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REMINDER: ACT 52 OF 2013 ENFORCEMENT EFFORTS TO BEGIN FOR PASS-THROUGH BUSINESSES

In the interest of fair and effective tax administration, the Department of Revenue will soon begin enforcement efforts to identify pass-through business entities that – for tax years beginning on or after January 1, 2014 – under-reported income, failed to file PA-20S/PA-65 Information Returns, and failed to maintain accurate lists of owner information.

Act 52 of 2013 authorized three new enforcement provisions related to pass-through entities:

- The department may now assess partnerships and PA S corporations at the entity level for understating income by more than \$1 million. While the provision does not apply to publicly traded partnerships, it does apply to partnerships with 11 or more partners; partnerships with at least one partner that is a corporation, limited liability company, partnership, S corporation, or trust; PA S corporations with 11 or more shareholders; and any partnership or PA S corporation that elects to be subject to the provision.
- A \$250 failure-to-file penalty applies when a partnership, S corporation, or limited liability company that is classified as a partnership or S corporation for federal tax purposes does not file a PA-20S/PA-65 Information Return. The \$250 penalty also applies to any trust or estate that failed to file a PA-41 Fiduciary Income Tax Return and provide RK-1s and NRK-1s to all beneficiaries. Additionally, the fine applies for each missing PA Schedule RK-1 or NRK-1.
- Pass-through entities, estates, and trusts that fail to maintain accurate lists of owner/beneficiary names, addresses, and tax identification numbers now subject the general partner, tax matters partner, corporate officer, and/or trustee of the partnership, S corporation, trust, or estate to responsible party assessments holding them individually liable for the tax, penalty, and interest owed by the entity. This provision does not apply to publicly traded partnerships.

For more information on these new enforcement measures the department is beginning to pursue, please contact the Pass-Through Business Office at 717-705-7400.

DEPARTMENT RESUMES RESPONSIBLE PARTY ASSESSMENTS

With the transition of trust fund taxes into the department's integrated tax system last November, the department had to temporarily suspend issuing responsible party assessments as we explored ways to automate the process in the new system. The department is now in a position to resume issuing responsible party assessments.

Responsible party assessments, formerly known as corporate officer assessments, hold individuals who are officers or responsible parties for a business personally liable for the business's tax obligations. Tax liabilities within responsible party assessments mirror those in assessments previously issued against the business entity that incurred the obligation, and responsible party assessments are pursued as an enforcement tool to collect taxes due the commonwealth.

Once assessed, an individual who received a responsible party assessment has 105 days to pay or appeal the assessment. If the state tax liability identified in a responsible party assessment is not addressed or appealed timely, a lien is filed in the county where the assessed individual resides.

Corporate officers and responsible parties of businesses against which the department has issued assessments can expect to begin receiving responsible party assessments in coming weeks and months.

REVENUE DEPARTMENT REMINDS POLITICAL SUBDIVISIONS OF RESTRICTIONS ON FUELS AND LIQUID FUELS TAX EXEMPTIONS AND SALES

Under Chapter 90 of the Vehicle Code, cities, counties, boroughs, townships, school districts, and other political subdivisions in Pennsylvania are exempt from paying tax on fuels and liquid fuels consumed for official use. Restrictions apply, however, to use of tax-free fuel, and such fuel can never be sold by political subdivisions.

Tax exemptions are limited to liquid fuels and fuels purchased and used for official political subdivision purposes.

- Political subdivisions may not dispense tax-free fuels or liquid fuels for personal use or another use that is not for the official political subdivision purposes.
- Because political subdivisions do not qualify as distributors under the Vehicle Code, a political subdivision may never sell or deliver tax-free fuels and liquid fuels under any circumstances. Therefore, a political subdivision is not authorized to collect liquid fuel and fuel taxes.

Additionally, in instances when a political subdivision purchases tax-paid fuel that is used for official purposes, it may seek refund of the tax paid from the Board of Finance and Revenue on an annual basis.

All entities exempt from paying tax on fuels and liquid fuel must maintain records accurately reflecting the proper purchase and use of fuels.

For more information related to proper use of and record-keeping for tax-free fuels and liquid fuels by political subdivisions, contact Bureau of Motor and Alternative Fuel Taxes at 1-800-482-4382.

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.

TOP 10 INTEGRATED TAX SYSTEM FILING TIPS FOR CORPORATION TAXES

1. Use the correct form.

All corporate tax reports for tax years beginning after January 1, 2000, must be filed using the [non-year specific form](#).

2. Properly submit amended returns.

If an amended return must be filed, taxpayers must complete the non-year specific RCT-101. All sections of the return, regardless of what items are being amended, must be completed. The amended report check box under Step B, Page 1 of the RCT-101 must also be checked.

3. Use only numbers in numeric fields.

Alphabetic or non-numeric characters should never be used in numeric fields. Use of "none" or "NA" in an apportionment field will cause the integrated tax system to calculate a 100 percent apportionment factor.

4. Use checkboxes appropriately.

Checkbox indicators on the return:

- If the corporation has an extension of time to file its federal income tax return, or if the income of the entity is included on the income tax return of another business or individual with an extension of time to file the federal income tax return, "Federal Extension Granted" must be checked.
- If checking "Holding Company," do not use three-factor apportionment.
- If checking "Investment in LLC" or "Family Farm," do not complete Section A.
- If checking "Solicitation Only," "Single-Member LLC," "Multi-Member LLC," or "PA S Corporation," do not complete Section C, Corporate Net Income Tax, on Page 3.

5. Provide all demographic information.

"Corp Tax Account ID," "Federal EIN," "Business Activity Code," "Corporation Name," Address Lines, "City," "State," and "ZIP" must be completed in Step C on Page 1 of the RCT-101. Indicate a change of corporate address under Step B, Page 1 of the RCT-101.

6. Complete history of earnings correctly.

History of earnings for capital stock/foreign franchise tax must be in order, starting with the oldest year on Year 1. If only one year is applicable, the first year should be entered on the Current Year line. There should be no gaps in the history of earnings period begin and period ending dates, and the most recent consecutive five years must be provided.

7. Claim bonus depreciation properly.

If taking a deduction for bonus depreciation, Section B1, Current Year Federal Depreciation of 168K Property, must be completed on Page 3. Also, Schedule C-3 (REV-799) must be filled out and included with the RCT-101.

8. Calculate apportionment appropriately.

When claiming three-factor apportionment, the denominator of each factor must equal the property, payroll, and sales reported on the federal income tax return regardless of the activity in Pennsylvania.

NOTE: The integrated tax system considers a factor of 0/0 = 1.000000 and 0/1 = 0.000000.

The numerators and denominators must be entered on Schedule A-1 and Schedule C-1.

9. Report foreign corporations' lack of activity.

A foreign corporation with no property, payroll, or sales anywhere must complete Schedule A-1 and/or C-1 on Page 4 of the RCT-101, using zero as the numerator and one as the denominator.

10. Account for partnership activity.

If a corporation owns underlying partnerships, the corporation's share of the partnerships' property, payroll, and sales factors must be included in the property, payroll, and sales of the corporation.

BONUS: Apply electronic payments properly.

In order to ensure proper application of tax payments, follow the detailed instructions regarding ACH debit and credit electronic funds transfer. Visit www.etides.state.pa.us, selecting "Instructions" under the "Options" category, then "Payment Methods" under the Electronic Funds Transfer (EFT) header.

PRE-PAID E-911 SURCHARGE TAX CHANGES FOR 2015

Effective August 1, 2015, the tax rate for pre-paid telecommunication services and wireless telephones subject to the pre-paid wireless emergency-911 surcharge (pre-paid e-911 surcharge) will change from \$1 to \$1.65 per retail transaction. This surcharge is collected on each retail transaction regardless of whether the service or pre-paid wireless telephone is purchased in person, by telephone, through the Internet or by any other method.

The pre-paid e-911 surcharge is to be charged and collected by the retailer in addition to any other charges or fees and is not to be included for purposes of calculating sales tax.

Retailers that do not sell wireless telephones or pre-paid telecommunication services (i.e. pre-paid cell phone minutes or phone cards) are not affected by the following tax change and may disregard this notification.

There will not be a separate return for the pre-paid e-911 surcharge. It is to be reported on the sales and use tax return, which includes a line to report the surcharge. Pre-paid e-911 surcharges are to be collected by a seller

and reported and remitted to the Department of Revenue with the same filing frequency and by the same due dates as a seller's sales/use tax returns.

Also effective August 1, the discount available to retailers that timely remit pre-paid e-911 surcharge returns and payments will go from 3 percent to 1.5 percent. This discount is separate from the 1 percent discount available for timely remitting sales tax returns and payments and will automatically be calculated by the department. Both discounts are applicable only if the return is filed and payment in full is made on or before the sales tax due date.

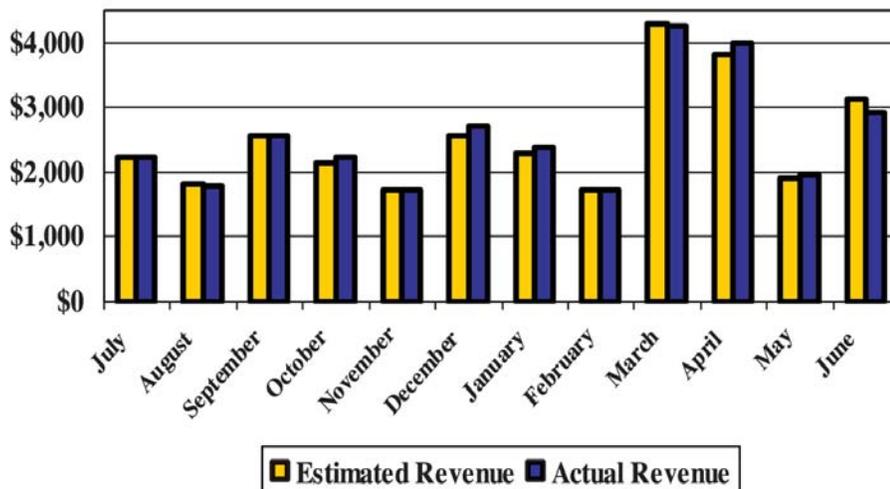
Additionally, retailers are responsible for keeping records detailing non-retail sales transactions, which may be requested for review by the department.

For more information on the pre-paid e-911 surcharge, visit the department's Online Customer Service Center at www.revenue.pa.gov or call 717-787-1064 and press Option 2 for sales and use tax.

2014-2015 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

Fiscal year 2014-15 General Fund collections totaled \$30.6 billion, which is \$411.9 million, or 1.4 percent, above estimate.



2015 FALL TAX SEMINAR SCHEDULE

SPONSOR	DAY	DATE	CONTACT PERSON	CONFERENCE LOCATION
CPE Forum of Central PA	Thursday	09-17-2015	Kelly Park 814-695-1558 kelly.park@wfadvisors.com	The Casino 300 Lakemont Park Blvd. Altoona, PA 16602
Lehigh Valley PSTAP	Tuesday	09-22-2015	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Breinigsville Holiday Inn Conference Center 7736 Adrienne Drive Breinigsville, PA 18013
Harrisburg PSTAP	Wednesday	09-30-2015	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Radisson Penn Harris Hotel & Convention Center Camp Hill Bypass and U.S. 15 Camp Hill, PA 17011
Central Chapter PSTAP	Tuesday	10-20-2015	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	The Inn at Reading 1040 N. Park Road Wyomissing, PA 19610
Philadelphia Tri-County Chapter PSTAP	Thursday	10-22-2015	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Springfield Country Club 400 W. Sproul Road (Route 320) Springfield, PA 19064
Pittsburgh PSTAP	Tuesday	10-27-2015	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Four Points Sheraton Cranberry Township 910 Sheraton Drive Mars, PA 16046
South Central Chapter PSTAP	Thursday	10-29-2015	Sherry DeAgostino 1-800-270-3352 sherry@pstap.org	Eisenhower Conference Center 2634 Emmitsburg Road Gettysburg, PA 17325
Wilkes University Continuing Education Dept.	Thursday	11-05-2015	Margaret Petty 570-408-4460 Margaret.Petty@wilkes.edu	The Woodlands Inn and Resort Highway 315 Wilkes-Barre, PA 18766
Neumann University Division of Business & Information Mgt.	Thursday	11-19-2015	Janet Massey 610-558-5588 jmassey@neumann.edu	Neumann University Thomas A. Bruder, Jr. Life Center Bldg. 1 Neumann Drive Aston, PA 19014
Penn State University	Wednesday	12-16-2015	Theresa Bloom 215-881-7402 tmb17@psu.edu	Penn State University Abington Campus 1600 Woodland Road Abington, PA 19001

*The 2015 Fall Tax Seminar agenda will be available in the August/September edition of *Tax Update*, and it will be posted on the department's website as soon as it's available.