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NEW BOARD OF FINANCE AND REVENUE EXPECTED TO IMPROVE TAX APPEALS PROCESS

Act 52 of 2013 established a "new" Board of Finance and Revenue, (BF&R) which will be in place soon to hear tax appeals.

Taxpayers dissatisfied with decisions they receive from the Department of Revenue's Board of Appeals can appeal those decisions to BF&R. BF&R provides an opportunity to resolve the dispute before a taxpayer must appeal the dispute to Commonwealth Court.

The new BF&R consists of three board members: two appointed by the Governor and confirmed by the Senate, plus the state Treasurer (or the Treasurer's designee), who serves as board chairman. Previously, BF&R consisted of six members: the Treasurer, the Auditor General, the Attorney General, the Governor's General Counsel, the Secretary of Revenue and the Secretary of State. By having the new board members appointed by the Governor and confirmed by the Senate for a fixed term, BF&R will be more independent from the Department of Revenue.

By statute, each board member must: 1) be a U.S. citizen; 2) be a Pennsylvania resident; 3) be an attorney or certified public accountant; 4) have at least 10 years of experience in a position requiring substantial knowledge of Pennsylvania tax law; and 5) devote full time to the duties of the office, not engaging in any other gainful employment or business nor hold another office or position of profit.

Under the new statute, both the taxpayer or their representative and the Department of Revenue are entitled to present oral and documentary evidence to BF&R in support of their positions. Moreover, board members and staff are prohibited from engaging in ex parte communications with the petitioner or the Department of Revenue regarding the merits of any tax appeal pending before BF&R. Likewise, any submission to BF&R from the petitioner or from the department must also be provided to the other party.

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FAST FACT:

The average statewide property tax reduction for each household, funded by slots gaming, is expected to be about \$200 again this year.

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BF&R is now specifically authorized to establish procedures to facilitate the compromise settlement of issues on appeal. A compromise settlement may be ordered by BF&R only with the agreement of both the petitioner and the Department of Revenue.

In another substantial change from prior board practice, all BF&R decisions are required to be published on a publicly accessible Internet website. Before being published, however, the decisions must be redacted to remove certain confidential information.

In February, Governor Corbett nominated attorneys David R. Kraus and R. Scott Shearer to serve as Board members. In April, the state Treasurer announced attorney Jacqueline A. Cook as the Treasurer's designee and chairman of BF&R. On May 6, the Pennsylvania Senate confirmed the Governor's nominees who then were immediately sworn in and began reviewing taxpayer appeals.

2014 BRINGS MULTIPLE CHANGES TO FIDUCIARY RETURNS AND REPORTING REQUIREMENTS

Act 52 of 2013 brought about many changes to Pennsylvania personal income tax law effective for tax years beginning after Dec. 31, 2013. Many of those changes impacted fiduciary (estate or trust) reporting requirements. As a result, the PA-41, Fiduciary Income Tax Return, the corresponding instructions and several related schedules and their instructions must be revised.

To enable taxpayers and tax professionals to file short-period returns for tax years beginning in 2014, the department has developed the 2014 forms earlier than in previous years. However, the 2014 PA-41 forms and instructions will only be available upon request until all 2014 personal income tax forms and instructions are made available in January 2015. To obtain the 2014 PA-41 forms and instructions, call the Bureau of Individual Taxes Director's Office at 717-787-8346.

Following is a summary of the changes to the 2014 PA-41 forms, instructions, and reporting requirements:

- Pennsylvania withholding is now required on PA-source income distributed/distributable to nonresident beneficiaries.
- A new line, Line 11, Tax Withheld for Nonresident Beneficiaries, and corresponding instructions have been added to the PA-41 to show the amount of tax now required to be withheld on PA-source income distributed to nonresident beneficiaries by an estate or trust.
- New definitions were added for nonresident beneficiary, resident beneficiary, person, Pennsylvania-source income, nonresident estate and nonresident trust.

- Several new or revised filing requirements were also added as follows:
 - A nonresident estate or trust with a resident beneficiary is required to file a PA-41.
 - A copy of federal Form 1041 return is now required to be included with the PA-41.
 - The estate or trust's fiduciary or trustee is required to keep an accurate list of beneficiaries.
 - An estate or trust that fails to file a PA-41 or PA-41 Schedules RK-1 or NRK-1 is subject to a \$250 penalty for each failure.
- The Estate or Trust Identification Change oval on Page 1 of the PA-41 and the corresponding instructions for the oval were removed.
- A new schedule, PA-41 Schedule N, and corresponding instructions have been created. Changes to the instructions were made for PA-41 Schedules DD, NRK-1 and RK-1 to reflect the addition of PA-41 Schedule N.
- Additional instructions were added for amended returns with respect to changing residency status of an existing trust.

The resident credit for taxes paid to other states or countries is now only available as a credit for taxes paid to other states where state is defined as a state of the U.S., the District of Columbia, the Commonwealth of Puerto Rico and any territory or possession of the U.S. The credit for taxes paid to foreign countries is no longer permitted as a credit against a personal income tax liability.

BUDGET SECRETARY CERTIFIES MORE THAN \$779 MILLION FOR STATEWIDE PROPERTY TAX RELIEF

On April 15, Budget Secretary Charles B. Zogby certified that more than \$779 million in gaming revenue will be available for property tax relief in 2014.

Zogby certified the balance in the Property Tax Relief Fund is more than \$394 million. Gaming revenue from now through Oct. 15 is projected to add about \$399 million to the relief fund, bringing the total amount in the fund at that time to approximately \$793 million, which includes a projected balance of approximately \$14 million in the Property Tax Relief Reserve Fund.

The average statewide property tax reduction for each household is expected to be about \$200 this year. The amount of property tax relief will vary by school district, and the amount of property tax relief in each school district is available online at the School District Property Tax Relief section of the Department of Education website at www.education.state.pa.us.

Under the law, Pennsylvania homeowners will see the property tax reduction itemized on their tax bills, which most school districts will issue this summer.

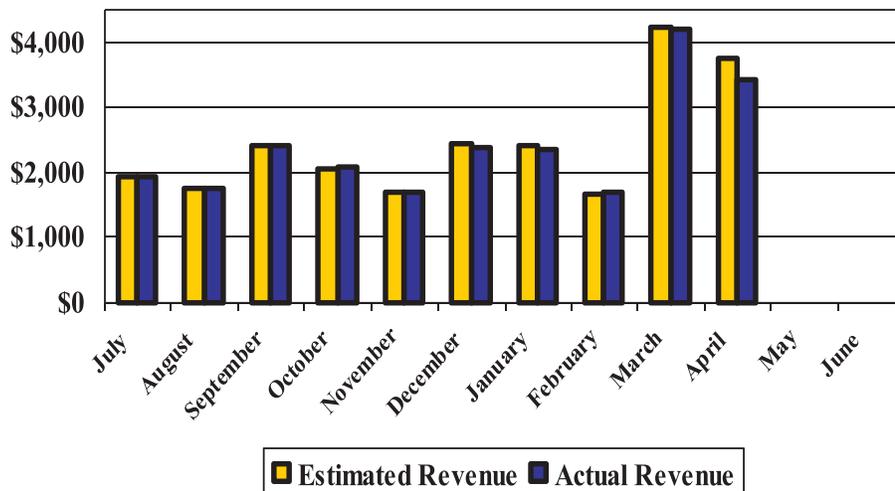
Homeowners in 66 counties will receive reductions in school property tax bills. In accordance with the Taxpayer Relief Act, Philadelphia's share of funding for broad-based tax relief – more than \$86 million – will be used to reduce the city's wage tax.

Gaming revenue also supports the Property Tax/Rent Rebate program. Under this program, older and disabled homeowners with incomes up to \$35,000 – and renters with incomes up to \$15,000 – are eligible for rebates of up to \$650. Supplemental rebates for qualifying homeowners can increase rebates to \$975. Information is available at www.revenue.state.pa.us or by calling 1-888-222-9190.

2013-2014 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

Fiscal year-to-date collections through April total \$23.9 billion, which is \$424.5 million, or 1.7 percent, below estimate.



TAXPAYERS ENCOURAGED TO EXPLORE “WHERE’S MY REFUND?” ONLINE

With the personal income tax deadline behind us and many Pennsylvania taxpayers awaiting refunds, the Revenue Department reminds taxpayers of the “Where’s My Refund” tool available on the department’s website.

The “Where’s My Refund” tool allows taxpayers to check the status of their refund online.

To check the status of a refund online, a taxpayer should have the primary Social Security number listed on the return and exact refund amount available, then visit www.revenue.state.pa.us

and select “Where’s My Refund?” under the online services tab.

Information on electronically filed returns is available within a day or so of a successful e-file submission. Taxpayers who file paper returns should allow six to eight weeks from the date the return was mailed before checking the status of refunds.

For more information about personal income tax refunds and other state tax issues, visit www.revenue.state.pa.us.

DID YOU KNOW? CHIP PUTS HEALTH COVERAGE WITHIN REACH FOR ALL UNINSURED KIDS AND TEENS

For self-employed entrepreneurs and those in small businesses, it can be challenging to find affordable, quality health insurance for their families. In Pennsylvania, health coverage for uninsured kids is well within reach, as Pennsylvania’s Children’s Health Insurance Program (CHIP) covers uninsured kids and teens in Pennsylvania who aren’t eligible for Medical Assistance.

CHIP is supported by leading health insurance companies that offer quality, comprehensive coverage,

and the program covers routine checkups, prescriptions, hospitalization, dental, eye care and more.

Most kids receive CHIP for free, while others receive the same benefits at a low cost. Parents can apply anytime for CHIP; there’s no enrollment timeframe or waiting period.

If you, your clients or customers are in need of health insurance, you are encouraged to explore CHIP by visiting CHIPcoversPAkids.com or calling **800-986-KIDS**.

TAX PROFESSIONAL E-SERVICES CENTER



Tax professionals are encouraged to use the department’s Tax Professional e-Services Center for access to clients’ tax information.

Visit the department’s [Online Customer Service Center](#) or call 717-787-1392.