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E-FILE MANDATE FOR PAID THIRD-PARTY TAX PREPARERS EFFECTIVE JAN. 1, 2011

In an effort to increase the rate of electronic filing, the fastest and most cost-effective way for the Department of Revenue to process tax returns, the department will require paid third-party tax preparers who prepared at least 50 PA personal income tax returns (PA-40) in calendar year 2010 (including amended returns) to file clients' 2010 returns electronically, beginning Jan. 1, 2011.

Each electronically filed return saves the department \$3.49 in processing costs, and electronically filed returns result in faster taxpayer receipt of refunds.

In determining if a paid tax preparer prepared at least 50 returns in 2010 for tax year 2009, the preparer must count all PA-40 returns (non-resident, part-year resident and resident PA-40 returns, whether original or amended) prepared by all members and employees of the business, regardless of where the member or employee prepared the returns.

Fiduciary Income Tax Returns (PA-41), Nonresident Consolidated Income Tax Returns (PA-40NRC), Income Tax Keystone Opportunity Zone Returns (PA-40 KOZ) and fiscal year returns are not counted in determining if a paid tax preparer prepared at least 50 returns in 2010.

If the tax software of a preparer required to e-file cannot support electronic filing, such software must be acquired.

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FAST FACT:

For the first time in more than two years, General Fund collections exceeded estimate for the month and year-to-date in August. Fiscal year-to-date General Fund collections total \$3.5 billion, which is \$6 million, or 0.2 percent, above estimate.

Continued from Page 1. E-File Mandate for Paid Third-Party Tax Preparers Effective Jan. 1, 2011

Exceptions to the e-file requirement include the following:

- A paid tax preparer may file a paper return when a taxpayer specifically directs the preparer to do so. The 2010 PA-40 return will include a taxpayer "opt out" oval to confirm the taxpayer's election to file a paper return.
- A paid tax preparer who does not have software that supports electronic filing of a required attachment to a return may file the return by paper.
- A return may be filed in paper format if it cannot be filed electronically because electronic filing is not supported for the return or its required attachments.
- A tax preparer who proves electronic filing would place undue hardship on the

preparer may request a waiver from the department by Nov. 30. If a waiver is granted, it would allow the paid tax preparer to file paper returns through Dec. 31, 2011.

Third-party tax preparers not subject to the electronic filing requirements include volunteer, unpaid preparers; people who simply provide support like typing; employees of a business who prepare tax returns for other employees and officers of the business; and fiduciaries who prepare returns for trusts and estates they serve.

For detailed information on the e-file requirements for paid tax preparers, review the [Method of Filing Notice](#) in the July 3 *Pennsylvania Bulletin*.

UNEMPLOYMENT COMPENSATION MANAGEMENT SYSTEM TO REPLACE E-TIDES UNEMPLOYMENT COMPENSATION FUNCTIONS IN NOVEMBER

Beginning in November, employers that previously filed unemployment compensation tax and/or wage reports and payments via e-TIDES will need to begin using the Unemployment Compensation Management System (UCMS), which will replace the unemployment compensation functions in e-TIDES. Employers and their representatives will continue to file and pay all other business taxes through e-TIDES.

Employers and their representatives, also known as third-party administrators or TPAs, will be able to do the following using the UCMS:

- File quarterly wage report (UC-2A) information online, which will calculate the tax report (UC-2) amounts;
- Upload files containing quarterly wage report and tax report information;
- Send files containing quarterly wage and

tax report information via file transfer protocol, or FTP;

- Amend previously filed quarterly wage and tax reports; and
- Pay all quarterly amounts due online, using ACH debit, ACH credit, credit cards or debit cards that don't require PINs.

With the arrival of the UCMS, third-party administrators representing more than one employer can file wage and tax report information for multiple clients through file transfer protocol or file upload. Filing quarterly wage reports via magnetic tapes, cartridges or diskettes will be discontinued.

For the latest information, visit the [Unemployment Compensation Management System](#) on the Department of Labor & Industry's website.

REVENUE DEPARTMENT DEBUTS NEW ONLINE LIST TO GET TAX SCOFFLAWS TO PAY WHAT THEY OWE

More Than 39,000 State Tax Liens Identified Against Individuals, Businesses Owing \$233 Million

As a follow-up to Pennsylvania's recent Tax Amnesty program, the Department of Revenue released in August a newly expanded online list detailing more than 39,000 state tax liens against individuals and businesses that owe \$233 million in state taxes.

"Before Tax Amnesty ended in June, we promised to step-up enforcement efforts against anyone who did not take advantage of that generous, yet limited-time offer to settle back taxes without having to pay all the penalties and interest," Revenue Secretary C. Daniel Hassell said. "Our exhaustive online list, naming tens of thousands of tax delinquents across the state, is the first step in fulfilling that pledge to pursue unpaid state taxes even more aggressively."

Publicly identifying tax delinquents can be a successful tax collection incentive. About half of all states use Internet lists to help collect unpaid taxes, including Delaware, Maryland, New York and Virginia.

The Pennsylvania tax delinquent list first debuted in April 2006. The prospect of appearing on the list encouraged delinquent taxpayers to pay \$127.3 million and enter into deferred payment plans for an additional \$12.6 million in previously unpaid taxes through June 2010.

The expanded tax delinquent list includes more than 10 times the number of tax delinquents

offered in previous versions. The list previously detailed only employer withholding and sales tax liabilities, but the new list includes information about all state tax liens filed since July 2009. The revised list will be updated monthly, rather than quarterly, to include newly filed liens and remove satisfied liens.

"By 'naming names' online, we hope to shame tax scofflaws into paying their fair share," said Hassell. "We don't like to have to embarrass taxpayers into complying with the law, but these tax delinquents leave us no choice. This list exposes tax cheats to the 97 percent of Pennsylvanians who already do the right thing and pay their taxes on time and in full."

Information on the website is public as a result of liens filed by the Revenue Department. Each lien is recorded in the prothonotary's office of the county where the person lives or does business. The amounts listed on the website represent the original lien amounts. The current amount of tax due may differ from the amount listed on the site because of partial payments and/or the accrual of additional interest since the tax lien was filed.

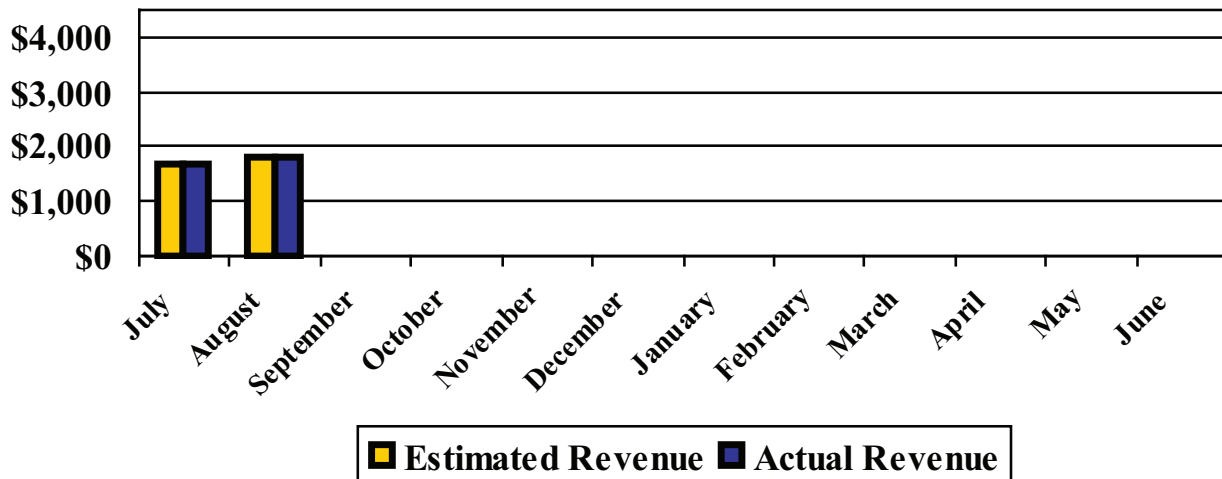
Anyone appearing on the list should call the Revenue Department at 717-783-3000 to make payment arrangements.

The complete tax delinquent list is available at www.revenue.state.pa.us, under the "Hot Topics" tab on the home page.

2010-2011 General Fund Revenues

Estimated versus Actual Revenue Collections (in millions)

For the first time in more than two years, General Fund collections exceeded estimate for the month and year-to-date in August. Fiscal year-to-date General Fund collections total \$3.5 billion, which is \$6 million, or 0.2 percent, above estimate.



REVENUE DEPARTMENT ANNOUNCES FALL TAX SEMINAR SCHEDULE

Opportunity for Tax Professionals to Earn Continuing Professional Education Credits

Secretary of Revenue C. Daniel Hassell encourages tax professionals to learn about changes to state tax laws and policies during one-day seminars to be held across the state this fall.

The Department of Revenue's fall tax seminars educate Pennsylvania tax professionals on personal income taxes, unemployment compensation, corporate taxes, inheritance tax and compliance initiatives. Resources available to tax practitioners at www.revenue.state.pa.us – which enable tax professionals to establish tax accounts for new businesses, file tax returns and pay state taxes online – are also detailed.

"For 28 years the Revenue Department has offered these seminars to educate tax professionals on changes in tax laws," said Hassell. "I encourage accountants, lawyers and other tax professionals to take advantage of these informative sessions."

A nominal fee is charged for each seminar by the host institution. Participants receive eight continuing professional education (CPE) credits upon successful completion of a day-long seminar. Space in many of the locations is limited, so those interested in attending should reserve a seat as soon as possible. Pre-registration is required.

2010 FALL TAX SEMINARS SCHEDULE

SPONSOR	DAY	DATE	CONTACT PERSON	SEMINAR LOCATION
CPE Forum of Central PA 601 Hawthorne Drive, Suite 2-B Hollidaysburg, PA 16648	Thursday	09-23-2010	Kelly Park 814-695-1558 kelly.park@wfadvisors.com	The Casino 300 Lakemont Park Blvd. Altoona, PA 16602
Alvernia College 400 St. Bernadine St. Reading, PA 19607	Wednesday	10-6-2010	Alan D. Ross, C.P.A. 610-372-9911 Aross@RossCpa.com	Alvernia College 400 St. Bernadine St. Reading, PA 19607
PA Department of Revenue (Limited to Government Employees)	Monday	10-18-2010	Sylvia Olimpi solimpi@state.pa.us	The State Museum of PA Auditorium 300 North Street Harrisburg, PA 17120
PSPA	Wednesday	10-20-2010	Sherry DeAgostino 1-800-270-3352 execdir@pspa-state.org	Best Western Lehigh Valley Hotel & Conference Center 300 Gateway Drive Bethlehem, PA 18017
Duquesne University School of Bus. and Adm. 701 Rockwell Hall Pittsburgh, PA 15282-0104	Tuesday	10-26-2010	Pat Police 412-396-1643 police@duq.edu	Duquesne Union Hall Duquesne University Campus Pittsburgh, PA 15282-0104
Wilkes University Continuing Education Dept. 84 W. South St. Wilkes-Barre, PA 18766	Thursday	11-4-2010	Margaret Petty 570-408-4460 Margaret.Petty@wilkes.edu	The Woodlands Inn and Resort Highway 315 Wilkes-Barre, PA 18766
Harrisburg Area Community College 1 HACC Drive Harrisburg, PA 17110	Tuesday	11-16-2010	Non-Credit Registration Dept. 717-780-2414 mjlampre@hacc.edu	C. Ted Lick Wildwood Conference Center Harrisburg Area Community College 1 HACC Drive Harrisburg, PA 17110-2999
Neumann University Continuing Education Dept. 1 Neumann Drive Aston, PA 19014-1298	Thursday	11-18-2010	Allison Jones 610-358-4580 jonesa@neumann.edu	Neumann University Thomas A. Bruder, Jr. Life Center 1 Neumann Drive Aston, PA 19014
Penn State University 1600 Woodland Rd. Abington, PA 19001	Wednesday	12-15-2010	Theresa Bloom 215-881-7402 tmb17@psu.edu	Penn State University Abington Campus

2010 FALL TAX SEMINAR AGENDA

See Page 5 for Seminar Information

TIME	TOPIC	PRESENTER
8:30 - 10:00 a.m.	INTRODUCTION & PERSONAL INCOME TAX UPDATES <ul style="list-style-type: none"> ➤ 2010 Tax Law Changes ➤ PA E-File Mandate ➤ Common PIT and Federal Reporting Differences by Class of Income 	David A. Braden, CPA or Sylvia Olimpi <i>Revenue, Bureau of Individual Taxes</i>
10:00 - 10:15 a.m. Break		
10:15 - 10:45 a.m.	PASS THROUGH BUSINESS UPDATES <ul style="list-style-type: none"> ➤ PA Fiduciary Income Tax Returns ➤ Update Regarding the PA Taxation of Pass-Through Entities 	Regis Egan <i>Revenue, Pass-Through Business Office</i>
10:45 - 11:45 a.m.	JOINT PRESENTATION: CORPORATION TAXES AND PASS-THROUGH BUSINESS <ul style="list-style-type: none"> ➤ Differences Between PA Personal Income Tax and PA Corporate Net Income Tax ➤ Common Problems 	Regis Egan and Michael Answine, Joseph Clover, Jeffrey A. Creveling, John Naccarato or Greg Skotnicki <i>Revenue, Bureau of Corporation Taxes/Pass-Through Business Office</i>
11:45 - 12:15 p.m.	CORPORATION TAXES UPDATES <ul style="list-style-type: none"> ➤ Reports of Change ➤ Amended Reports ➤ Changes Affecting 2010 Tax Liabilities 	Michael Answine, Joseph Clover, Jeffrey A. Creveling, John Naccarato or Greg Skotnicki <i>Revenue, Bureau of Corporation Taxes</i>
12:15 - 1:15 p.m. Lunch		
1:15 - 2:15 p.m.	INHERITANCE TAX <ul style="list-style-type: none"> ➤ General Issues ➤ Completing the Return ➤ Common Errors to Avoid ➤ Reference Material 	J. Paul Dibert or Holly Moore <i>Revenue, Inheritance Tax Division</i>
2:15- 2:30 p.m. Break		
2:30 - 3:30 p.m.	UNEMPLOYMENT COMPENSATION TAX <ul style="list-style-type: none"> ➤ New Features ➤ Changes to Expect ➤ Spotlighting the Employer Portal 	R. Michael Neely, Kenneth Kuklar or Steven C. Bobb <i>Department of Labor & Industry</i>
3:30 - 4:30 p.m.	BUSINESS USE TAX AND VOLUNTARY COMPLIANCE INITIATIVES <ul style="list-style-type: none"> ➤ Stimulating Voluntary Compliance ➤ Review of Voluntary Compliance Initiatives ➤ Use Tax - Canvassing of Businesses ➤ Review of Post-Amnesty Enforcement Initiatives 	James Foster, William Hartman, CPA or Kevin Milligan <i>Revenue, Bureau of Enforcement Planning, Analysis, and Discovery</i>

In compliance with the Americans with Disabilities Act, the department will make every effort to provide content in an alternative format to persons with disabilities.

HOW TO PASS THROUGH RESTRICTED TAX CREDITS TO APPLY AGAINST PA PERSONAL INCOME TAX LIABILITIES

In effort to clarify procedures for individuals who wish to apply restricted tax credits to Pennsylvania personal income tax liabilities, the department revised Chapter 17 of the PA Personal Income Tax Guide, which can be found at www.revenue.state.pa.us. Following are some basic guidelines for passing through tax credits to entity owners from the entities to which credits were awarded.

Prior to passing tax credits through to entity owners, some credits must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is granted. If the entity has a tax liability for the tax year in which the credit is approved for use, the tax credit must first be applied to that tax liability.

If an entity does not use all approved tax credits, it may elect in writing to pass through all or a portion of the tax credit to owners, in proportion to the share of the entity's distributive income to which the owner is entitled. In most cases, the tax credit may be applied up to the full amount of owners' tax liabilities, minus any other nonrefundable credits that are applied first.

An owner of a pass-through entity to which a tax credit is transferred must immediately claim the credit in the tax year in which the transfer is made. The owner may not carry forward, carry back, obtain a refund of, sell, assign or pass through the tax credit again.

To pass through tax credits to owners, an entity must submit a request on entity letterhead to the Department of Revenue at the following address, listing the name and address of each owner, amount of tax credit to

be passed through, tax year, tax type and owner's tax identification number.

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PO BOX 280701
HARRISBURG PA 17128-0701

The statement must be signed by an authorized representative of the entity, and it should be submitted before owners file their individual tax returns.

Some tax credit programs provide a claim form, located on the reverse side of the award letter. Credit awardees should use the claim form to indicate the tax accounts to which the credit should be applied.

There are two exceptions to the process outlined here for passing through tax credit:

- To pass through an Educational Improvement Tax Credit, a taxpayer must complete and submit the Educational Improvement Tax Credit Election Form, REV-1123.
- To pass through a Keystone Innovation Zone Tax Credit, visit the Department of Community and Economic Development's website at www.newpa.com or call 1-800-379-7448.

For general information pertaining to all restricted tax credits as well as specific details regarding each tax credit individually – including each tax credit's carry-forward and pass-through rules, applications and guidelines – review Chapter 17 of the PA Personal Income Tax Guide.

SEVERANCE TAX TO PROTECT ENVIRONMENT, SUPPORT COMMUNITIES AFFECTED BY MARCELLUS SHALE GAS INDUSTRY

Pennsylvania's booming natural gas industry is creating new economic opportunities across much of the state, but the widespread drilling activity is also creating new challenges for communities and the environment. Those challenges carry a cost.

In communities where drilling is taking place, local officials are dealing with additional demands on their already limited financial resources to maintain roads, bridges and other infrastructure, and to provide important social services, which are also in greater demand. Drilling activities are also posing new threats to water supplies, air quality and the state's other natural resources.

To help offset the additional costs of dealing with these and other issues, lawmakers and the Governor have agreed to enact a severance tax by Oct. 1 on natural gas taken from the ground. This levy will ensure drillers to pay their fair share for taking advantage of local resources and will provide local governments funds to keep communities safe, accommodate the drilling rush and continue providing valuable services and resources to residents. It will also ensure important environmental protection programs and organizations receive

additional funding to protect the land and clean up waterways, among other work.

"The Marcellus Shale gas industry is just getting started in Pennsylvania, so we have the opportunity now to ensure that adequate resources are available for local and state government to meeting growing demand for services and protect the environment," said Governor Edward G. Rendell during a recent visit to a Tioga County community impacted by drilling. "To accomplish these goals, the gas companies profiting from this rapidly growing industry should be willing to pay a fair share levy."

Pennsylvania is the 15th largest natural gas production state in the U.S. and the only major energy-producing state that does not levy a tax on natural gas extraction. Even the energy giant states of Alaska and Texas impose a severance tax. Earlier this year, Governor Rendell proposed a severance tax on natural gas extraction modeled after West Virginia's levy, making Pennsylvania's proposed severance tax less of a burden to drilling companies than many of the fees on the books in 28 other states.

In a recent poll, eight out of 10 Pennsylvanians said they favor a tax on gas companies to fund programs that will protect the environment and help local governments handle increased demand for services.

MARCELLUS SHALE E-NEWSLETTER OFFERS WEEKLY POLICY, ENVIRONMENTAL NEWS ON BURGEONING PENNSYLVANIA INDUSTRY

In the past three years, Pennsylvania has become the epicenter of natural gas exploration, with dozens of companies seeking to capitalize on the abundant natural resources in the Marcellus Shale formation. The consequences of this rapidly growing industry affect us all.

In coming months, policy makers will work on important issues related to drilling in Pennsylvania. From enacting a severance tax, so large drilling firms pay their fair share, to writing laws that could affect landowners' rights when it comes to drilling on or under their property, there will be tremendous focus on drilling-related issues.

To follow all of these developments, register for the [Marcellus Shale Examiner](#). This weekly e-newsletter will chronicle the latest news on Marcellus Shale activities, including the following:

- How county and local governments and emergency responders are handling the drilling rush taking place in their backyards;

- How state agencies are working to protect Pennsylvania's natural resources and keep communities safe;
- How the public and landowners are responding to pressures to lease their land or tracts in their neighborhoods for drilling;
- How drilling companies operating in Pennsylvania have received billions of dollars from foreign nations and large multinational corporations that are anxious to get a piece of the action; and
- How state officials are addressing the issues associated with drilling.

It is important for Pennsylvania's business leaders to understand the impact drilling into the Marcellus Shale has on our communities today and what it will mean for our state tomorrow.

Register to receive the [Marcellus Shale Examiner](#) today.



The Marcellus Shale **Examiner**

SEPTEMBER IS NATIONAL PREPAREDNESS MONTH

September is National Preparedness Month — a time when federal, state and local partners encourage citizens to prepare for emergencies in their homes, businesses and communities.

The ReadyPA campaign can help you and your loved ones prepare for a disaster. The campaign's website, www.ReadyPA.org (or call 1-888-9-READYPA) offers important

information like what to include in a preparedness kit and how to create a family emergency plan.

Knowing what to do is your best defense in any emergency so start planning now. This September, share that message with others by encouraging them to "Be Informed, Be Prepared, and Be Involved."



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.