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## 2018 STATE TAX SUMMARY

The following is a synopsis of relevant legislation enacted during the 2018 budget process.

### Act 42 of 2018: Fiscal Code Changes

- **Property Tax/Rent Rebate Program:** Effective for claim year 2018 and thereafter, retired federal civil service employees receiving benefit payments from the Civil Service Retirement System (CSRS) who did not have to contribute to Social Security for that equivalent period of employment will be able to exclude 50% of the average annual Social Security benefit amount from their PTRR income on claim forms reporting their eligibility income for Property Tax and Rent Rebate purposes.
- **Neighborhood Improvement Zone:** Adds the definition of "entertainment business financial management firm" to enable the contracting authority to identify the responsible party required to fulfill reporting compliance on behalf of a qualified business, for concerts or other performances in a facility in the zone. This change is effective immediately.
- **Entertainment Economic Enhancement Program (formerly referred to as the Concert Rehearsal and Tour Tax Credit):** For fiscal year 2018-19 only, the number of tours that may be awarded tax credits for qualified rehearsal and tour expenses increases to 10 tours. The Department of Community and Economic Development in consultation with the Department of Revenue may advance the award of tax credits for qualified rehearsal and tour expenses incurred or to be incurred to a maximum of two additional tours in fiscal year 2018-19.

### Act 52 of 2018: Tax Reform Code

- **Gross Receipts Tax:** Excludes from Gross Receipts Tax the sales of telephones, telephone handsets, modems, tablets, and related accessories, including cases, chargers, holsters, clips, hands-free devices, screen protectors and batteries from both landline receipts and mobile telecommunications receipts. The department is developing further guidance on the telecommunications equipment exclusion that will be posted on its website in the near future. Act 52 is effective

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immediately and retroactively applies to gross receipts from transactions occurring on or after January 1, 2004, except claims for refund or credit for a tax paid prior to the effective date.

### **Act 72 of 2018: Corporate Tax**

- **Bonus Depreciation:** For property placed in service after September 27, 2017, companies can take an additional deduction under

Internal Revenue Code §167 and 168 on their Pennsylvania return, which generally would be depreciation under modified acceleration cost recovery system or other accounting methods. The department has further guidance on bonus depreciation in [Corporation Tax Bulletin 2018-03](#), which can be found on the department's website. Act 72 is effective immediately for tax years beginning on or after January 1, 2017.

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## **RESEARCH & DEVELOPMENT TAX CREDIT APPLICATION NOW AVAILABLE ONLINE**

The Department of Revenue recently launched its new online application system for the Research and Development Tax Credit. The system can be accessed through e-TIDES, the department's online business tax system, or by visiting [this link](#).

The new application system allows users instant access to an automated application while eliminating the inefficiencies and costs associated with the filing of paper applications. In addition, the system allows users to check the status of their applications and respond quickly to department notifications. This initiative is part of the department's goal to continually improve customer service and promote Government that Works.

Taxpayers must file their automated R&D applications by Sept. 15, 2018 in order to be eligible for the program. As a reminder, all applications must be submitted through the new online system.

In an effort to provide a walk-through of the new system, the department recently led a webinar with the [Pennsylvania Institute of Certified Public Accountants](#). Access the webinar [here](#).



*Gloriose Habimana & Tom Bordner, both of the Department of Revenue's Bureau of Corporation Taxes, recently led a webinar on the department's new online application system for the Research & Development Tax Credit. Jason Skrinak of the PICPA served as moderator for the webinar.*

For additional information on how to submit the R&D Tax Credit application online, please review the [electronic filing notification](#). Other tax questions may be directed to the Department of Revenue at 717-772-3896 or [ra-btftrevkoz@pa.gov](mailto:ra-btftrevkoz@pa.gov).

**KASCHAK, SKIPWORTH HEADLINE PROMOTIONS IN REVENUE EXECUTIVE OFFICE***By Dan Hassell, Revenue Secretary**John Kaschak**Radee Skipworth*

The Department of Revenue is pleased to announce two exciting changes in our Executive Office. John Kaschak has been appointed to the position of Executive Deputy Secretary for Revenue. Meanwhile, Radee Skipworth has been appointed the department's new Deputy Secretary for Taxation.

John joined the department in 2015 as Deputy Secretary for Taxation. He quickly became a calming presence here and has done a terrific job guiding the staff in the bureaus he oversaw. He also serves as our main liaison with the tax practitioner groups in Pennsylvania — a role he will continue to fill in his new position. John has worked well with these groups and has played a critical role in keeping open lines of communication with tax practitioners.

John also brought a great deal of experience with him to the department. Prior to joining Revenue, he worked as Director of the Bureau of Audits within the Office of the Budget. Before that, he worked as an Audit Specialist for the Department of the Auditor General. Prior to working in state government, John started his career as an auditor.

In 2015, Radee rejoined the department as Revenue's Executive Policy Director, a position where he was called on to monitor federal and state legislative initiatives and measure the impact of policy and legislative proposals. In this role, Radee also advanced major tax policy proposals to increase compliance, developed implementation plans for new tax programs and identified cost savings and efficiency initiatives for Governor Wolf's Policy Office.

Radee also worked from 2008 to 2012 in Revenue's Bureau of Enforcement Planning, Analysis and Discovery (EPAD), where he served as Chief of the Program Management and Support Division. Radee worked as a Contract Administrator for the U.S. Department of Health and Human Services prior to returning to Revenue.

John and Radee both work well with Revenue staff and have proven themselves to be effective leaders in the department. The department will benefit greatly from having two capable professionals in leadership roles who understand the work we do every day to administer the commonwealth's tax laws and revenue programs fairly, efficiently and accurately.

## PaTH MODERNIZATION UPDATE

Revenue Secretary Dan Hassell, other Revenue staff and representatives from Fast Enterprises, LLC on June 18 held a kick-off event to officially mark the start of the next stage of the department's modernization project. The event included a presentation on the project's first rollout, which involves the implementation of an integrated tax processing system for the international fuel tax agreement (IFTA), as well as motor fuel and alternative fuel taxes.

The new tax system will be called the Pennsylvania Tax Hub (PaTH). The system will replace many of the remaining legacy tax systems currently in use at the department.



"Our goal with this project is to implement a new system that works well for us and our customers," Hassell said. "We are confident this project will help us take a big step forward in improving customer service."

The department's work with FAST is scheduled to be broken into three rollouts. After focusing on IFTA and motor fuel/alternative fuel taxes, the second rollout will include realty transfer tax and inheritance tax. The third rollout will include personal income tax, pass through entity processing and the Property Tax/Rent Rebate Program.

The department will continue to provide updates on the modernization project in the coming months.



Pennsylvania Department of Revenue



**Announcements and News**

**Tax Tips and Facts**

**Upcoming Events and Seminars**

**Publications and Educational Resources**



## Have you Liked Us on Facebook?

## NONRESIDENT WITHHOLDING GUIDANCE NOW ONLINE

The Department of Revenue recently launched online guidance to help taxpayers understand a recent law change that requires withholding at a rate of 3.07 percent on non-wage Pennsylvania source income payments made to nonresidents. Withholding of payments that are less than \$5,000 during the calendar year are optional and at the discretion of the payor.

The guidance includes an overview of key terms, a detailed explanation of PA Source Income Rules and directions on what the law requires. The guidance is available [here](#), or by visiting the "Featured" tab at [www.revenue.pa.gov](http://www.revenue.pa.gov).

Failure to comply with the withholding requirement may make you liable for the amount you should have withheld, plus penalties and interest. If you are unsure of the total amount of payments that will be made during the year, the department encourages you to withhold and remit income tax from all payments made. Here are other guidelines to follow:

### General Rules

Nonresident withholding applies if all of the following are true:

- You are responsible for making payments of non-wage income from Pennsylvania sources (commercial leases, royalties, services rendered, etc.).
- The payment will exceed \$5,000 per payee in the calendar year.

- The payment is made to a resident of another state.

Additionally, nonresidents are typically:

- Individuals who do not live in Pennsylvania.
- Business entities that do not have a permanent place of business in Pennsylvania.
- Estates whose decedent was not a Pennsylvania resident at the time of their death.
- Trusts with no Pennsylvania resident settlors.

The nonresident withholding requirement does **NOT** apply to:

- Wages paid to employees (see reciprocity rules).
- Payments for goods and materials.
- Sales of real estate located outside of Pennsylvania.
- Residential rental agreements or residential lease payments.

Nonresident withholding is not required when:

- The payee is a corporation.
- The payee is a partnership or multi-member liability company.
- The payee is a nonresident with no PA source income.
- The payee is a disregarded entity owned by a corporation or partnership.



## GETTING TAX ANSWERS MADE EASY

The department's **Online Customer Service Center** is an easy and secure way to get answers to **3,000** frequently asked questions or submit your own.

Step 1: Go to [revenue.pa.gov](http://revenue.pa.gov) and select **GET ASSISTANCE**

Step 2: Click **Online Customer Service Center** to review frequently asked questions.

Step 3: **Submit** your own questions by following the prompts and **attach** relevant documents.

You will receive an email notification when your question is answered. Log in to the secure portal and view the response.

## DEPARTMENT OF REVENUE TO HOLD FALL TAX SEMINARS

The Department of Revenue's annual Fall Tax Seminars are right around the corner. There will be sessions on personal income tax, pass through entities, corporation taxes and tax fraud prevention. Seminars will also touch on new initiatives within the Department of Revenue and new tax compliance programs.

The schedule below includes a listing of seminar dates and locations, including new locations in State College and Williamsport.

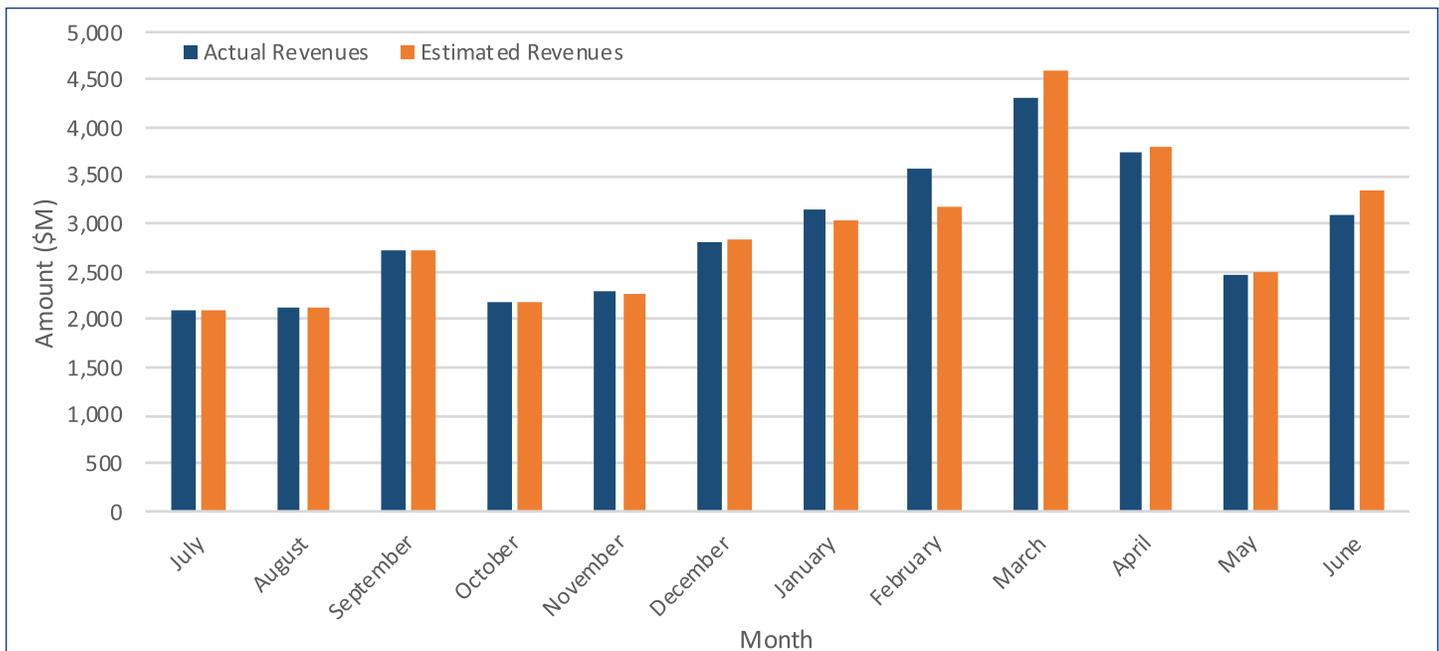
### 2018 FALL TAX SEMINARS SCHEDULE

DATE	CONFERENCE LOCATION	SPONSOR	CONTACT PERSON
<b>Tuesday Sept. 18, 2018</b>	<b>Inn at Pocono Mountain</b> Route 314, One Manor Drive Pocono Manor, PA 18349	<b>Poconos PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Thursday Sept. 20, 2018</b>	<b>Homewood Suites by Hilton Allentown Bethlehem</b> 3350 Center Valley Parkway Center Valley, PA 18034	<b>Lehigh Valley PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Wednesday Sept. 26, 2018</b>	<b>The Casino</b> 300 Lakemont Park Blvd. Altoona, PA 16602	<b>CPE Forum of Central PA</b> 601 Hawthorne Drive, Suite 2-B Hollidaysburg, PA 16648	<b>Kelly Park</b> 814-695-1558 kelly.park@wfadvisors.com
<b>Thursday Sept. 27, 2018</b>	<b>Toftrees</b> 1 Country Club Lane State College, PA 16803	<b>PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Wednesday Oct. 3, 2018</b>	<b>Radisson Penn Harris Hotel &amp; Convention Ctr</b> 1150 Camp Hill Bypass US 15 Camp Hill, PA 17011	<b>Harrisburg PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Wednesday Oct. 10, 2018</b>	<b>Holiday Inn Downtown Williamsport</b> 100 Pine Street Williamsport, PA 17701	<b>CPE Forum of Central PA</b> 601 Hawthorne Drive, Suite 2-B Hollidaysburg, PA 16648	<b>Kelly Park</b> 814-695-1558 kelly.park@wfadvisors.com
<b>Thursday Oct. 18, 2018</b>	<b>The Inn at Reading</b> 1040 North Park Road Wyomissing, PA 19610	<b>Central Chapter PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Wednesday Oct. 24, 2018</b>	<b>Springfield Country Club</b> 400 W. Sproul Road (Rte 320) Springfield, PA 19064	<b>Philadelphia Tri-County Chapter PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Friday Oct. 26, 2018</b>	<b>Eisenhower Conference Center</b> 2634 Emmitsburg Road Gettysburg, PA 17325	<b>South Central Chapter PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Tuesday Oct. 30, 2018</b>	<b>Cranberry Regional Learning Alliance Center</b> 850 Cranberry Woods Drive Cranberry Township, PA 16066	<b>Pittsburgh PSTAP</b>	<b>Sherry DeAgostino</b> 800-270-3352 sherry@pstap.org
<b>Thursday Nov. 1, 2018</b>	<b>The Woodlands Inn and Resort</b> Highway 315 Wilkes-Barre, PA 18766	<b>Wilkes University Continuing Education Dept.</b> 84 W. South Street Wilkes-Barre, PA 18766	<b>Margaret Petty</b> 570-408-4460 Margaret.Petty@wilkes.edu
<b>Thursday Nov. 15, 2018</b>	<b>Neumann University</b> Thomas A. Bruder, Jr. Life Center Bldg. 1 Neumann Drive Aston, PA 19014	<b>Neumann University Div. of Business &amp; Info. Mgt.</b> 1 Neumann Dr. Aston, PA 19014-1298	<b>Janet Massey</b> 610-558-5588 jmassey@neumann.edu
<b>Thursday Dec. 19, 2018</b>	<b>Penn State University Abington Campus</b> 1600 Woodland Rd. Abington, PA 19001	<b>Penn State University</b> 1600 Woodland Rd. Abington, PA 19001	<b>Theresa Bloom</b> 215-881-7402 tmb17@psu.edu

## 2017-18 GENERAL FUND REVENUES

*Estimated versus Actual Revenue Collections (in millions)*

**General Fund collections totaled \$34.6 billion in 2017-18.**



Month	Actual Revenues	Estimated Revenues
July	2,085	2,085
August	2,129	2,129
September	2,719	2,719
October	2,175	2,176
November	2,306	2,279
December	2,816	2,847
January	3,137	3,043
February	3,581	3,175
March	4,324	4,598
April	3,754	3,812
May	2,456	2,499
June	3,084	3,343