



pennsylvania
DEPARTMENT OF REVENUE

TAX UPDATE

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Tax Update is a bi-monthly e-newsletter published by
the Pennsylvania Department of Revenue

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Governor
Tom Wolf

Secretary of Revenue
C. Daniel Hassell

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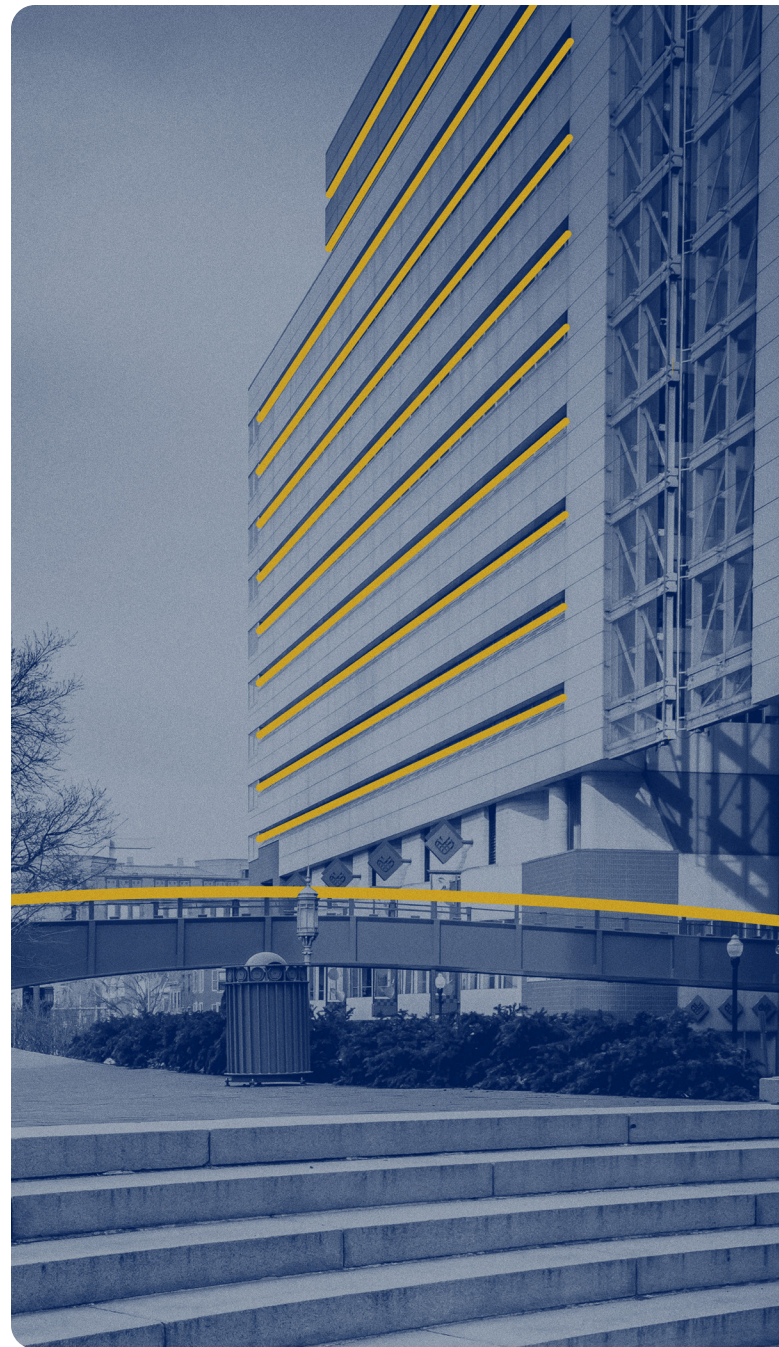
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The No. 1 goal in the department's strategic plan is to continually improve customer service.

- Revenue Secretary Dan Hassell

PENNSYLVANIA TAXPAYERS USING NEW ONLINE FILING OPTIONS ON MYPATH DURING INCOME TAX FILING SEASON

The Department of Revenue recently reached another important milestone in its modernization project when it transitioned personal income tax (PIT) into its new tax system, the Pennsylvania Tax Hub (PATH). As of mid-May, the department has used PATH to process more than 5 million PIT returns from the 2020 tax year. The department also has received positive feedback from customers who have used **myPATH**, the online self-service portal that was launched to provide taxpayers with new electronic service options, including for PIT filing and payments.

“We are thrilled that many of our taxpayers are using **myPATH** and finding the new system to be easy to use,” Revenue Secretary Dan Hassell said. “So far, our first income tax season in the new system has been running smoothly. This is a very encouraging development that is helping us take another step toward our goal of continually improving customer service.”

In addition to adding personal income tax to PATH, the department also has transitioned the Property Tax/Rent Rebate Program to the system. That means that claimants now have a way to electronically file their rebate claims for the first time in the program’s history by visiting **myPATH**. As of mid-May, more than 30,000 claims from the 2020 claim year had been filed through **myPATH**.

Additionally, the department is also taking other significant steps forward in its modernization project. The project team is hard at work on the fourth phase of the project, which will involve transitioning the following tax types into PATH:

- Tavern Games Tax
- Pari-Mutuel Wagering Tax
- Cigarette Non-Participating Manufacturer
- Cigarette Stamp Tax (including Fire-Safe Certification)
- Agriculture Cooperative Tax
- Electric Cooperative Tax

It is anticipated that this phase of the project will be completed later this year. Afterward, the focus will turn toward a fifth phase that will involve transitioning all business taxes into PATH by the end of 2022. Secretary Hassell noted that the project has gone exceptionally well to date while remaining on time and on budget.

“Our success with the PATH project is due to the hard work and dedication of many people, including our modernization project team, which is comprised of employees from Revenue, the Office of Administration’s Employment, Banking and Revenue Delivery Center, and Fast Enterprises, LLC, our vendor on the project,” Hassell said. “Along with the help of many others within the department, the improvements that we are making greatly help the department perform its core function of collecting the revenue that funds essential programs and services for Pennsylvanians.”

To find out more about the other taxes that have been transitioned into PATH, visit www.revenue.pa.gov/mypathinformation. 📌



Benefits of Electronically Filing Your Return with

myPATH
PENNSYLVANIA TAX HUB

SAFE

EASY

FAST

DIRECT DEPOSIT

REVENUE SECRETARY APPOINTED TO TRANSPORTATION REVENUE OPTIONS COMMISSION

Department of Revenue Secretary Dan Hassell was recently appointed to the commonwealth's Transportation Revenue Options Commission, which will develop comprehensive funding recommendations for Pennsylvania's large and aging infrastructure. Secretary Hassell was appointed to the commission by Governor Tom Wolf, who has made a commitment to phasing out Pennsylvania's gas tax due to it being an unreliable source for funding Pennsylvania's vast transportation network.

"Our economy, our communities, and our future rely on a strong transportation system that supports our safety and growth. We have more than \$9 billion in annual unmet needs across our state-maintained transportation system alone. At the same time, Pennsylvania is relying too much on outdated, unreliable funding methods, and the federal government hasn't taken meaningful action in decades," Gov. Wolf said. "Phasing out the burdensome gas tax, coupled with seeking long-term reliable funding solutions that will keep pace with our infrastructure needs, deserves a close examination. Forming this bipartisan commission will bring multiple, bipartisan voices to the table to ensure that we can examine reliable, sustainable revenue solutions to address both near-term and long-term funding needs."

Pennsylvania has one of the largest state-owned transportation networks in the country, with nearly 40,000 miles of roads and over 25,400 bridges under its direct purview. PennDOT also oversees aviation, rail freight, public transportation, ports, pedestrian and bicycle programs.

In 2019, the Transportation Advisory Committee (TAC) identified major risks to transportation funding such as reduced fuel revenues, unpredictable federal funding, and legislative changes to reduce commitments.

PennDOT's latest assessment places the annual gap of its needs in all modes and facilities at \$9.3 billion, growing to an annual \$14.5 billion gap by 2030.

Further, as more fuel-efficient cars and technologies are created, reliance on the gas tax for state revenue is less and less dependable. Any phase out of the gas tax will need to be coupled with new or replacement revenue.

The Transportation Revenue Options Commission is comprised of transportation, economic, and community stakeholders from both the public and private sectors, including majority and minority leaders from the House and Senate Transportation and Appropriations committees. PennDOT Secretary Yassmin Gramian will serve as commission chair.

The commission held its first meeting on March 25 and a report of commission activities and funding options will be submitted to the Governor before Aug. 1, 2021. 🏠



DEPARTMENT OF REVENUE SECRETARY,
DAN HASSELL



VERIFYING PAYMENTS AND CREDITS IN myPATH

With recent improvements to **myPATH**, there are now several options that allow tax practitioners who handle Fiduciary Tax Returns, Nonresident Consolidated Returns, Pass Through Entities and Personal Income Tax Returns to easily verify a client's estimated payments, extension payments, and carry forward credits.

Getting Started in myPATH

As a tax practitioner, it is recommended that you create a third-party user profile in **myPATH** to request access to your client's account. Once this access is granted, you will have the ability to view all returns, payments and credits on the specific tax account in question.

If you are unable to create a user profile or you need access to this information immediately, you can verify payments or credits as a non-logged in function directly from the **myPATH** homepage.

To do so, you will need to have the following:

- Your client's full Social Security number.
- The payment amount for any payment made for the tax year you are verifying.
- The amount of carry forward credit from the previous tax year.

Once you have the necessary information, take the following steps:

1. Visit the **myPATH** home page at mypath.pa.gov.
2. Go to the Payments panel and click on Track My Payments and Credits.
3. Select the tax year for which you are verifying the payments as well as the account type.
4. Enter the client's SSN or EIN and if it was their first-year filing, select the option that notes this is the first year your client has filed a PA tax return (or not).
5. After filling in the required information and hitting search, a screen will appear below listing all payments for the requested tax year.

First Time Filers

If you selected "Yes" to it being the first year your client filed a tax return in PA, you will only be able to use the amount of a payment made for that tax year.

Recurring Individuals and Fiduciary Filers

If your client has filed in prior years, you will have the option to use either a payment from the requested tax year or use the carry forward credit from a prior year.

Recurring Nonresident Consolidated and Pass-Through Filers

Returning Nonresident Consolidated customers can search using an extension payment submitted to PA for the tax year in question.

Verifying Payments and Credits by Phone

The department also offers the option to verify payments and credits through an automated phone line by calling 1-888-728-2937.

To check the payments over the phone you will need the following:

- Client's full social security number.
- Payment amount for first estimated payment made during the year you are verifying.
- Original tax liability from the prior year tax return.

Once you have the necessary information, take the following steps:

1. Call 1-888-PATAXES (888-728-2937)
2. Select option 1 for verifying Personnel Income Tax return status and estimated/extension payments.
3. Enter the SSN/EIN and tax year you are inquiring about and then hit the # sign.
4. Enter the tax year for which you are calling then hit the # sign.
5. You will then be asked if your client has filed their tax return for that year (1 for yes, 2 for no).

Option 1: Return Has Been Filed

If you select this option, you will only receive a status update on whether the return has been received/accepted and the return's current processing stage.

To verify estimated payments for a return already filed, you will need to:

- Visit the home page at mypath.pa.gov.
- Go to the Payments panel and click on Track My Payments and Credits.
- Follow the prompts.

Option 2: Return Has Not Yet Been Filed

If a return has not yet been filed, you will be given two options on how to verify your client.

When entering payment amounts, only use whole dollar amounts and do not account for cents.

- Option 1: Enter in the amount of the first quarter payment for the year you are inquiring about.
 - Note: If your client did not make a payment in the first quarter, do not use this option as the system does not accept \$0 as a valid amount.
- Option 2: Enter in the amount of the previous tax years liability.
 - Once confirmed, the system will give you the payment amounts made for the tax year.

Tax Help Online and Over the Phone

If at any point in this process you require additional assistance, the Department of Revenue offers help through its **Online Customer Service Center**. This online option provides taxpayers with answers to specific questions about a number of tax-related topics. It also provides an option to submit a question to a Department of Revenue representative through a secure, electronic process that is similar to sending an email.

In addition to online assistance, the Department of Revenue's Customer Experience Center is available by calling 717-787-8201. The call center is open 8:30 a.m. to 5 p.m. on weekdays. Taxpayers may also **schedule a call** at a time that is convenient for them. 📞

ID VALIDATION LETTER GUIDANCE FOR TAXPAYERS AND TAX PRACTITIONERS

Safeguarding taxpayer information is a top priority for the Department of Revenue, which is why it is critical to implement a variety of tools to protect taxpayers and prevent others from trying to file a false tax return in their name.

One of these tools is identity validation letters. In certain situations, the department will send out an identity validation letter requiring the taxpayer to perform an action in order to confirm their identity. This must be completed before their refund will be released, so it is very important that these notices are not ignored.

The department has three types of ID validation letters that can be issued to a client or taxpayer:

1. Identity Verification Notice
2. Identity Validation Quiz Required
3. Identity Validation Unsuccessful (a request for additional information)

The information below explains each letter type and what steps need to be taken if a taxpayer or client receives an identity validation letter.

Please keep in mind that the ID Verification Code and Quiz letters are time sensitive. Customers will have 65 days from the date on the letter to complete the code validation or quiz. If it is not done within this timeframe, it will be considered an automatic fail which cannot be reset by the department.

ID Validation actions can be completed directly from the **myPATH** Homepage and do not require the taxpayer to establish a **myPATH** user profile.

Identity Verification Notice

The Identity Verification Notice contains a unique code that the taxpayer will need to verify in **myPATH**. In order to complete this action, the taxpayer will need to have his or her notice ready and their PA-40 from the tax period indicated on the letter. The department strongly encourages that taxpayers complete this step on their own, but if they experience an issue, a practitioner may complete it on their behalf.

This can be completed by going to the **myPATH** homepage and selecting the **Refunds** tile and selecting **Enter Verification Code**. You will then be prompted to enter in the **code** and answer questions pertaining to the return. Confirmation will be received once the process is complete.

Identity Verification Quiz Required

If a client or taxpayer receives an Identity Verification Quiz Required notice, the taxpayer **must** complete the verification quiz on their own. If a practitioner attempts to complete the quiz on the taxpayer's behalf, it could result in additional issues that would delay the processing of their return.

To complete the required action for an Identity Verification Quiz Required notice, the taxpayer will need their ID Verification Letter, their PA-40 for the tax period indicated on the notice, and any additional documentation listed in the **“What you need to do”** section of the notice. Once on the **myPATH** homepage, the taxpayer will need to go to the **Individuals** tile and select the **Take ID Verification Quiz**. The system will then prompt them to enter the required information and answer a series of very specific questions. If the taxpayer fails the quiz, they will not be able to retry.

Identity Validation Unsuccessful

The Identity Validation Unsuccessful notice informs taxpayers that the department has previously tried to contact them to validate their identity. In some situations, there is a possibility that the department did not have enough historical data on file to generate a quiz or code request. In any situation, if this notice is triggered, the department requires the taxpayer to submit additional documentation.

Any required documents to complete this notice will be outlined in the **“What you need to do”** section of the letter. The most efficient way to submit the information is through **myPATH**. From the **myPATH** homepage, the taxpayer should select the **Submissions** tile, followed by the **Respond to A Letter** link. This is where they will be required to enter in the **Letter ID** and follow the prompts. At

this point, documents may be uploaded and submitted to the department. Once completed, a confirmation number will be provided, which allows taxpayers and practitioners to check the status of the submission at any time.

Identity Theft Victim Assistance

If a taxpayer believes they may be a victim or discover a fraudulent PA personal income tax return was filed using their identity, the department strongly encourages reporting the activity directly to the department's Fraud Detection and Analysis Unit by emailing **RA-RVPITFRAUD@pa.gov** or calling 717-772-9297.

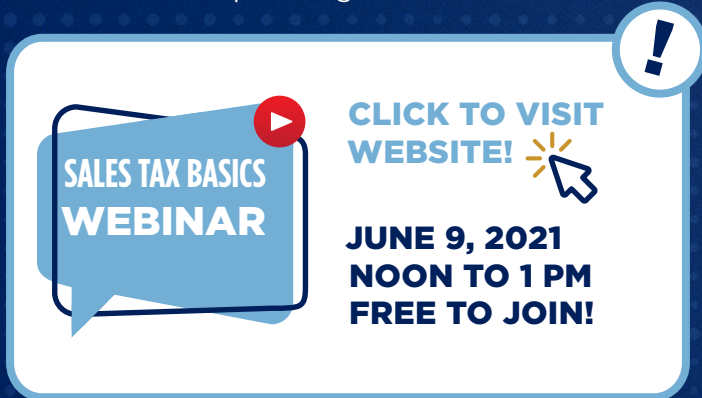
Additional information may also be found on the department's **Identity Theft Victim Assistance webpage**. 📄



DEPARTMENT OF REVENUE TO CONTINUE 2021 PA TAX WEBINAR SERIES

The Department of Revenue is pleased to announce that it will continue its webinar series throughout 2021. This series will feature experts from the Department of Revenue providing guidance to business owners to help them better understand how to appropriately meet their tax obligations and effectively keep records. The intent of the webinars is to set up businesses for success and to help them grow.

This webinar will also provide information about exemptions, use tax, and resources to help you every step of the way as your business grows.



**SALES TAX BASICS
WEBINAR**

**CLICK TO VISIT
WEBSITE!**

**JUNE 9, 2021
NOON TO 1 PM
FREE TO JOIN!**

Your business is set up and ready to go. Before you make those first sales, you need to have a basic knowledge of Pennsylvania sales tax. This webinar is intended to answer common questions such as: Who needs to be registered to collect PA sales tax? What items are taxable? When does sales tax need to be charged? Where do I file and pay? How do I keep proper records?



**RECORDKEEPING
FOR BUSINESS TAXES
WEBINAR**

**CLICK TO VISIT
WEBSITE!**

**JULY 14, 2021
NOON TO 1 PM
FREE TO JOIN!**

In this course, department experts focus on the best practices as they relate to Pennsylvania tax records with the goal of helping your business maintain compliance with the tax laws. This course will explore general recordkeeping requirements, specific requirements for your sales and business expenses, and other recordkeeping requirements for those of your employees. 📁



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PA UNITES
AGAINST
COVID

MANAGING PA TAXES FOR GIG WORKERS

The **COVID-19 pandemic** led to many Pennsylvanians pursuing employment in different job sectors, including the “gig economy.” This includes people who worked full-time or part-time as a “gig worker.” Although the 2020 tax filing deadline has passed, the Department of Revenue wants to help provide gig workers with information to ensure they maintain and satisfy their Pennsylvania tax obligations. The guidance below is for educational purposes and pertains to Pennsylvania taxes – not federal taxes.

Are You a Gig Worker?


A gig worker is a person who works temporary jobs typically as an independent contractor, freelancer or a worker in the gig economy.

What is Gig Work?

Gig work is often performed through an app, website and other digital platforms to earn income.

Gig work can include:

- Driving a car for booked rides or deliveries
- Running errands or completing tasks
- Providing other temporary, on-demand or freelance work

 **Note:** The examples above do not include all types of gig work. If you are unsure if you are an employee or independent contractor, contact your employer for additional clarification.

Are Gig Workers Required to File a PA Personal Income Tax Return?

Yes. All Pennsylvania taxpayers who receive more than \$33 in total gross taxable income in a calendar year must file a Pennsylvania personal income tax return.


If you do gig work as an employee, the gig employer may withhold tax from your paycheck. If you do gig work as an independent contractor or freelancer, and the gig employer does not withhold tax, each year you may have to personally withhold a portion of your income to fulfill your PA personal income tax obligation.

If you do not have tax withheld by your employer, you may also be required to make estimated tax payments. If your net income as a gig worker plus any other income (other than employee compensation where PA tax was withheld) is greater than \$8,000, you should make quarterly estimated payments. To find out more about estimated payments refer to the **REV-413 I, 2021 Instructions for Estimating PA Personal Income Tax**, and the **REV-414 (I), 2021 Individuals Worksheet for Estimated Tax**.

How do Gig Workers File a PA Personal Income Tax Return?

Gig workers should report earned income and incurred expenses while performing gig work on **PA-40 Schedule C**. To complete the PA-40 Schedule C, a gig employer should provide the gig worker with one or more of the following IRS tax documents:

- **1099-K** – If a gig worker earned more than \$600* in customer payments in the last year, they should be sent Form 1099-K. This form includes a breakdown of your annual gross earnings.
- **1099-NEC** – Some gig employers may provide monetary incentives to become a gig worker, such as sign-up bonuses, promotional referrals or other miscellaneous payments. If a gig worker received \$600 or more of these types of payments, they may receive Form 1099-NEC, which provides a summary of those payments.
- **1099-MISC** – As a gig worker, you may also receive monetary prizes, awards or compensation while performing gig services. In these instances, a gig worker who received \$600 or more of these types of payments may receive Form 1099-MISC, which provides a summary of those payments.

 **Note:** If the income reported to a gig worker does not include the amount of tips received, that income is required to be included when filing PA-40 Schedule C. Any cash tips not reported to a gig employer should also be included. Additionally, if you have income from one of the types listed above under the descriptions for 1099-K, 1099-NEC, or 1099-MISC and the income amount is under the threshold for reporting the income to you on such forms, the income you received must still be reported.

Filing Your PA Personal Income Tax Return with myPATH

Although the 2020 tax filing deadline has passed, **myPATH** still offers gig workers a free, user-friendly option that allows most taxpayers to seamlessly file the Pennsylvania Income Tax Return (PA-40), make income tax payments and in some instances make estimated payments. The system also helps gig workers complete the PA-40 Schedule C noted in the prior section.

Using the electronic filing option available through **mypath.pa.gov** also offers many benefits, including:

- Fast and free return/refund processing
- The benefit of error-reducing automatic calculators
- The **“Where’s My Income Tax Refund?”** system to track the status of a refund
- Instant confirmation of a successful filing
- User-friendly options that are not available to taxpayers filing by paper
- The ability to view a detailed Statement of Account for personal income tax

Learn more about the online filing features available for **Pennsylvania personal income tax** by visiting **mypath.pa.gov**.

Record Keeping/Expenses


As a gig worker, keeping records and receipts throughout the year can help track deductible expenses, which could help lower the tax amount you owe when it comes time to file.

MANAGING PA TAXES FOR GIG WORKERS

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The list below are some deductible expenses that may benefit gig workers:

- Vehicle Expenses/Mileage - Taxpayer vehicle expenses may be claimed using actual expenses or the federal standard mileage rate method for the business use portion of the vehicle. Visit the department's website for more information on how to calculate **unreimbursed business expense mileage**.
- Interest on a Car Loan - Interest on a car loan may be deductible to the extent of the business use portion of the vehicle.
- Other Business Expenses - Necessary, actual and directly related business expenses may be deductible, such as supplies for use by customers.

 **Note:** The examples provided above do not include all deductible expenses. For more information on reporting expenses, please see department publication **REV-1831: Tips for reporting common expenses (Schedule C)**.

Tax Help Online and Over the Phone

The Department of Revenue offers help through its **Online Customer Service Center**. This online option provides taxpayers with answers to specific questions about a number of tax-related topics. It also provides an option to submit a question to a Department of Revenue representative through a secure, electronic process that is similar to sending an email.

In addition to online assistance, the Department of Revenue's Customer Experience Center is available by calling 717-787-8201. The call center is open 8 a.m. to 5 p.m. on weekdays. Taxpayers may also **schedule a call** at a time that is convenient for them.

Other Assistance

Other valuable information on managing taxes as a gig worker in Pennsylvania can be found in the Department of Revenue publication, **Starting a Business in Pennsylvania - A Guide to Pennsylvania Taxes**.

Free tax forms and instructions are also available at **www.revenue.pa.gov**. You can also visit the department's pages on **Facebook**, **Twitter** and **LinkedIn** for helpful tax information. 📌

**The 1099-K threshold for the amount earned in customer payments has been updated to reflect changes stemming from the passage of the American Rescue Plan Act of 2021 (ARPA), which was signed into law on March 11th, 2021. This law will become effective in 2022 and will impact the January 2023 filings.*

This article originally appeared on PA Tax Talk, the Department of Revenue's blog. PA Tax Talk provides taxpayers and tax professionals with the latest news and developments from the department.



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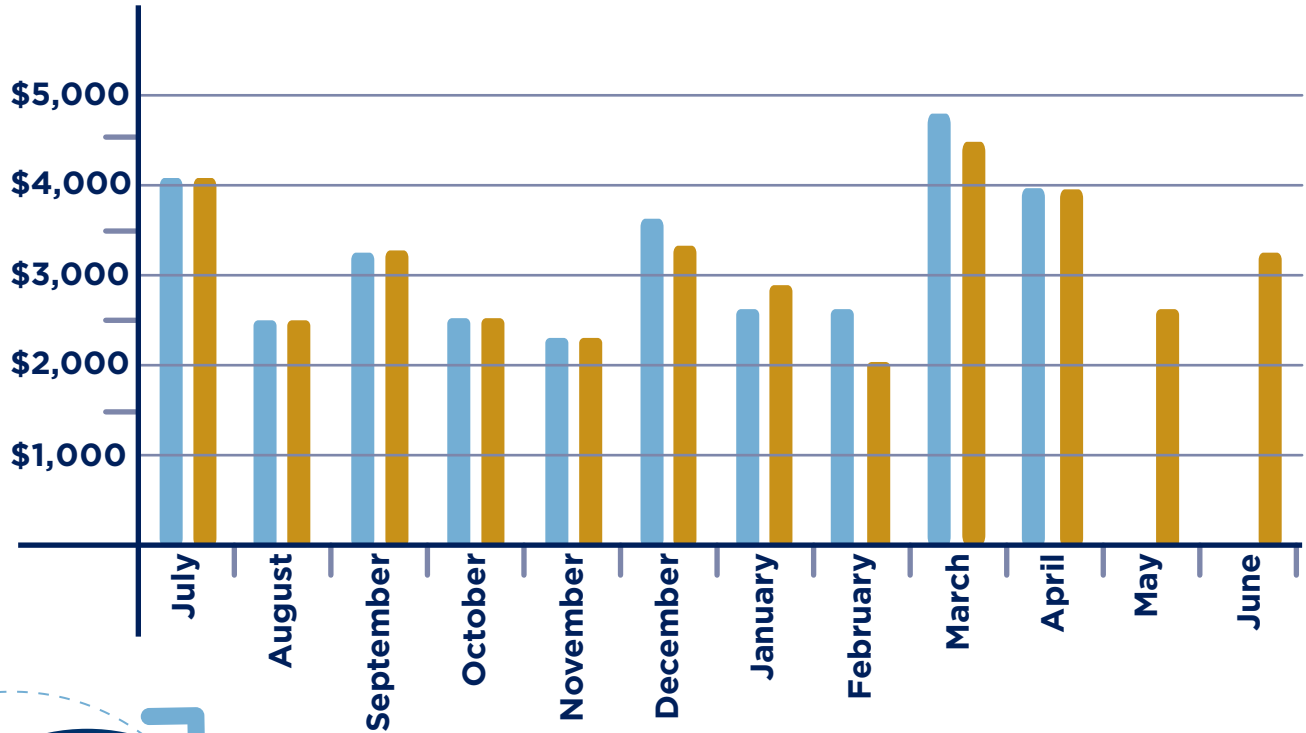
2020-2021 General Fund Revenues

Estimated vs. Actual Revenue Collections (in millions)

Through April, General Fund collections totaled \$32.7 billion in 2020-21

Actual Revenue

Estimated Revenue



GRAPH

ACTUAL FIGURES
(in millions)

Month	Actual Revenues	Estimated Revenues
July	4,104	4,103
August	2,548	2,537
September	3,262	3,271
October	2,592	2,595
November	2,339	2,338
December	3,684	3,216
January	2,658	2,821
February	2,684	2,090
March	4,843	4,465
April	3,962	3,934
May		2,386
June		3,200