levels, while the General Assembly is at the 2003-04 mark. The budget eliminates legislative initiative grants, commonly known as WAMs.

Continued on Page 2

FAST FACT:

The summary of tax changes passed as part of the fiscal year 2009-10 budget is now available at www.revenue.state.pa.us.

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During the protracted debate that resulted in Pennsylvania going more than three months without a fiscal blueprint in place, Governor Rendell frequently emphasized the need to generate sufficient recurring revenue to balance this year's budget as well as next year's. The budget enacted includes nearly one billion dollars in new recurring revenue. In addition to the tobacco levies, legislation is in development to include table games at Pennsylvania's 14 authorized gaming facilities, which currently offer only slot machines.

"In spite of the cuts and tough decisions, this budget meets my two primary objectives – protecting the programs that provide education and health care, and ensuring that we can balance next year's budget as well as this one, assuming no further dramatic downturn in the national economy," Governor Rendell said.

The Rendell administration also laid the groundwork for dealing with fiscal challenges next year by basing the budget on conservative economic forecasts. The budget assumes no growth in existing revenue sources during the current fiscal year. The state will use approximately \$2.4 billion in one-time revenue, but projects a year-end balance of \$350 million to cushion against potential economic challenges in 2010-11.

"We are certainly not out of the dark, but the budget I signed serves Pennsylvania well throughout the remainder of this fiscal year and sets the groundwork for a balanced budget in 2010-11 – while continuing to provide the programs and services that will help working families today and grow our economy to a better tomorrow," the Governor said.

Additional details on the 2009-10 budget can be found **by clicking here**.

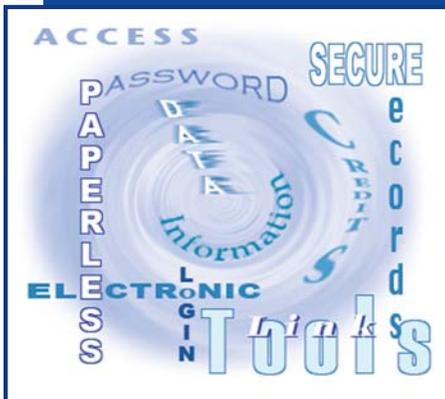


Photo courtesy Commonwealth Media Services. Governor Edward G. Rendell and Secretary of the Budget Mary Soderberg discuss details of the enacted 2009-10 state spending plan with reporters.

STATE TAX CHANGES

For a summary of the tax changes contained in the fiscal year 2009-10, a summary of the department's tax amnesty program and e-filing mandates, please visit the Department of Revenue's Web site at www.revenue.state.pa.us.

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.

CIGARETTE TAX INCREASED NOV. 1; LITTLE CIGARS NOW TAXABLE

Act 48 of 2009, signed into law by Governor Edward G. Rendell, increases the cigarette tax rate by 25 cents per pack and expands the definition of cigarettes to include little cigars.

As of Nov. 1, 2009, the cigarette tax in Pennsylvania increased from 6.75 to 8 cents per stick, or from \$1.35 to \$1.60 per pack of 20 cigarettes, and from \$1.6875 to \$2 per pack of 25 cigarettes. Little cigars sold in packages similar to those with 20 to 25 cigarettes are taxed for the first time at a rate of \$1.60 for a pack of 20 and \$2 for a pack of 25. Beginning Jan. 4, 2010, all other little cigars will be taxed at a rate of 8 cents each.

Little cigars are defined as "any roll for smoking that weighs not more than four pounds per thousand, where the wrapper or cover is made of natural leaf tobacco or of any substance containing tobacco".

All currently-registered cigarette stampers, wholesalers or retailers who also now stamp or sell little cigars do not need to file any new registration. All stampers, wholesalers and retailers of little cigars who currently are not registered as a cigarette stamper, wholesaler or retailer must register appropriately. The Department of Revenue must approve such registrations before a business begins selling or stamping little cigars. Also beginning Nov. 1, any person shipping little cigars into Pennsylvania is required to file Form REV -1140 with the Department of Revenue detailing the type and weight of little cigars shipped. The report is due to the department within 14 days of shipment. Based on this information, the Revenue Department will develop a list of taxable little cigars, stampable and unstampable.

Cigarette stamping agents are responsible for stamping cigarettes and little cigars in packs of 20 and 25. The commission for the expense of affixing cigarette tax stamps has been reduced from 0.0098 percent to 0.0087 percent for cigarette stamping agents.

To ensure compliance with the new tax rate and applicability to little cigars, cigarette-related licensees need to complete a floor tax return based on the

physical inventory of all Pennsylvania tax stamps, stamped cigarettes and little cigars packaged in quantities of 20 and 25 in their possession as of 12:01 a.m. on Nov. 1, 2009. The floor tax return and payment is due by Jan. 29, 2010.

The Department of Revenue sent a floor tax return to all current cigarette licensees to assist in compliance with the floor tax requirements. The form is also available on the department's Web site, www.revenue.state.pa.us.

Cigarette-related licensees who have additional questions may call the department's Bureau of Business Trust Fund Taxes at 717-783-9374.

REVENUE'S PITTSBURGH DISTRICT OFFICE MOVING IN JANUARY

The Department of Revenue's district office in Pittsburgh, currently located in the State Office Building at 300 Liberty Ave., is scheduled to move to a new location in mid-January.

The new Pittsburgh district office will be located at:

420 Chamber of Commerce Building
411 Seventh Ave.
Pittsburgh, PA 15219

The Pittsburgh district office's telephone number is expected to remain the same: 412-565-7540.

Taxpayers needing the office's services should call or check the department's Web site, www.revenue.state.pa.us, before visiting.

W-2, WAGE AND TAX STATEMENTS REMINDER

The Department of Revenue reminds employers that they may file W-2 Transmittals (REV-1667) and employee wage and tax statements faster and more efficiently through any of its free electronic systems.

e-TIDES is an Internet filing system that allows electronic filing of returns, payments and extension requests. Employers already registered in e-TIDES should go to www.etides.state.pa.us, click on "Instructions," then select the appropriate "Multi-Import" file specifications format – either comma delimited (.csv) or MMREF-1 file layout. Those using .csv format are reminded to first input employee wage and tax statement information, then complete the W-2 transmittal. e-TIDES also allows employers to review the status of transactions and filing history using the "Tax Functions" menu.

Employers that do not have e-TIDES accounts are encouraged to register at www.etides.state.pa.us.

The business tax TeleFile system is another fast, effective and free way to meet W-2 wage and tax statements filing requirements. Prior registration is not required, and employers may input up to 10 employee wage and tax statements per entity.

To access the business tax TeleFile system, call, toll-free, 1-800-748-8299. The TeleFile system requires the same information as e-TIDES or paper forms. Upon completion of a report, TeleFile provides a 12-digit confirmation number as proof of filing.

Visit the department's online customer service center at www.revenue.state.pa.us or call the Bureau of Business Trust Fund Taxes at 717-787-7635 if you have any questions about W-2 transmittal and employee wage and tax statement requirements.

OPENINGS AVAILABLE AT FALL TAX SEMINARS

A limited number of seats are still available at the remaining Department of Revenue Fall Tax Seminars, which educate Pennsylvania tax professionals on personal income taxes, sales taxes, corporate taxes, compliance initiatives and using the department's Web site, www.revenue.state.pa.us, to establish tax accounts for new businesses, file tax returns and pay state taxes.

The following dates are available. Seminars start at 8:30 a.m. and end at 4:30 p.m.

Nov. 17

Harrisburg Area Community College
1 HACC Dr., Harrisburg

To register, contact the non-credit registration office at mjlampr@hacc.edu or (717) 780-2414.

Nov. 19

Neumann College
Life Conference Center, Aston

To register, contact: Allison Jones at jonesa@neumann.edu or (610)358-4580.

Dec. 16

The Pennsylvania State University
Abington Campus
1600 Woodland Rd., Abington

To register, contact: Theresa Bloom at tmb17@psu.edu or (215) 881-7402.

The seminar's full agenda is available on Revenue's Web site, www.revenue.state.pa.us, under the tax professionals spotlight section.

A nominal fee is charged for each seminar by the host institutions. Participants earn eight continuing professional education, or CPE, credits upon successful completion. Pre-registration is required.

REVENUE DEPARTMENT RELEASES OCTOBER COLLECTIONS

Secretary of Revenue Stephen H. Stetler reported that Pennsylvania collected \$3.5 billion in General Fund revenue in October, which was \$19.5 million, or 0.6 percent, less than anticipated.

Fiscal year-to-date General Fund collections total \$8.8 billion, which is \$160.2 million, or 1.8 percent, below estimate.

Sales tax receipts totaled \$696.6 million for October, \$37 million below estimate. Year-to-date sales tax collections total \$2.7 billion, which is \$89.3 million, or 3.2 percent, less than anticipated.

Personal income tax (PIT) revenue in October was \$719.9 million, \$13.7 million above estimate. This brings year-to-date PIT collections to \$2.9 billion, which is \$84.2 million, or 2.8 percent, below estimate.

October corporation tax revenue of \$116.6 million was \$500,000 above estimate. Year-to-date corporation tax collections total \$658 million, which is \$7.8 million, or 1.2 percent, above estimate.

Other General Fund revenue figures for the month included \$61.2 million in inheritance tax, \$800,000 above estimate, bringing the year-to-date total to \$242.8 million, which is \$5.3 million below estimate.

Realty transfer tax was \$26.1 million for October, \$1.4 million above estimate, bringing the total to \$108.3 million for the year, which is \$2.3 million less than anticipated.

Other General Fund tax revenue, including cigarette, malt beverage and liquor taxes totaled \$94.4 million for the month, \$11 million above estimate and bringing the year-to-date total to \$353.8 million, which is \$12.2 million above estimate.

Non-tax revenue totaled \$1.8 billion for the month, \$9.9 million below estimate, bringing the year-to-date total to \$1.9 billion, which is \$900,000 above estimate.

In addition to the General Fund collections, the Motor License Fund received \$325.6 million for the month, \$41.1 above estimate. Fiscal year-to-date collections for the fund total \$992.7 million, which is \$16.7 million, or 1.7 percent, above estimate.

The Gaming Fund received \$56.3 million in unrestricted revenues for October. Fiscal year-to-date collections for the fund total \$239.9 million. Gaming Fund receipts include taxes, fees and interest. Of the total for the month, \$56.2 million was collected in state taxes for property tax relief, bringing the year-to-date total to \$239.4 million.

Other gaming-related revenues collected for October included \$6.6 million for the Local Share Assessment, for a net total of \$16.1 million for the year; \$8.3 million for the Economic Development and Tourism Fund, for a year-to-date total of \$35.2 million; and \$19.8 million for the Race Horse Development Fund, bringing the total for the year to \$84.5 million.

For more information, visit www.revenue.state.pa.us.