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**BOARD OF APPEALS NOW ACCEPTING REQUESTS FOR COMPROMISE**

Department of Revenue Secretary Dan Meuser recently announced that the department's Board of Appeals will now accept requests for compromise of tax appeals.

"Accepting requests for compromise will provide a more efficient way for taxpayers to settle disputes with the department," Meuser said. "This is an important step toward fulfilling Governor Corbett's pledge to reform the appeals process, making it more taxpayer-friendly. Taxpayers can now resolve tax appeals in a matter of weeks, rather than endure a process that could last years."

Miscellaneous Tax Bulletin 2011-02, issued earlier this month, allows a petitioner to propose a compromise with the department prior to a final decision by the Board of Appeals.

To propose a compromise, the petitioner must submit a written request for compromise by completing DBA-10 Board of Appeals Request for Compromise. This form may only be submitted in conjunction with a petition to the Board of Appeals, either along with Board of Appeals Petition Form REV-65 or as soon as possible after the petition is filed.

A compromise will only be considered when it illustrates doubt regarding liability and/or it promotes effective tax administration.

Compromises addressing any of the following will not be considered:

- appeals of denials of property tax/rent rebate claims;
- denials of charitable tax exemptions;
- revocation of sales tax licenses; or
- appeals pursuant to the Gaming Control Act.

*Continued on Page 2*

**FAST FACT:**

*The consolidation of the Department of Revenue's Altoona and Johnstown district offices in Johnstown will save taxpayers an estimated \$70,000 annually in reduced operating costs.*

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Under the compromise process, an informal conference (either by phone or in person) would be conducted by a Board of Appeals hearing officer. The conference may include representatives of the department. The purpose of the conference is to determine if the appeal may be resolved in a mutually satisfactory manner. If so, an order reflecting the compromise would be submitted for approval pursuant to the requirements of Miscellaneous Tax Bulletin 2011-02.

If an appeal is compromised, a compromise order will be issued and the petitioner waives any right to:

- appeal the compromise order;
- claim any refund of money paid pursuant to the compromise order; or
- file any petition or appeal that raises the same issues for the tax period(s) and liability(ies) addressed in the compromise order.

Article 27 of the Pennsylvania Tax Reform Code requires the Board of Appeals to render a decision within six months of a petition's filing date. This may be extended for an additional six months if agreed upon by both parties. This extension process will be used to ensure that there is adequate time for the parties to discuss a potential compromise and, if no compromise is reached, to issue a decision and order. If there is no agreeable compromise, the petitioner may proceed through the formal appeals process.

## CAPITAL STOCK/FOREIGN FRANCHISE TAX REDUCED

In his first budget since taking office, Governor Corbett kept his commitment to reinstate the capital stock/foreign franchise tax phase-out. The rate will be reduced to 1.89 mills effective Jan. 1, 2012, and it is scheduled to be completely phased out by 2014.

## ALTOONA AND JOHNSTOWN DISTRICT OFFICES COMBINED IN COST-SAVING MOVE

In October, the Department of Revenue consolidated its Altoona and Johnstown district offices in Johnstown, a move that will save taxpayers an estimated \$70,000 annually in reduced operating costs.

Area residents seeking help filing state taxes or completing Property Tax/Rent Rebate program applications may call or visit one of the following district offices:

- Johnstown – 425 Main St.; 814-533-2495

- Harrisburg – Strawberry Square, Lobby, 4th & Walnut Streets; 717-783-1405

With the consolidation of the Altoona and Johnstown district offices, the department has 14 district offices. Three similar consolidations occurred last year with the closing of offices in Williamsport, Pottsville and York; combined, the four office consolidations result in \$177,000 in annual savings.

## 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.

## LOCAL EARNED INCOME TAX LAW CHANGE EFFECTIVE JAN. 1, 2012

Act 32 of 2008, which becomes effective statewide Jan. 1, 2012, reforms the local earned income tax withholding system and establishes countywide tax collection districts for the remittance and distribution of local earned income taxes (except Allegheny County, which is comprised of four tax collection districts). Philadelphia is not regulated by Act 32, so the present system as administered by the Philadelphia Department of Revenue will remain in effect.

Every business that employs individuals at worksites within Pennsylvania, or employs individuals who work from their homes in Pennsylvania, is required to withhold the applicable local earned income tax amount from employees' wages and remit the tax to the appropriate tax officer.

For additional information regarding Act 32, including access to standard forms, rates and tax officer information, please contact the PA Department of Community and Economic Development by visiting [www.newPA.com](http://www.newPA.com) or calling, toll-free, 1-888-223-6837.

## REMINDER: DEADLINE TO APPLY FOR PROPERTY TAX/RENT REBATE IS DEC. 31

The deadline to apply for rebates up to \$975 from Pennsylvania's Property Tax/Rent Rebate program is Dec. 31. Property Tax/Rent Rebate claim forms (PA-1000) are available online at [www.revenue.state.pa.us](http://www.revenue.state.pa.us) or by calling, toll-free, 1-888-222-9190.

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 Revenue Department automatically calculates supplemental rebates for qualifying homeowners.

The rebate program is one of five programs supported by proceeds from the Pennsylvania Lottery. Funding for the rebate program also comes from revenue from slots gaming.

## REAL ESTATE VALUATION SUSPENSIONS FOR INHERITANCE TAX

The department recently established the time period during which it will allow a real estate valuation suspension for inheritance tax calculation purposes. To ensure all such suspensions are handled uniformly, suspensions will now be allowed for up to 15 months after a decedent's date of death. Previously, the department did not specify a timeframe during which a suspended valuation would be accepted.

Pennsylvania's inheritance tax law provides that the value of property upon which inheritance tax is imposed is the value at the date of the decedent's death. The value of real estate often is difficult to establish, absent a sale between unrelated parties (also known as an arms-length sale). The department therefore has allowed the personal representative of an estate, upon filing an otherwise complete REV-1500 Inheritance Tax Return, to request that the tax calculation on the real estate be suspended until the value of the property is determined at the time of sale.

Effective immediately, the department will allow an estate to suspend the valuation on the original and timely filed inheritance tax return for up to 15 months. The 15-month period includes the nine months after which the inheritance tax return becomes delinquent, plus the additional six-month filing extension. When the property is sold after the inheritance tax return is timely filed and the suspension requested, the estate should then report the arms-length sales price on a supplemental inheritance tax return. If the real property is not sold within 15 months of the date of death, an estate will have to report an alternate means of establishing the value, including a professional appraisal or the common level ratio value.

A personal representative also may choose to report a value of real property on a timely filed inheritance tax return and pay the inheritance tax due on its transfer. If the estate then, at a point within 15 months from the decedent's date of death, sells the property at an arms-length sale for a lesser value, it may, on a timely filed petition, request a refund of any overpaid tax.

## DEPARTMENT OF REVENUE TO STEP UP EFFORTS TO ENFORCE SALES/USE TAX COMPLIANCE WITH CONTRACTORS THAT INSTALL FINANCIAL INSTITUTION SECURITY EQUIPMENT

The department's regulation in Section 46.9 of the Pennsylvania Code provides that the sale of installed financial institution security equipment is not taxable to the purchaser. Rather, the contractor is required to pay applicable sales or use tax on the contractor's purchase price of the installed property. The installed property includes not only the financial institution security equipment, but also material acquired and incorporated into the installed equipment.

If the financial institution security equipment is attached or affixed to real estate by the contractor or the contractor's designee, the contractor should pay or remit sales/use tax, rather than charge sales tax to the purchaser. If the contractor erroneously collects and remits sales tax from the purchaser on the full amount charged to its customer, the contractor is not relieved

from paying the tax on its cost of materials. Department of Revenue auditors will begin focusing on this issue, and the department will issue assessments accordingly.

Examples of financial institution security equipment include the following: accelerated cash terminals or cash guards; access control systems; after-hour depositories; alarm systems; automated banking systems; bandit reserve barriers; bulletproof windows; customer convenience counters; drive-in windows; fire doors; quick depositories; receiving lockers, heads and chests; safes; safety deposit boxes; surveillance and security systems; television banking systems; teller rails and lockers; and vaults, vault doors and vault ventilators.

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## NEW FAX TECHNOLOGY INTRODUCED

In an effort to improve customer service, the department recently introduced new fax machine technology that will expedite the posting of faxed information to taxpayer accounts, which will make the information available for review sooner than was previously possible.

The new process is currently in use in the Bureaus of Individual Taxes and Business Trust Fund Taxes. The Taxpayer Service and Information Center and the Bureaus of Corporation Taxes and Motor Fuels Taxes plan to begin using it within the next few months.

Instead of printing the faxes received, digital images are uploaded for faster posting to taxpayer accounts. Historically, posting faxed items could take five to 15 days depending on the time of the year. The new process is expected to reduce system posting time to about two days (again, depending on the time of the

year). In addition, it will produce significant cost savings for the department by saving tens of thousands of sheets of paper and hundreds of print cartridges.

To ensure clients' faxed information is correctly processed, taxpayers and practitioners are encouraged to fax transmissions for a single taxpayer, one tax year or one tax period at a time. Grouping items could result in incorrect system postings of the information. It is also important to fax to the number on the department notice requesting the information. When responding to a notice, it is best to use the notice as the first (cover) page of the fax transmission. If using a custom cover sheet, practitioners should include the taxpayer's name, Social Security number or EIN and the tax year/tax reporting period in large print in a clearly visible area, preferably in the upper right-hand corner of the cover sheet.

## 2011-2012 General Fund Revenues *Estimated versus Actual Revenue Collections (in millions)*

*Fiscal year 2011-2012 collections through October total \$7.7 billion.*

