

Pennsylvania Tax Update

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FAST FACT:

Electronic filing of all Business Taxes will result in significant savings to taxpayers.

VISIT OUR WEB SITE AT:
www.revenue.state.pa.us

SALES TAX RETURNS AND PAYMENTS GOING ELECTRONIC

Account Holders Will Not Receive a 2005 Coupon Booklet

The PA Department of Revenue is making it easier for Sales and Use Tax account holders to file and pay their Sales Taxes by replacing its current paper-based system with two free electronic filing options:

- Filing via the Internet
- Filing via a toll-free telephone filing system (before '05).

Both methods are fast, easy and safe ways to file Sales and Use Tax returns and make payments. Electronic filing offers many advantages to taxpayers, including eliminating the need for paper coupon booklets. Taxpayers can:

- Get immediate confirmation that the Department received their return and payment.
- Calculate their return automatically, thus preventing costly assessments due to math errors.
- File early and schedule a payment for the due date.

Sales Tax and Use Tax account holders **will not** receive a paper coupon booklet for the 2005 calendar year. Account holders will receive detailed instructions about the two filing systems in place of the coupon booklet.

There is no reason to wait. In just minutes, taxpayers can [set-up to file and pay their Sales Tax online](#). It's never been easier.

To get started, go to the e-TIDES Web site at www.etides.state.pa.us, and follow the two easy steps below:

Step 1. Electronic Signature/Filer Registration

On the [login page](#), click the 'Register' button if you are a new user. You will be required to create a User ID and Password. Your User ID and Password will be considered your Electronic Signature when on the system.

Only one User ID and Password is needed per user. You may register more than one client/enterprise for filing through e-TIDES under the same User ID and Password. If more than one filer/user will need access to an enterprise, please see the Multiple Filer User instructions on the Web site.

Step 2. Enterprise Registration Sales Tax and Employer Withholding Tax only:

After logging in, select the 'Register Enterprise' option from the left navigation bar. Select the appropriate tax type and select the 'Next' button. Continue through the process and provide the information requested.

The enterprise registration process for Sales Tax and Employer Withholding is a real-time process. Upon completion of the registration process, you will immediately be able to file a tax return and/or payment.

UPDATE: BUSINESS TAX REFORM COMMISSION

Since the [Pennsylvania Business Tax Reform Commission](#) issued its [Interim Report](#) in June, it has been working diligently in an effort to finalize its report to Governor Edward G. Rendell and the General Assembly by November 30.

Governor Rendell established the Commission to evaluate Pennsylvania's business tax structure and recommend changes to the tax structure that will broaden the business tax base, thereby reducing the rates; leveling the playing field; and creating a fairer business tax climate. The Commission's recommendations must be revenue neutral.

All meetings are open to the public and run from 9 a.m. to 3 p.m. at the Dixon University Center, 2986 North Second Street, Harrisburg.

Remaining Commission meetings are scheduled for:

- October 20 (Conference Rooms A/B)
- November 4 (Richards Hall Recital Room)
- November 19 (Conference Rooms A/B)



[Douglas J. Skowron](#) recently replaced Yarone S. Zober on the Commission. Mr. Zober, appointed by Senate Minority Leader Robert J. Mellow, recently left private practice and has joined Senator Jim Ferlo's staff. Because Zober is now a government employee, he is unable to continue serving on the Business Tax Reform Commission. Douglas Skowron was sworn-in during the October 6 meeting.

Douglas Skowron is a Director at Pittsburgh Gateways Corporation. Mr. Skowron is responsible for managing and financing commercialization projects as well as program development and fundraising. He also serves as the company's legal counsel.

Mr. Skowron is a licensed attorney and real estate broker in Pennsylvania. He holds a Master's degree in City & Regional Planning from Harvard University and a Juris Doctor from Duquesne University. He is also a member of the Sewickley Planning Commission.

FILM PRODUCTION TAX CREDIT

The PA Film Production Tax Credit, created by Act 95, will be available for certain production expenses of feature films, television series and for a television show of 15 minutes or more in length intended for national audiences.

This credit will apply to qualified film production expenses incurred after June 30, 2004. A tax credit equal to 20 percent of qualified film production expenses may be taken against Personal Income Tax (PIT) (except Employer Withholding Tax), Corporate Net Income (CNI) or Capital Stock/Foreign Franchise Tax (CSFT). A qualified film production expense is all Pennsylvania production expenses if at least 60 percent of the total production expenses are incurred in Pennsylvania. Production expenses include wages and salaries of individuals employed by the film on which PIT or CNI taxes have been paid or accrued, the costs of construction, operations, editing, photography, sound synchronization, lighting, wardrobe and accessories and the cost of rental of facilities and equipment.

Taxpayers must apply to the Department of Revenue by February 15 for qualified film production expenses incurred for the prior taxable year. The Department must notify the taxpayer by August 15 of the amount of credit to which the taxpayer is entitled.

Credits granted may be carried forward for three taxable years; however, they may not be carried back. Credits may be sold or assigned with the approval of the [Department of Community and Economic Development \(DCED\)](#) pursuant to regulations issued jointly by DCED and the Department of Revenue. Before approval of the application, the Department must find that the applicant has filed the required tax reports for the taxable year for which the qualified expenses were approved and pay the balance of any tax due as determined at settlement or assessment. The purchaser or assignee of the credit may use the credit against PIT, CNI or CSFT. The credit cannot exceed 50 percent of tax liability. The purchaser or assignee may not carry forward, carry back, obtain a refund of, or sell, or assign the film production tax credit.

There are procedures for the transfer of unused credits by pass-through entities (Subchapter S Corporations, Limited Liability Companies and Partnerships) to a shareholder, member or partner. The entity may elect in writing, in accordance with procedures established by the Department of Revenue, to transfer all or a portion of the unused credit to the shareholders, members or partners in proportion to the share of the distributive income to which the shareholder, member or partner is entitled. The shareholder, member or partner must claim the credit in the taxable year in which the transfer is made. If the



July 20, 2004: Governor Edward G. Rendell signed into law legislation providing a 20 percent Film Production Tax Credit for film-production expenses incurred in Pennsylvania. (Photo credit : CMS Photo - Alex Belotti)

credit is transferred to a natural person, the credit may only be applied against taxes due on net profits.

The total amount of credits approved in any fiscal year shall not exceed \$10 million. If the total amount of applications exceeds \$10 million, all credits will be prorated among the applicants. Credits will not be available for qualified film production expenses incurred in taxable years ending after December 31, 2012.

For more information on the Film Production Tax Credit, call the Pennsylvania Film Office at 717-783-3456 or visit www.film.inpa.com.

R&D TAX CREDIT . . . KEY TO ECONOMIC DEVELOPMENT

The newly expanded Research and Development Tax Credit program is a key component of Governor Edward G. Rendell's economic stimulus package. The **R&D Tax Credit** will help 'jumpstart' the economy by encouraging business growth in the biotechnology, information technology and advanced manufacturing sectors. Companies need to have the resources available to ensure economic growth, and the R&D Tax Credit program is a vital step in the right direction.

The R&D Tax Credit, with the addition of a tradability component, passed the Legislature in December 2003. The bill increased R&D credits to \$30 million from \$15 million. The tax credit allows companies to apply for a credit equal to the increase in qualified R&D expenditures from one tax year to the next. Example: a company that spent \$500,000 on R&D one year and \$550,000 the next could apply for a \$50,000 credit.

The addition of the tradability of the tax credits is a crucial component of the program that allows young, start-up companies to

sell their unused credits to qualified, profitable businesses in Pennsylvania for immediate cash. These young, research-heavy companies are on the cutting edge of technology and need this immediate cash to continue development of new products. The funds will be reinvested back into product development, the enhancement of current technology, and job creation and retention.

At a recent Pittsburgh Technology Council meeting, Dennis Yablonsky, Secretary of Community and Economic Development and Gregory C. Fajt, Secretary of Revenue, addressed this specific topic.

"Reforming the business tax structure in Pennsylvania is key to economic growth," said Secretary Fajt. "By increasing the R&D Tax Credit and implementing recommendations made by the Business Tax Reform Commission, we will improve the business tax climate in the Commonwealth."

REVENUE EMPLOYEES LICENSE CARRIERS TRAVELING TO DISASTER STATES

During Hurricane Jeanne and Tropical Depression Ivan, employees from the Department's Bureau of Motor Fuel Taxes were available 24 hours a day, seven days a week to provide necessary IFTA credentials to Pennsylvania truck operators and utility contractors who were traveling out-of-state to provide disaster assistance.

Under the International Fuel Tax Agreement (IFTA), truck operators are required to display credentials on their vehicles to legally operate within a state. In emergencies, carriers who are not licensed must work with their "base" state to obtain IFTA credentials or purchase trip permits from each of the states they need to travel in.

In cooperation with the Pennsylvania Emergency Management Agency (PEMA), Department employees responded quickly to several requests for temporary IFTA permits.

Also, in accordance with Governor Ed Rendell's Disaster Emergency Proclamation, the Department of Revenue waived the normal licensing and permit procedures, as well as extended deadlines for out-of-state carriers who were traveling into Pennsylvania to assist in disaster recovery efforts.

REMINDER: Truck operators can purchase Motor Carriers Road Tax decals, and licenses required by the International Fuel Tax Agreement (IFTA) at the Department of Transportation's Riverfront Office Center, 1101 S. Front Street, Harrisburg. For more information, visit the Department's Web site at www.revenue.state.pa.us.

2004 FALL TAX SEMINARS SCHEDULE

| SPONSOR | DAY | DATE | CONTACT | SEMINAR LOCATION |
|---|------------------|-------------------|--|---|
| Wilkes University Continuing Education Dept. 215 South Franklin Street Wilkes-Barre, PA 18766 | Thursday | 10-28-2004 | Margaret Steele (570) 408-4462 | The Woodlands Inn and Resort Highway 315 Wilkes-Barre, PA 18766 |
| Harrisburg Area Community College 3300 Cameron Street Road Harrisburg, PA 17110 | Wednesday | 11-10-2004 | David Root (717) 780-2561 | Rose Lehrman Arts Center Harrisburg Area Community College 1 HACC Drive Harrisburg, PA 17110-2999 |
| Penn State University Ogontz Campus Land Road Abington, PA 19001 | Wednesday | 11-17-2004 | Theresa Bloom (215) 881-7402 | Holiday Inn 432 Pennsylvania Avenue Wood Fort Washington, PA 19034-3458 |
| Neumann College Continuing Education Dept. 1 Neumann Drive Aston, PA 19014-1298 | Thursday | 11-18-2004 | Lois Ritacco (610) 558-5629 | Neumann College Life Conference Center Aston, PA 19014-1297 |

2004 FALL TAX SEMINAR AGENDA

See page 4 for Seminar Schedule Dates

| TIME | TOPIC | PRESENTER |
|-------------------------------|---|---|
| 8:30 - 9:30 AM | SALES AND USE TAX <ul style="list-style-type: none"> > Taxable Purchases and Use Tax related to: Services, retail operations, construction contracts, items for personal use. > McNeil vs. Commonwealth Impact > Sales Tax Updates | <i>Kenneth Perry, CPA, Karen Shaw (DOR)</i> |
| 9:30 - 10:00 AM | E-COMMERCE INITIATIVES <ul style="list-style-type: none"> > Business Tax Electronic Filing Update > Department of Revenue Web Site Update > Expansion of Credit Card Payment Program | <i>Debbie L. Wise, Tom VanKirk (DOR)</i> |
| <i>10:00 - 10:15 AM Break</i> | | |
| 10:15 - 11:00 AM | INHERITANCE TAX AND ESTATE TAX <ul style="list-style-type: none"> > Updates in the Law > Electronic Initiatives > Inheritance Tax Refresher > Protest/Appeal Process | <i>Shawn E. Young (DOR)</i> |
| 11:00 - 11:45 AM | LABOR AND INDUSTRY <ul style="list-style-type: none"> > Unemployment Compensation Tax Matters Update | <i>John Grady, Timothy McGarvey, Jim Diffendal, Paul Bowes, Ed Peridan, (L & I)</i> |
| 11:45 - NOON | QUESTIONS AND ANSWERS | |
| <i>Noon - 1:00 PM Lunch</i> | | |
| 1:00 - 2:00 PM | PERSONAL INCOME TAX <ul style="list-style-type: none"> > Changes for Tax Year 2004 > PA/IRC Differences > Forms and Instructions > Common Mistakes on PA PIT Returns | <i>David Braden, CPA (DOR)</i> |
| 2:00 - 3:00 PM | CORPORATION TAXES <ul style="list-style-type: none"> > Limited Liability Companies > Bonus Depreciation > Starting and Stopping a Corporation > Law Changes | <i>Jeffrey A. Creveling, Joseph Clover, Cathy Benson (DOR)</i> |
| <i>3:00- 3:15 PM Break</i> | | |
| 3:15 - 4:15 PM | PASS THROUGH BUSINESS <ul style="list-style-type: none"> > History > Forms Changes and New Schedules > Filing Problems > Corporate Partner Non-filer Program | <i>Mary Hubler (DOR)</i> |
| 4:15 - 4:30 PM | QUESTIONS AND ANSWERS | |

In compliance with the Americans with Disabilities Act, the Department will make every effort to provide an alternative format to persons with disabilities regarding the content of the seminars