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GOVERNOR CORBETT UNVEILS 2011-12 BUDGET, BALANCED AND BUILT ON FISCAL DISCIPLINE, FREE ENTERPRISE, LIMITED AND TRANSPARENT GOVERNMENT

On March 8, Governor Tom Corbett presented his 2011-12 budget to the state legislature – a budget that is balanced and does not raise taxes for the residents of Pennsylvania.

"I'm proposing something we haven't had in a long time: a reality-based budget," Corbett said. "To the people of Pennsylvania, the taxpayers who sent us here, I want to say something you haven't heard often enough from this building: We get the picture. It's your money."

Specifically, the new, \$27.3 billion budget focuses on improving four key elements: fiscal discipline, free enterprise, limited government and reform.

The new budget cuts government spending by 3 percent, most of which is done by consolidating programs, targeting inefficiencies and reducing or eliminating discretionary financial grants.

It maintains, and in some cases expands, programs to protect its people and provide services, including care for the commonwealth's neediest citizens, supporting our State Police and military troops as well as making schools safer for our children.

Incentives will be offered to encourage growth and improvements in Pennsylvania's business communities and education system.

Facing a \$4.16 billion deficit, hard choices had to be made.

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FAST FACT:

The Department of Revenue adopted a business-friendly approach to corporate tax bonus depreciation that will benefit as many as 117,000 corporate taxpayers.

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Fiscal Discipline

"Fiscal discipline means no new spending," Corbett said. "It's easy to find a reason to spend. Now we have a reason to stop."

That means:

- No tax increases and no relying on one-time gimmicks, like borrowing from one fund to pay for another program. This returns state spending to nearly 2008-09 levels.
- Consolidating additional appropriations to streamline state government and providing flexibility to grant recipients. Cutting administrative costs and keep working to continue reducing state spending. Already, per diems for employees have been eliminated, the vehicle fleet is being reduced, existing boards and commissions are under review.

Limited and Transparent Government

"Limited government means not mistaking someone else's property for your own," Corbett said. "Our job isn't to spend; it's to conserve. Our job isn't to buy off our problems; it's to solve them."

This includes:

- Providing more budget, capital and workforce information in a user-friendly format online, including expenditures and performance measures. Creating an online [budget "dashboard,"](#) to put citizens in the driver's seat, so they can view the budget, track spending and revenue sources – and make government more accountable to the taxpayers.
- Establishing a new governor's privatization task force to determine which government functions might be unnecessary and might be better done by the private sector. Not to eliminate government, but to eliminate unnecessary government.

Reform

"We have an obligation to get things right," Corbett said. "To set straight that which is crooked, to balance scales too long tipped out of balance by the quick fix and the easy answer."

To accomplish this, the Governor proposed:

- Property tax reform. If school district officials propose new property tax increases greater

than the rate of inflation, the Governor proposed it be put on the ballot. Let the citizens decide how their local tax dollars are spent.

- Legal and Tort Reform. Excessive and frivolous lawsuits hinder job growth and hurt taxpayers by increasing costs for business, healthcare, consumer goods and services. Pennsylvania should no longer remain one of the few states where the legal system can hold a person, company or local government agency liable for 100 percent of the damages despite having had only a minor role in any incident resulting in a lawsuit.
- Reinstating the phase-out of the capital stock and foreign franchise tax until the tax is eliminated in 2014. Laying the foundation for more job-creating tax cuts, reducing the corporate net income tax, eliminate the inheritance tax and the cap on net operating loss allowance.

Free Enterprise

"We have set a goal. We're looking for results. We're looking for new jobs," Corbett said. "I'm determined that Pennsylvania not lose this moment. We have the chance to get it right the first time, the chance to grow our way out of hard days."

Such initiatives include:

- Streamlining a multitude of business incentive programs. More than 125 programs have been consolidated into 56, eliminating line items that produced nothing but spending.
- Awarding tax credits as incentives for new and creative ideas to improve business and industry, as well as technology and products to increase the state's economic vitality and competitiveness. Winning ideas win government backing.
- Retaining tax credits for new and growing industries, like the film industry, like agricultural research, like chemical firms. It includes no tax on Marcellus shale extraction, an industry projected to add \$10 billion in economic activity to Pennsylvania's economy this year.

To review the budget in its entirety, visit www.budget.state.pa.us.

REVENUE DEPARTMENT ADOPTS BUSINESS-FRIENDLY APPROACH TO CORPORATE TAX BONUS DEPRECIATION

In February, the Department of Revenue adopted a business-friendly interpretation of tax law that will benefit as many as 117,000 corporate taxpayers.

By conforming to recently enacted federal tax benefits with regard to 100 percent bonus depreciation, corporate taxpayers in the state will benefit from lower tax burdens this year, allowing for greater capital investment and encouraging further economic growth.

The federal Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 provides for greater corporate tax depreciation benefits in the last quarter of 2010 and all of calendar year 2011.

Prior to the federal law's enactment, businesses were required to depreciate – or deduct the cost of, from taxable income for federal tax purposes – qualified

business expenses over the course of a number of years. The new law allows businesses to depreciate 100 percent of the expense up front.

State tax law is ambiguous in relation to federal tax law on this point, allowing for different interpretations of how 100 percent bonus depreciation would be treated. In this case, the Department of Revenue determined it will allow 100 percent bonus depreciation for the last quarter of 2010 through 2011 on qualified business expenses.

This policy will not directly affect state revenues in the long run, as lower tax collections in immediate years due to 100 percent bonus depreciation will be balanced or offset by higher collections in later years.

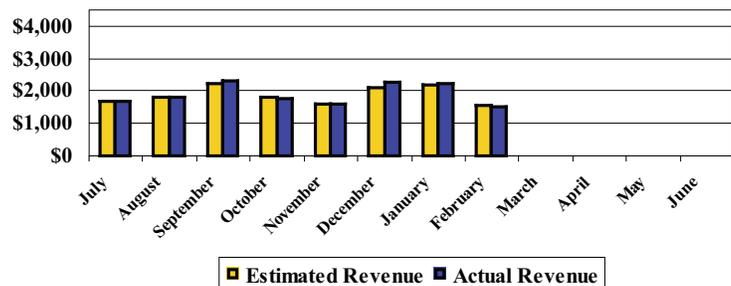
For more information, review [Corporate Tax Bulletin 2011-01, Disallowance and Recovery of 100 Percent Bonus Depreciation](#).

Revenue Department Extends Hours to Help Late-Season Tax Filers *Extra Evening, Saturday Assistance Available*

Pennsylvanians in need of late-season tax help will benefit from extended service hours offered by the Department of Revenue's Taxpayer Service and Information Center. On weekdays from Monday April 4, through Monday, April 18, the center will be open from 7:30 a.m. to 7 p.m. It will also operate from 8 a.m. to 4 p.m. on Saturdays, April 9 and 16. The center will be closed Sundays, April 10 and 17.

2010-2011 General Fund Revenues *Estimated versus Actual Revenue Collections (in millions)*

Fiscal year-to-date General Fund collections total \$15.2 billion, which is \$243.2 million, or 1.6 percent, above estimate.



PENNSYLVANIA'S ELECTRONIC INCOME TAX FILING SYSTEMS AVAILABLE

The more than 6.1 million Pennsylvania taxpayers who file annual state personal income tax returns may now file electronically for the 2010 tax year.

Taxpayers have until midnight, Monday, April 18, to file income tax returns. Information about tax filing options is available at www.revenue.state.pa.us.

The traditional April 15 tax filing deadline was extended this year to remain consistent with the Internal Revenue Service's April 18 deadline.

Last year, 3.7 million taxpayers, or 60 percent of all taxpayers, filed state income tax returns electronically. Electronic filing is the most cost-effective filing method, saving the state about \$3.49 per return. Electronic filing offers advantages to taxpayers not available to those filing by paper, such as error-reducing automatic calculators, instant confirmation of successful filing, faster refund processing and direct deposit options.

The department offers two, free electronic tax-filing options: TeleFile (1-888-4PAFILE) and pa.direct.file, available through www.revenue.state.pa.us.

If a taxpayer filed a return last year, they may file by phone with TeleFile by simply providing a Social Security number and five-digit ZIP Code. To file using pa.direct.file, each taxpayer will need to provide a Social Security number and one of the following: 2009 or 2008 tax liability; PA driver's license or identification number; or a registered e-signature account with the department.

The Fed/State e-file service, available through tax preparers and authorized computer software, allows state and federal tax returns to be filed together or separately.

The Department of Revenue's electronic filing systems are secure and protected with the industry standard for online banking and trading, 128-bit secure socket layer encryption.

Through www.revenue.state.pa.us, taxpayers can file returns using pa.direct.file, make payments (including estimated payments), check the status of returns and refunds, update information, pay taxes by credit/debit card, access online customer service, review answers to commonly asked questions and download tax forms.

The three primary state tax forms are the PA-40 Income Tax Booklet, the Fast File Booklet and the payment voucher letter. The limited number of state tax forms mailed by the department arrived in taxpayers' mailboxes in February.

All taxpayers who received more than \$33 in total gross taxable income in 2010 are obligated to file Pennsylvania personal income tax returns by April 18.

Tax forms are available online at www.revenue.state.pa.us and by calling, toll-free, 1-800-362-2050. Tax help is available by calling 717-787-8201, from 7:30 a.m. to 5 p.m., Monday through Friday.

Taxpayers with annual incomes of \$35,000 or less may also visit a Revenue district office, listed in the blue pages of local phone directories, for basic personal state tax filing help. Help at district offices is available from 9 a.m. to noon and from 1 to 4 p.m., Monday through Friday.

For more information, visit www.revenue.state.pa.us.

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.

IRS MODERNIZED E-FILE PLATFORM NOW IN USE

Partnerships, S corporations, limited liability companies and corporations can now file tax year 2010 returns and reports electronically. Pennsylvania is once again partnering with the Internal Revenue Service and software vendors to provide a single-point filing method that enables federal and state returns/reports to be filed electronically and simultaneously.

All business fed/state e-file returns are filed through the IRS Modernized e-File (MeF) platform, and Pennsylvania also joined the IRS in transitioning individual filings to the new platform. The MeF system replaces current IRS tax return filing technology with a modernized, Internet-based

electronic filing platform. This transaction-based system allows tax return originators to transmit federal and state returns electronically to the IRS in real-time. MeF improves error-detection, makes electronic filing rejections easier to understand and expedites the acknowledgment process. During the transition of the individual filings, Pennsylvania and the IRS will support the current e-file program as well as MeF.

For a list of software vendors approved to prepare Pennsylvania electronic returns, or for more information regarding the e-file program, please visit the e-Services center on the Revenue website, www.revenue.state.pa.us.

PROPERTY TAX/RENT REBATE PROGRAM APPLICATIONS AVAILABLE

More than 603,000 Homeowners and Renters Received \$281 Million Last Year

Application forms for rebates on property taxes or rent paid in 2010 are now available.

All residents who received rebates last year should have received 2010 application forms in the mail by now. Applications are also available online at www.revenue.state.pa.us or by calling 1-888-222-9190. Additionally, forms and assistance are available at Department of Revenue district offices (listed in the government section of local telephone directories), local Area Agencies on Aging, senior centers and state legislators' offices.

Older adults must reapply for rebates by June 30 every year because rebates are based on property taxes or rent paid each year and annual income.

More than \$281 million in property tax and rent rebates were sent to more than 603,000 homeowners and renters across the state for taxes and rent paid in 2009. About 120,000 homeowners had school property taxes completely eliminated last year when rebates combined with general property tax relief provided to all homeowners through slots revenue.

The rebate program benefits eligible Pennsylvanians age 65 and older; widows and widowers age 50 and older; and people with disabilities age 18 and older. The income limit is \$35,000 a year for homeowners and \$15,000 annually for renters, and half of Social Security income is excluded.

The maximum standard rebate is \$650, but supplemental rebates for qualifying homeowners can boost rebates to \$975.

The deadline to apply for a rebate on property taxes or rent paid in 2010 is June 30, 2011. Rebates will be distributed beginning on July 1, as specified by law.

The Property Tax/Rent Rebate Program is one of five programs supported by the Pennsylvania Lottery. Since the program's 1971 inception, older and disabled adults have received more than \$4.7 billion worth of property tax and rent relief. The expanded portion of the rebate program is paid for with revenue from slots gaming.

For more information, visit www.revenue.state.pa.us.