



STATE AND LOCAL TAX INSIGHTS

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ASSURANCE & TAX ADVISORS ■ BUSINESS ADVISORS ■ CORPORATE FINANCE ADVISORS ■ TECHNOLOGY ADVISORS ■ WEALTH MANAGEMENT ADVISORS

>> SALT BRIEFS

Pennsylvania Tax Amnesty

Pennsylvania will offer tax amnesty for the period beginning on April 26, 2010 and concluding on June 18, 2010, for all taxes administered by the Pennsylvania Department of Revenue for unknown tax liabilities that are delinquent as of June 30, 2009.

Unknown liabilities are defined as liabilities resulting from a return or report not being filed or a tax that is underreported for which the taxpayer has not been contacted about by the Department of Revenue. Taxpayers participating in the program can have related penalties abated and associated interest reduced by 50%. Taxpayers wanting to take advantage of the program must do the following during the amnesty period:

- File the appropriate returns or amended returns;
- Pay all taxes and 50% of the related interest; and
- Maintain future compliance or face possible reinstatement of abated penalty and interest.

It should be noted that taxpayers taking advantage of the amnesty program will be excluded from participating in any future amnesty programs and are not permitted to protest, appeal or claim any refund related to the filed amnesty returns. Taxpayers participating in the tax amnesty program will not be liable for any tax, interest or penalties prior to July 1, 2004. Additionally, any taxpayer who becomes delinquent within two years of filing an amnesty return may be assessed for all penalties and interest previously waived.

The voluntary disclosure program will be suspended during the amnesty period. ■

FEATURE STORY

Pennsylvania Tax Update

The recent passage of Act 48 of 2009 in Pennsylvania included the following tax changes:

Net Operating Loss Deduction Expanded

- For taxable years beginning after December 31, 2008, the net operating loss will be the greater of 15% of the taxable income or \$3 million.
- For taxable years beginning after December 31, 2009, the net operating loss will be the greater of 20% of the taxable income or \$3 million.

Apportionment Changes

- For taxable years beginning after December 31, 2008, all business income will be apportioned as follows: 8.5% for property, 8.5% for payroll and 83% for sales.
- For taxable years beginning after December 31, 2009, all business income will be apportioned as follows: 5% for property, 5% for payroll and 90% sales.

Capital Stock/Franchise Tax Changes

For tax years beginning after December

31, 2009, the fixed formula deduction from the value of capital stock will be increased from \$150,000 to \$160,000.



The phase-out of the tax has been modified.

- For tax years beginning January 1, 2009 through December 31, 2011, the rate will be 2.89 mills.
- For tax years beginning January 1, 2012 through December 31, 2012, the rate will be reduced to 1.89 mills.
- For tax years beginning January 1, 2013 through December 31, 2013, the rate will be reduced to .89 mills.
- The tax is phased-out for all tax years beginning after December 31, 2013.

Sales and Use Tax

After May 31, 2011, any licensee whose tax amount reported or the amount that should have been reported for the previous year's third quarter equals or exceeds \$25,000 must file semi-monthly returns. The first semi-monthly return period begins on the 1st of the month

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>> PENNSYLVANIA TAX UPDATE (continued)

continued from page 1

and ends on the 15th of the month. The first semi-monthly return shall be filed on or before the 25th of the month. The second semi-monthly return period will begin on the 16th of the month, and will conclude at the end of the month. The second semi-monthly returns shall be filed on or before the 10th day of the succeeding month.

Withholding Tax Remittance Changes

- Employers whose withholding taxes can be reasonably expected to be less than \$1,200 per calendar year shall file quarterly.
- Employers whose withholding taxes can be reasonably expected to be more than \$1,200 but less than \$4,000 per calendar year shall file monthly.
- Employers whose withholding taxes can be reasonably expected to be more than \$4,000 but less than \$20,000 per calendar year shall file semi-monthly.
- Employers whose withholding taxes can be reasonably expected to be \$20,000 or more shall pay the tax weekly on the Wednesday after payday if the payday falls on a Wednesday, Thursday or Friday and on the Friday after payday if the payday falls on a Saturday, Sunday, Monday or Tuesday. ■

For more information about any of these tax issues, contact:

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CREDIT REDUCTIONS AND CHANGES

The statutory maximum amount of credit that will be awarded to taxpayers on a number of popular tax credits has been reduced for the 2009/2010 and the 2010/2011 fiscal years.

The following have been impacted by the cap reductions:

Educational Improvement Tax Credit

- \$75,000,000 cap reduced to:
 - \$60,000,000 in 2009/2010
 - \$50,000,000 in 2010/2011

Research and Development Tax Credit

- \$40,000,000 cap reduced to:
 - \$20,000,000 in 2009/2010
 - \$18,000,000 in 2010/2011

Job Creation Tax Credit

- \$22,500,000 cap reduced to:
 - \$11,250,000 in 2009/2010
 - \$10,125,000 in 2010/2011

Neighborhood Assistance Programs

- \$18,000,000 cap reduced to:
 - \$9,000,000 in 2009/2010
 - \$8,100,000 in 2010/2011

Call Center Tax Credit

- \$30,000,000 cap reduced to:
 - \$15,000,000 in 2009/2010
 - \$13,500,000 in 2010/2011

Film Production Tax Credit

- \$75,000,000 cap reduced to:
 - \$42,000,000 in 2009/2010
 - \$60,000,000 in 2010/2011

Employment Incentive Payments

- \$25,000,000 cap reduced to:
 - \$12,500,000 in 2009/2010
 - \$11,250,000 in 2010/2011

Resource Enhancement and Protection Tax Credits

- \$10,000,000 cap reduced to:
 - \$5,000,000 in 2009/2010
 - \$4,500,000 in 2010/2011

Alternative Energy Production Tax Credit

- \$5,000,000 cap reduced to zero in 2009/2010 and 2010/2011

Additionally, the following changes have been made:

- Research and development credit – there is no longer a requirement that the credit be held for more than one year before it can be sold or assigned.
- Educational improvement tax credit – numerous changes include:
 - » An amended definition of “pass-through entity” to include single-member limited liability company classified as a disregarded entity for federal income tax purposes;
 - » A provision allowing a pass-through entity that does not intend to use the tax credit to transfer all or a portion of the credit to a shareholder, member, or partner for their use in the taxable year in which the contribution was made or in the year immediately following the contribution year;
 - » An increase to the allowable household income for students to \$60,000; and
 - » A definition of “eligible student with a disability.” ■



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