

Table of Contents

Chapter 1: Personal Income Tax	1
1-1 OVERVIEW	1
1-2 IMPOSITION	2
1-2:1 Parties Subject to Tax	3
1-2:2 Resident	3
1-2:3 Domicile	4
1-2:4 Nonresident	5
1-2:5 Part-year Residents	6
1-2:6 Estates and Trusts	7
1-2:7 Grantor Trusts	8
1-2:8 Allocation of Nonresident Income	9
1-2:9 Administration	9
1-3 TAX BASE, EXCLUSIONS AND EXEMPTIONS	10
1-3:1 Income Defined	10
1-3:2 Income Subject to Tax	10
1-3:3 Taxable Income Defined – Federal vs. Pennsylvania	10
1-3:4 Computation of the Tax	12
1-3:5 When to Include Items in Income	12
1-3:6 Partnership Income	13
1-3:7 Decedents	14
1-3:7.1 Income in Respect of a Decedent (“IRD”)	14
1-3:7.2 Filing Obligation of a Decedent	14
1-3:7.3 Exceptions	15
1-4 TAXABLE CLASSES OF INCOME	16
1-4:1 Compensation	16
1-4:1.1 Compensation, Generally	16
1-4:1.2 Items Not Considered Compensation	18
1-4:1.3 Contributions to Benefit Plans	21
1-4:1.4 Keogh or IRA Contributions, Self-employment Taxes, and Health Insurance Premiums	21
1-4:1.5 Tax Credit Arising from Employee Tips	21

Table of Contents

1-4:1.6	Deductions, Exemptions and Exclusions ...	22
1-4:1.7	Federal Deductibility of Miscellaneous Itemized Deductions vs. Pennsylvania Treatment	22
1-4:1.8	Available Employee Business Expenses	22
1-4:1.9	Examples of Disallowed Employee Business Expenses	23
1-4:1.10	Medical Care Savings Accounts	23
1-4:1.11	Medical Care Savings Accounts	24
1-4:1.12	Qualified Tuition Programs	24
1-4:1.13	Retirement Benefits	25
1-4:1.14	Contributions to Employers' Pension or Profit-sharing Plans	25
1-4:1.15	Non-qualified Deferred Compensation	26
1-4:1.16	Cost Recovery Method	29
1-4:1.17	Fringe Benefits	29
1-4:1.17a	Cafeteria Plans	29
1-4:1.17b	Fringe Benefits in the Form of Use of Property	29
1-4:1.17c	Fringe Benefits in the Form of Use of Services	30
1-4:1.18	Military Personnel	31
1-4:1.19	Members of the Clergy	33
1-4:2	Net Profits From a Business	34
1-4:2.1	When Income Constitutes "Net Profits." ...	34
1-4:2.2	Deductions Disallowed From "Net Profits."	36
1-4:2.3	"Net Profits" – Investment Activity	36
1-4:2.4	Offsetting Income and Loss From Multiple Businesses	37
1-4:2.5	Allowable Deductions	38
1-4:2.6	Adjustments for Pennsylvania Income Tax Purposes	38
1-4:2.7	Optional Adjustments to Federal Profit and Loss Statements	39
1-4:2.8	Depreciation	39
1-4:2.9	Deduction for Cost and Percentage Depletion	40
1-4:2.9a	Allowance of Deduction for Cost Depletion [61 Pa. Code §125.51]	40

Table of Contents

1-4:2.9b	Allowance of Deduction for Percentage Depletion [61 Pa. Code §125.52].....	41
1-4:2.10	Intangible Drilling Costs	42
1-4:2.11	IRC §179 Property	42
1-4:2.12	Depreciable Basis.....	43
1-4:2.13	Revised Service Lives or Salvage Values.....	43
1-4:2.14	Use of Federal Guidelines	44
1-4:2.15	Basis Adjustments	44
1-4:2.16	Partnership Income	44
1-4:2.17	S Corporation Income	44
1-4:2.18	Distributions From Accumulated Adjustment Accounts	46
1-4:2.19	Basis Adjustments	46
1-4:2.20	Tax-Exempt Income of a Pennsylvania S Corporation	47
1-4:2.21	Differences in Federal/Pennsylvania Personal Income Tax Rules for Deductions	47
1-4:2.21a	Bonus Depreciation	47
1-4:2.21b	Contributions Made to Organizations	47
1-4:2.21c	Charitable Contributions.....	48
1-4:2.21d	Club Dues	48
1-4:2.21e	Entertainment	48
1-4:2.21f	Moving Expenses	48
1-4:2.21g	Office in the Home	49
1-4:3	Net Profits, Net Gains or Income From Disposition of Property	49
1-4:3.1	Reorganizations	50
1-4:3.2	IRC §338(h)(10) Elections Not Recognized	50
1-4:3.3	Common Trust Funds	52
1-4:3.4	Disposition of S Corporation Stock	52
1-4:3.5	Partnership Distributions by Pennsylvania S Corporations	53
1-4:3.6	Transfers or Exchanges of Partnership Interests.....	53
1-4:3.7	Business Property	54
1-4:3.8	Like-kind Exchanges	54
1-4:3.9	Capital Gains Distributions.....	55
1-4:3.10	Transfers Incident to Divorce	55

Table of Contents

1-4:3.11	Gain Upon Demutualization of an Insurance Company	55
1-4:3.12	Fraudulent Investment Schemes	55
1-4:3.13	Basis	58
1-4:3.14	Pre-June 1, 1971 Acquisitions	58
1-4:3.15	Tax Benefit Rule	59
1-4:3.15a	Tax Benefit Rule – Federal and Pennsylvania Differences	61
1-4:3.16	Method of Reporting Gains	62
1-4:3.17	Nonrecognition of Gains or Losses	63
1-4:3.18	Exempt Obligations	63
1-4:3.19	Exclusion of Gains From the Sale or Exchange of a Principal Residence	64
1-4:3.20	Exclusion of Gains Invested in Opportunity Zones	64
1-4:4	Net Gains or Income Derived from or in the Form of Rents, Royalties, Patents, and Copyrights	64
1-4:4.1	Home-Sharing Rentals	65
1-4:5	Dividends	65
1-4:5.1	The Fifth Class of Income is Dividends	65
1-4:5.2	“Dividends” of Certain Financial Institutions	66
1-4:5.3	Exempt Interest Dividends	66
1-4:6	Interest	66
1-4:6.1	Bonds	67
1-4:6.2	Unstated or Imputed Interest	68
1-4:6.3	Government Obligations	68
1-4:6.4	Interest on Federal and Pennsylvania Obligations Indirect Ownership	68
1-4:6.5	Interest on Repurchase Agreements	69
1-4:7	Net Gambling and Lottery Winnings	69
1-4:8	Net Gains or Income Derived Through Estates or Trusts	69
1-5	SPECIAL TAX PROVISIONS FOR POVERTY	70
1-5:1	Poverty Income	70
1-5:2	Poverty Exemption	71
1-5:3	Estimated Tax	72
1-6	CANCELLATION OF INDEBTEDNESS	72
1-6:1	General Definitions	73
1-6:2	Credit Cards and Other Unsecured Indebtedness	74
1-6:3	Student Loans	75

Table of Contents

1-6:4	Personal Use Property	75
1-6:5	Cancellation in the Employment Context	75
1-6:6	Exceptions	76
1-6:7	Cancellation of Indebtedness Secured by a Principal Residence.....	76
1-6:7.1	Exclusion from Gain.....	77
1-6:7.2	Cancellation of Purchase-Money Indebtedness	78
1-6:8	Cancellation of Business Indebtedness, Investment Indebtedness and Rents, Royalties, Patents and Copyrights Indebtedness	78
1-6:8.1	Definitions	79
1-6:8.2	Calculating the Amount of Reportable Income.....	80
1-6:8.3	Mandatory Basis Adjustment	81
1-6:8.4	Income from Cancellation of Unsecured Business, or Rents and Royalties Indebtedness	81
1-6:8.5	Classifying the Reportable Income	81
1-6:8.6	Loans from Owners to Businesses.....	82
1-6:8.7	Partnerships.....	82
1-6:8.8	S Corporations	83
1-6:8.9	Exceptions	84
1-7	OIL AND GAS ISSUES	84
1-7:1	Personal Income Treatment of the Division and Transfer of Oil and Gas Interests.....	84
1-7:1.1	Rents and Royalties	84
1-7:1.2	Conveyance of Mineral Rights Estate.....	85
1-8	TAX RATE	90
1-9	CREDITS, PAYMENTS AND RETURNS	90
1-9:1	Who Must File?	90
1-9:1.1	Individuals.....	90
1-9:1.2	Estates and Trusts.....	90
1-9:1.3	Partners and Partnerships.....	91
1-9:1.4	Refund Claimant	91
1-9:1.5	Filing Status	91
1-9:2	When Must a Return be Filed?	91
1-9:2.1	Due Dates and Payment of Tax	91
1-9:2.2	Extensions of Time.....	92
1-9:2.3	State Extension.....	93
1-9:2.4	Extensions for Members of Armed Forces Serving in Combat Zones	93

Table of Contents

1-10	RETURN FORMS	93
1-10:1	Individuals	93
1-10:2	Mandatory E-Filing of PA-40s Prepared by Third-Party Preparers	94
1-10:3	Amended Return	94
1-10:4	Estates and Trusts	95
1-10:5	Partners and Partnerships	95
1-10:6	S Corporations	95
1-10:7	Accounting Periods and Methods	95
1-10:8	Recordkeeping Requirements	96
1-10:9	Confidentiality of Tax Information	97
1-10:10	Amended Returns	97
1-10:11	Applications for Refunds	97
1-10:12	Refund Period	98
1-10:13	Personal Income Tax Payments and Withholding	98
1-10:13.1	Philadelphia City Wage Tax	99
1-10:13.2	Wages Not Subject to Withholding	100
1-10:13.3	Excess Withholding	100
1-10:13.4	Withholding Rates	100
1-10:13.5	Information Statements	100
1-10:13.6	Transacting Business	101
1-10:13.7	Reciprocal Agreements	101
1-10:13.8	Apportionment	102
1-10:13.9	Nonresidents	102
1-10:13.10	Employer Withholding Returns and Filing Dates	103
1-10:13.11	Weekly Filing	103
1-10:13.12	Semi-Monthly Filing	103
1-10:13.13	Monthly Filing	103
1-10:13.14	Quarterly Filing	103
1-10:13.15	Deposit Statements and Reconciliation Returns	104
1-10:13.16	Employers Paying No Compensation for a Period	104
1-10:13.17	Extensions of Time	105
1-10:13.18	Change in Filing Date	105
1-10:13.19	Final Withholding	105
1-10:13.20	Correcting Mistakes	105
1-10:13.21	Records to be Kept	106
1-10:13.22	Liability and Penalties	106
1-10:13.23	Partnerships, Associations, and S Corporations	107

Table of Contents

1-10:14 Declarations of Estimated Tax 107

 1-10:14.1 Amount of Estimated Tax 107

 1-10:14.2 Spouses 108

 1-10:14.3 Returns and Payment of Estimated Tax.... 108

 1-10:14.4 Additions for Underpayment 109

 1-10:14.5 Amount of Underpayment 109

 1-10:14.6 Safe Harbors 109

 1-10:14.6a Federal and Pennsylvania
 Difference 110

1-10:15 Information Returns 110

1-10:16 Credits Against the Tax 112

 1-10:16.1 Philadelphia Credit 113

 1-10:16.2 Nonresident Partners, Members or
 Shareholders 113

 1-10:16.3 Residents' Credit for Taxes Imposed by
 Other States 113

 1-10:16.4 Computation of the Credit 114

 1-10:16.5 Proof Required 115

 1-10:16.6 Use Tax 116

1-11 AUDITS, ASSESSMENTS AND APPEALS 116

 1-11:1 Revenue 116

 1-11:2 Jeopardy Assessments 118

 1-11:3 Bankruptcy or Receivership 119

 1-11:4 Reassessments 120

 1-11:5 Refund or Credit of Overpayments 121

 1-11:6 Interest 121

 1-11:7 Fiduciaries 121

 1-11:8 Investigation and Audit 122

 1-11:9 Penalties, Additions, and Interest 122

 1-11:10 Tax Evasion 122

 1-11:11 Failure to File 122

 1-11:12 Fraudulent Returns and Documents 122

 1-11:13 Failure to Pay 123

 1-11:14 Underpayment of Tax 123

 1-11:15 Failure to Pay Estimated Tax 123

 1-11:16 Failure to Remit Taxes Collected 123

 1-11:17 Employee Taxes 124

 1-11:18 Information Returns 124

 1-11:19 Defective Returns 125

 1-11:20 Flow-Through Entities 125

 1-11:21 Bad Checks 125

 1-11:22 Failure to Keep Records or Supply Information 125

Table of Contents

1-11:23	Interest	126
1-11:24	Abatement of Additions or Penalties.....	126
Chapter 2: Sales and Use Tax and Hotel Occupancy Tax.....		127
2-1	SALES AND USE TAX OVERVIEW	127
2-2	IMPOSITION	128
2-3	ADMINISTRATION	130
2-4	COLLECTION OF TAX	131
2-5	TRANSACTIONS SUBJECT TO SALES TAX	140
2-5:1	Definition of “maintaining a place of business”	140
2-5:2	Exceptions to the Definition of “maintaining a place of business”	142
2-6	TRANSACTIONS SUBJECT TO USE TAX.....	144
2-6:1	Definition of “use”	144
2-6:2	Use Tax Exemptions.....	145
2-6:3	Additional Exemptions for Use Tax	145
2-7	CREDITS	146
2-8	ALTERNATE IMPOSITION	146
2-9	TAX BASE.....	147
2-9:1	Purchase Price	147
2-9:2	Special Rules Relating to Purchase Price for Certain Sales.....	150
2-10	TAXABLE PROPERTY AND SERVICES	151
2-10:1	Taxable Property	151
2-10:1.1	Digital Downloads	152
2-10:2	Taxable Services.....	153
2-10:2.1	Special Rules for Taxable Services.....	156
2-11	SPECIAL RULES ON SELECTED SALES AND SERVICES	157
2-11:1	Advertising	157
2-11:2	Computer Software and Internet Services	159
2-11:3	Telecommunications Services.....	161
2-11:4	Contractors and Building Trades.....	167
2-11:5	Premium Cable Services.....	175
2-11:6	Rentals and Leases of Tangible Personal Property ...	177
2-11:7	Tax on Lease of Cargo Containers Used in International Commerce Not Unconstitutional	178
2-11:8	Direct Wine Shipments	179
2-11:9	Medical Marijuana	179
2-12	EXEMPTIONS AND EXCLUSIONS FOR CERTAIN ENTITIES AND INDUSTRIES	180
2-12:1	Charitable Organizations	180

Table of Contents

2-12:2	Governmental Entities	180
2-12:3	Keystone Opportunity Zone Business	182
2-12:4	Manufacturing.....	183
2-12:4.1	Statutory Manufacturing Operations.....	187
2-12:4.2	Predominant Use	191
2-12:4.3	Printing as a Regular Business	193
2-12:4.4	Related Businesses	193
2-12:4.5	In-House Printing.....	193
2-12:4.6	Processing	194
2-12:4.7	Electricity	197
2-12:4.8	Farming	198
2-12:4.9	Public Utilities	200
2-13	SPECIAL RULES FOR SALES OF EXEMPT PROPERTY	203
2-14	SPECIAL RULES FOR SALES OF EXEMPT SERVICES	220
2-15	SPECIAL RULES FOR EXEMPT TRANSACTIONS	222
2-16	RATES	226
2-17	PAYMENTS AND RETURNS	227
2-18	COLLECTION OF TAX	231
2-19	REGISTRATION AND LICENSES	236
2-20	CREDITS AGAINST THE TAX	237
2-21	PAYMENT OF TAX	245
2-22	RECORDS.....	248
2-23	PENALTIES	250
2-24	ASSESSMENTS	251
2-25	OTHER OFFENSES	251
2-26	APPEALS	253
2-27	HOTEL AND OCCUPANCY TAX	253
Chapter 3: Corporate Net Income Tax		259
3-1	RECENT DEVELOPMENTS.....	259
3-2	OVERVIEW	259
3-2:1	Tax Rate	260
3-2:2	Federal Starting Point.....	260
3-2:3	Allocation and Apportionment	260
3-2:4	Group Filing.....	260
3-3	IMPOSITION	260
3-3:1	Authority	260
3-3:2	Imposition	261
3-3:3	Accounting Periods and Methods.....	261
3-3:4	52-53 Week Year	262

Table of Contents

3-3:5	Consolidated Group Taxpayers	262
3-3:6	Charitable Contributions	263
3-3:7	Partnership Interests – Accounting Methods	263
3-4	TAXABLE AND EXEMPT CORPORATIONS	264
3-5	TAXABLE PRESENCE/NEXUS – “DOING BUSINESS” IN PENNSYLVANIA	267
3-6	TAX BASE, EXCLUSIONS AND EXEMPTIONS	272
3-7	ALLOCATION AND APPORTIONMENT	293
3-8	ALLOCATION OF NONBUSINESS INCOME	303
3-8:1	Rents and Royalties	303
3-8:2	Gains and Losses from Dispositions of Property	303
3-8:3	Interest	304
3-8:4	Dividends	304
3-8:5	Patent and Copyright Royalties	304
3-8:6	Nonbusiness Income Classification can be Advantageous or Disadvantageous	305
3-9	APPORTIONMENT OF BUSINESS INCOME PRE-2013	305
3-10	APPORTIONMENT OF BUSINESS INCOME POST-2013	329
3-11	CREDITS, PAYMENTS, RETURNS	341
3-12	AUDITS, ASSESSMENTS, APPEALS	349
Chapter 4: Capital Stock and Foreign Franchise Tax		353
4-1	OVERVIEW	353
4-1:1	Nature of Tax	353
4-1:2	Parties Subject to Tax	354
4-1:3	Tax Base	354
4-1:4	Apportionment	354
4-2	TAX RATE	355
4-3	IMPOSITION	355
4-3:1	Revenue Information	357
4-3:2	Administration	357
4-3:3	Corporations Subject to Tax	357
4-3:4	Entities not Subject to Tax	361
4-3:4.1	Definition of Family Farm Corporation	362
4-3:4.2	Doing Business in Pennsylvania	364
4-3:4.3	Activities That are Statutorily Excluded From the Definition of “Doing Business”	365
4-3:5	Constitutional Limitations Imposed Upon a State’s Ability to Tax	367

Table of Contents

4-3:6	Federal Statutory Restraint on a State’s Ability to Tax – Interstate Income Act of 1959 (P.L. 86-272)....	368
4-3:7	P.L. 86-272 Does not Prohibit Pennsylvania From Imposing its Foreign Franchise Tax Upon a Foreign Corporation Whose In-State Activities are Limited to “solicitation.”	368
4-3:8	Application of P.L. 86-272 and De Minimis Standards	368
4-3:9	Nexus Created as a Result of a Corporation’s Ownership of an Interest in an Entity That is not a “corporation” for Capital Stock Tax Purposes [72 Pa.C.S. §7602.4].....	374
4-3:10	Effect of Federal Tax Treaties	378
4-4	TAX BASE, EXCLUSIONS & EXEMPTIONS	379
4-5	U.S. GAAP VERSUS IFRS	379
4-6	NET INCOME	383
4-7	NET WORTH	394
4-8	TAXABLE YEARS	397
4-9	SPECIAL RULES FOR FIRST AND LAST YEAR COMPANIES	399
4-10	ALLOCATION AND APPORTIONMENT	402
4-11	EXEMPTION FOR MANUFACTURING, PROCESSING AND RESEARCH AND DEVELOPMENT	430
4-12	TAX RATE	460
4-13	CREDITS, PAYMENTS & RETURNS	461
4-14	AUDITS, ASSESSMENTS & APPEALS	476
4-15	VOLUNTARY DISCLOSURE PROGRAM	476
4-16	TAX AMNESTY	477
Chapter 5: Corporate Loans Tax		479
5-1	OVERVIEW	479
5-1:1	Interaction With the Personal Property Tax	480
5-2	IMPOSITION	480
5-2:1	Governance of Corporate Loan Tax.....	480
5-2:2	Administration	480
5-3	TAX BASE, EXCLUSIONS & EXEMPTIONS	481
5-3:1	Tax Base	481
5-3:2	Paid in Kind Interest (PIK)	482
5-3:3	Indebtedness Held by Fiduciaries	482
5-3:4	Resident Beneficiaries	482
5-3:5	Exemptions.....	483

Table of Contents

5-3:6	Exempt Indebtedness	483
5-3:7	Exempt Withholding	484
5-3:8	Exempt Holders.....	484
5-4	RATE	485
5-4:1	Tax Rate	485
5-4:2	Treasurer's Commission	486
5-5	CREDITS, PAYMENTS & RETURNS	486
5-5:1	Withholding	486
5-5:2	Corporate Loans Report/Tax Payment	486
5-6	AUDITS, ASSESSMENTS & APPEALS	486
Chapter 6: Taxation of Pass-Through Entities		487
6-1	PARTNERSHIPS.....	487
6-1:1	Overview.....	487
6-1:2	Definition of Partnership.....	488
6-1:3	Formation and Liquidation of a Partnership.....	489
6-1:3.1	Formation of Partnership	489
6-1:3.2	Liquidation of a Partnership	489
6-1:3.3	Exception.....	489
6-1:4	Operations of a Partnership	490
6-1:4.1	Partnership Elections.....	490
6-1:4.2	Guaranteed Payments.....	490
6-1:4.3	Guaranteed Payments to a Retired Partner	491
6-1:5	Basis in Partnership	492
6-1:5.1	Partner's Basis in Partnership Interest	492
6-1:5.2	Adjustments to Basis	492
6-1:6	Tax Year of a Partnership	492
6-1:7	Taxable Income of a Partnership	493
6-1:7.1	Partnership Income	493
6-1:7.2	Net profits – Investment Activities	493
6-1:7.3	Determination of Taxable Income for Personal Income Tax Purposes	497
6-1:7.4	Conformity to the Internal Revenue Code	498
6-1:7.5	Internal Revenue Code §179 Deduction	498
6-1:7.6	Bonus Depreciation	498
6-1:7.7	Internal Revenue Code §199 Deduction	498
6-1:7.8	Deduction for Charitable Contributions.....	499
6-1:7.9	Partnership Contributions to Partner's Retirement Plan	499
6-1:7.10	No Carry Forward or Back of Losses.....	499

Table of Contents

6-1:7.11	No Offsetting of Income or Gain in One Class With Losses From Another class	499
6-1:8	Tax Benefit Rule	499
6-1:8.1	Tax Benefit Rule	499
6-1:8.2	Application of the Tax Benefit Rule at the Partner Level	499
6-1:9	Allocation and Apportionment of Partnership Income	502
6-1:9.1	Apportionment of Net Profits – Separate Accounting.....	502
6-1:9.2	Apportionment of Net Profits – Equally-Weighted Three-Factor Property, Payroll and Sales Formula	502
6-1:10	Taxation of Partners Subject to the Personal Income Tax	502
6-1:10.1	General Rule.....	502
6-1:10.2	Taxation of Resident Individuals, Estates and Trusts.....	503
6-1:10.3	Taxation of Nonresident Individuals, Estates and Trusts.....	503
6-1:10.4	Taxation of Cancellation of Indebtedness Income (<i>Marshall v. Commonwealth</i> , 41 A.3d 67 (Pa. Commw. Ct. 2012), <i>exceptions denied</i> , 50 A.3d 287 (Pa. Commw. Ct. 2012)).....	503
6-1:10.5	Taxation of Partnership Item	505
6-1:10.6	Income From Sources Within This Commonwealth	506
6-1:10.7	Reconciling of Federal Income to Pennsylvania Income by PA Income Class – Schedule M	507
6-1:10.8	Underreporting Penalty	507
6-1:10.9	Credit for Partner’s Share of Tax Assessed Against Partnership	507
6-1:10.10	Appeals of Underreporting Assessment	508
6-1:11	Taxation of Partners Subject to the Corporate Net Income Tax.....	508
6-1:11.1	Treatment of an Interest in a Partnership	508
6-1:11.2	Taxable Income of a Corporate Partner.....	509

Table of Contents

6-1:11.3	Modifications of Federal Taxation Income.....	509
6-1:11.4	Allocation and Apportionment of a Corporate Partner's Share of Partnership Income	509
6-1:12	Returns.....	510
6-1:12.1	Partnerships Required to File Returns	510
6-1:12.2	Forms	511
6-1:12.3	Submission of PA Schedules RK-1/NRK-1 on CD.....	512
6-1:12.4	E-filing of Partnership Returns.....	512
6-1:12.5	Extension of Time to File	512
6-1:12.6	Maintain Accurate List of Partners	513
6-1:12.7	Penalty for Failure to Maintain Accurate List of Partners.....	513
6-1:13	Personal Income Tax Withholding on Nonresident Individuals, Trusts and Estates	513
6-1:13.1	No Withholding of Personal Income Tax on Partners Who are Resident Individuals, Estates and Trusts	513
6-1:13.2	Withholding of Personal Income Tax on Partners Who are Nonresident Individuals, Estates and Trusts	514
6-1:13.3	No withholding of Personal Income Tax on Partners Who are Pass-Through Entities or Corporations	514
6-1:13.4	Determination of Amount of Personal Income Tax to Withhold. [72 Pa.C.S § 7324.1 and 61 Pa. Code §9.11].....	514
6-1:13.5	Reporting and Remittance of Withheld Personal Income Tax	515
6-1:13.5a	Due Date of Withheld Personal Income Tax	515
6-1:13.5b	Four Quarterly Installments	515
6-1:13.5c	Three Installments	515
6-1:13.5d	Two Installments	516
6-1:13.5e	One Installment	516
6-1:13.5f	Due Date on Saturday, Sunday or Legal Holiday	516
6-1:13.6	Interest on Underpayments	516

Table of Contents

6-1:13.7 Final Catch-Up Payment of Nonresident
Withholding Tax.....516

6-1:13.8 Penalty for Failure to Withhold 517

6-1:13.9 Partnership Liability of Tax, Interest,
Penalties and Additions 517

6-1:13.10 Overpayment/Adjustment of
Withholding for Nonresident Owners 517

6-1:14 Corporate Net Income Tax Withholding on
Nonfiling Corporate Partners 518

6-1:14.1 Withholding Corporate Net Income
Tax on Nonfiling Corporate Partners 518

6-1:14.2 Definition of Nonfiling Corporate
Partner 518

6-1:14.3 Methodology for Determining Amount
of Corporate Net Income Tax to
Withhold 519

6-1:14.4 Remittance of Withheld Corporate
Net Income Tax and Other Compliance
Issues 520

6-1:14.5 Overpayment of Corporate Net Income
Tax Withholding..... 521

6-1:14.6 Erroneous Withholding of Personal
Income Tax on Nonfiling Corporate
Partners 521

6-1:14.7 Penalty for Failure to Withhold
Corporate Net Income Tax 522

6-1:15 Nonresident Consolidated Income Tax Returns
(Form PA-40 NRC) 522

6-1:15.1 Nonresident Consolidated Income
Tax Return..... 522

6-1:15.2 Partners That May Elect to Participate
in a PA-40 NRC..... 522

6-1:15.3 Contents of PA-40 NRC 523

6-1:15.4 Recordkeeping Requirements 524

6-1:15.5 Due Date of the PA-40 NRC 524

6-1:15.6 Extension to File PA-40 NRC
Until October 15th 524

6-1:15.7 Filing Requirements 525

6-1:16 Real Property Owned by Partnership..... 525

6-2 LIMITED LIABILITY PARTNERSHIPS 525

6-2:1 Overview..... 525

Table of Contents

	6-2:1.1	Limitation on Liability of Partners	526
	6-2:1.2	Annual Registration and Fee	526
6-3		LIMITED LIABILITY COMPANIES	526
	6-3:1	Overview	526
	6-3:1.1	Formation	527
	6-3:1.2	Liability of Members and Managers	527
	6-3:2	Taxation of Limited Liability Companies	528
6-4		RESTRICTED PROFESSIONAL COMPANIES	528
	6-4:1	Overview	528
	6-4:1.1	Annual Registration	529
	6-4:1.2	Annual Registration Fee	529
	6-4:1.3	Taxation of Restricted Professional Companies	529
	6-4:1.4	Exception	529
6-5		S CORPORATIONS	530
	6-5:1	Overview	530
	6-5:2	Election	530
	6-5:2.1	Election by Shareholders to be Treated as a C-Corporation	531
	6-5:2.2	Procedures for Making Elections	531
	6-5:2.3	Shareholders' Consent	532
	6-5:2.4	Time and Duration of Election	532
	6-5:2.5	Late Elections	534
	6-5:2.6	Signing not Equivalent to Filing	534
	6-5:2.7	Revocation	534
	6-5:2.8	Termination	535
	6-5:2.9	Qualifying Corporations	538
	6-5:2.10	Employee Stock Option Plans (ESOPs)	538
	6-5:2.11	Other Pennsylvania Taxes	538
	6-5:3	Prior Law: Elections in Tax Years Beginning Before January 1, 2006	539
	6-5:4	Tax Base	539
	6-5:4.1	5-Built-in Gains Subject to Corporate Net Income Tax	539
	6-5:4.2	Income of a Pennsylvania S-Corporation	540
	6-5:4.3	Qualified Subchapter S Subsidiaries	542
	6-5:4.4	Disallowed deductions of C-Corporation Years	543
	6-5:4.5	IRC § 338(h)(10) Election	543
	6-5:4.6	No Pennsylvania At-Risk Rules	543

Table of Contents

6-5:4.7 Average Net Income for Capital
Stock/Foreign Franchise Tax 544

6-5:4.8 Taxation of Shareholders 544

6-5:4.9 Limitations on Pass-Through of
Losses to Shareholders 544

6-5:4.10 Pass-Through of Restricted Tax
Credits to Owners 544

6-5:4.11 Adjustments to Basis of Stock 546

6-5:4.12 Distributions 546

6-5:4.13 Accumulated Adjustment Account 547

6-5:4.14 Tax Benefit Rule 548

6-5:4.15 Passive Investment Income 548

6-5:4.16 Partnership Income 549

6-5:5 Returns and Withholding 549

6-5:5.1 Returns of a Pennsylvania
S-Corporation 549

6-5:5.2 Reconciling of Federal Income to
Pennsylvania Income by PA Income
Class – Schedule M 550

6-5:5.3 Underreporting Income of
S-Corporation 551

6-5:5.4 Credit for Shareholder’s Share of Tax
Assessed Against S-Corporation 551

6-5:5.5 Appeals of Underreporting Assessment ... 552

6-5:5.6 Withholding Requirements 552

6-5:5.7 Group Returns for Nonresident
Shareholders 553

6-5:6 Maintain List of Shareholders 553

6-6 TAX AMNESTY 553

Chapter 7: Taxes on Financial Institutions and Insurance

Companies 555

7-1 BANK SHARES TAX 555

7-1:1 Introduction 555

7-1:2 Tax Profile 555

7-1:3 Overview 556

7-1:4 Imposition 558

7-2 TAX BASE AND EXEMPTION 562

7-2:1 Taxable Capital Stock Shares 562

7-2:2 Rate 570

7-2:3 Credits, Payments and Returns 570

7-2:4 Procedures, Protests and Appeals 571

Table of Contents

7-3 TAX ON TAXABLE NET INCOME OF MUTUAL
THRIFT INSTITUTIONS 572

7-3:1 Tax Profile 572

7-3:2 Imposition 573

7-3:3 Tax Base and Exemption 574

7-3:4 Rate 577

7-3:5 Credits, Payments and Returns 577

7-3:6 Procedures, Protests and Appeals 579

7-4 OTHER TAXES ON FINANCIAL INSTITUTIONS 579

7-4:1 Tax on Private Bankers 579

7-4:2 Credit Unions 579

7-5 TAXES ON INSURANCE COMPANIES 580

7-6 TITLE INSURANCE COMPANIES SHARES TAX 580

7-6:1 Overview..... 581

7-6:2 Imposition 582

7-6:3 Tax Base and Exemption 582

7-6:4 Rate 584

7-6:5 Credits, Payment and Return 584

7-6:6 Procedures, Protests and Appeals 585

7-7 GROSS PREMIUMS TAX ON INSURANCE
COMPANIES 585

7-7:1 Overview..... 585

7-7:2 Imposition 586

7-7:3 Tax Base and Exemption 586

7-7:4 Rate 587

7-7:5 Credits, Payment and Return 587

7-7:6 Procedures, Protests and Appeals 590

7-8 MISCELLANEOUS INSURANCE TAXES 590

**Chapter 8: Gross Receipts, Motor Carrier, Fuels and
Vehicle Registration Taxes 595**

8-1 GROSS RECEIPTS TAX 595

8-1:1 Overview..... 595

8-1:2 Imposition 595

8-1:3 Tax Base, Rate, and Exemption 596

8-1:3.1 Rate and Base 596

8-1:3.2 PURTA Surcharge 596

8-1:3.3 Managed Care Organization Tax 597

8-1:3.4 Transportation Companies 597

8-1:3.5 Telephone, Telegraph and Mobile
Telecom Companies..... 597

Table of Contents

	8-1:3.6	Electric Light, Water Power and Hydroelectric Companies.....	602
	8-1:3.7	Exempt Energy Sales	602
	8-1:3.8	Revenue Neutral Reconciliation Tax	603
	8-1:3.9	Customer Late Payment Charges.....	603
	8-1:3.10	Motor Vehicles, Carriers, and Railroads	603
	8-1:3.11	Access to Internet	604
	8-1:3.12	Corporation Tax Bulletin 2011-02 (July 20, 2011) (Gross Receipts Tax Accounting Method	604
	8-1:4	Credit, Payment and Return	605
	8-1:4.1	Reports and Payment of Tax	606
	8-1:4.2	Estimated Tax	606
	8-1:5	Audit, Assessment and Appeal	606
8-2		MOTOR CARRIERS ROAD TAX	607
	8-2:1	Overview.....	607
	8-2:2	Imposition	607
	8-2:2.1	Taxable and Exempt Carriers	607
	8-2:2.2	Motor Carrier	607
	8-2:2.3	Motor Vehicles	608
	8-2:2.4	International Fuel Tax Agreement (IFTA).....	608
	8-2:3	Tax Base, Rate and Exemption	609
	8-2:3.1	Tax Base	609
	8-2:3.2	Tax Rate	610
	8-2:3.3	Exemption	610
	8-2:4	Credits, Payment and Return	611
	8-2:4.1	Credit	611
	8-2:4.2	Reports, Payment of Tax, and Records.....	612
	8-2:4.3	Identification Markers	613
	8-2:4.4	Temporary Marker Permits	613
	8-2:4.5	Trip Permits	614
	8-2:5	Audit, Assessment and Appeal	614
8-3		TAXES ON LIQUID FUELS AND FUELS, AND THE OIL COMPANY FRANCHISE TAX	614
	8-3:1	Overview.....	614
	8-3:2	Imposition	614
	8-3:2.1	Liquid Fuels and Fuels Tax	614
	8-3:2.2	Oil Company Franchise Tax	615

Table of Contents

	8-3:2.3	Aviation Gasoline Tax (Aviation Fuels and Jet Fuels)	616
	8-3:2.4	Alternative Fuels Tax.....	616
8-3:3		Tax Base, Rate, and Exemptions.....	616
	8-3:3.1	Liquid Fuels and Fuels Tax	616
	8-3:3.1a	Tax Base	616
	8-3:3.1b	Tax Rate	617
	8-3:3.1c	Exemptions	617
	8-3:3.2	Oil Company Franchise Tax	618
	8-3:3.2a	Tax Base	618
	8-3:3.2b	Tax Rate	618
	8-3:3.3	Aviation Gasoline Tax (Aviation Fuels and Jet Fuels)	621
	8-3:3.3a	Tax Base	621
	8-3:3.3b	Tax Rate	621
	8-3:3.4	Alternative Fuels Tax.....	621
	8-3:3.4a	Tax Base	621
	8-3:3.4b	Tax Rate	622
	8-3:3.4c	Exemptions	622
8-3:4		Credits, Payments and Returns	622
	8-3:4.1	Returns	622
	8-3:4.2	myPATH and e-TIDES Version 3.0	623
	8-3:4.3	Mandatory E-filing Requirement.....	624
	8-3:4.4	Refunds	624
	8-3:4.5	e-Alerts	624
	8-3:4.6	Penalties	625
8-4		MOTOR VEHICLE REGISTRATION TAX	626
	8-4:1	Passenger Cars.....	626
	8-4:2	Application for Registration	626
	8-4:3	Commercial Vehicle Registration.....	626
	8-4:4	Exemptions.....	626
8-5		MOTOR FUELS BOND REQUIREMENT	627
		Chapter 9: Unemployment Compensation	629
9-1		OVERVIEW	629
9-2		IMPOSITION	629
	9-2:1	Imposition	629
	9-2:2	Administration	629
	9-2:3	Definitions	629
	9-2:3.1	Employer	629
	9-2:3.2	Employment	630
	9-2:3.2a	Burden of Proof	630

Table of Contents

	9-2:3.2b	Bona Fide Partnership.....	630
	9-2:3.2c	Single Member Entities	630
9-2:3.3	Employee.....		632
	9-2:3.3a	Employee v. Independent Contractor.....	632
	9-2:3.3b	Employee v. Independent Contractor in the Construction Industry	636
	9-2:3.3c	“Customarily Engaged in an Independently Established Trade, Occupation, Profession or Business.”.....	636
	9-2:3.3d	Factors Not to Consider in Determining Whether an Individual is an Independent Contractor.....	637
	9-2:3.3e	Penalties for Improper Classification of Employees	638
	9-2:3.3f	Liability for Unemployment Compensation Taxes for Failure to Obtain Bulk Sale Clearance Certificate	638
	9-2:3.3g	Wages	638
9-3	TAX BASE, EXCLUSION AND EXEMPTIONS		638
	9-3:1	Employment – Special Situations.....	639
	9-3:2	Government Employers	640
	9-3:3	Not-For-Profit Employers	641
	9-3:4	Other Specific Exemptions.....	642
9-4	TAX RATE		644
	9-4(a)	Successor-in-Interest Rate	649
	9-4(b)	Appeals & Requests for Reconsideration of Rate	652
	9-4:1	Employee Contribution	654
	9-4:2	Interest Contribution	654
9-5	CREDITS, PAYMENTS, RETURNS		655
	9-5:1	Returns and Payment of Tax	655
	9-5:2	Unemployment Benefits.....	656
	9-5:3	Additional Benefits	658
9-6	PENALTIES		658
	9-6:1	Civil Monetary Penalties	658
	9-6:2	Criminal Penalties	660

Table of Contents

Chapter 10: Inheritance and Estate Tax663

10-1 OVERVIEW 663

10-2 IMPOSITION 663

10-3 INHERITANCE TAX 664

 10-3:1 Tax Base 664

 10-3:2 Tax Rate 683

 10-3:3 Credits, Payments, and Returns 685

10-4 ESTATE TAX 688

10-5 AUDITS, ASSESSMENTS, AND APPEALS 690

10-6 MISCELLANEOUS 693

Chapter 11: Local Taxes, General Principles695

11-1 OVERVIEW 695

11-2 RECENT DEVELOPMENTS..... 696

11-3 ENABLING LEGISLATION 696

 11-3:1 Enabling Legislation 696

 11-3:2 Classification of Political Subdivisions 697

 11-3:2.1 City of Philadelphia 697

 11-3:2.1a Sterling Act 697

 11-3:2.1b The First Class City
 Business Reform Act 698

 11-3:2.1c “Little Sterling Act” –
 Philadelphia School
 District 698

 11-3:2.1d Act 511 – Other Political
 Subdivisions 699

11-4 LIMITATIONS ON LOCAL TAXING POWERS..... 699

 11-4:1 Constitutional Restrictions 699

 11-4:2 General Restrictions 699

 11-4:3 Preemption Doctrines..... 701

 11-4:3.1 Implied or Judicial Preemption 702

 11-4:3.2 Preemption by Statute 703

 11-4:4 Immunity 704

 11-4:4.1 Sovereign Immunity 704

 11-4:4.2 Tax Immunity 704

 11-4:4.3 Governmental Immunity 705

 11-4:5 Limitations on Subjects of Taxation 708

 11-4:5.1 Manufacturing Exemption 710

 11-4:5.2 Limitations on Rates..... 712

 11-4:6 Business Privilege Tax..... 713

 11-4:7 Realty Transfers..... 715

Table of Contents

11-4:8 Taxation by More Than One Subdivision 716

11-4:9 Merger of One or More Political Subdivisions 716

11-4:10 Boundary Determinations, Counties of the Second
and Third Class 716

11-4:11 Federal Tax Returns Not Protected by Privilege
Against Self-Incrimination 716

11-5 LOCAL TAX REFORM 717

11-5:1 Local Tax Reform Act (Act 50 of 1998)..... 717

11-5:1.1 General Overview 717

11-5:1.2 Implementation 718

11-5:1.3 School District Taxing Powers 718

11-5:1.4 Tax Offsets..... 719

11-5:1.5 Back-End Referendum 719

11-5:1.6 Initiative Process..... 720

11-5:1.7 Provisions Applicable to Municipalities ... 720

11-5:1.8 Amusement or Admissions Tax 720

11-5:1.9 Sign Privilege or Motor Vehicle
Transfer Tax 720

11-5:2 Local Taxpayers Bill of Rights 721

11-5:2.1 Eligible Taxes..... 721

11-5:2.2 Disclosure Requirements 721

11-5:2.3 Simple Disclosure Language Required 722

11-5:2.4 Taxpayer Response 722

11-5:2.5 Refunds 723

11-5:2.6 Interest 723

11-5:2.7 Underpayments 723

11-5:2.8 Abatement of Penalties and Interest 724

11-5:2.9 Installment Payments 724

11-5:2.10 Appeal Boards 724

11-5:3 The Optional Occupation Tax Elimination Act
(Act 24 of 2001)..... 725

11-5:4 The Taxpayer Relief Act (Act 1 of 2006) 725

11-5:4.1 Public Referendum Requirements 725

11-6 LOCAL TAXES AS A PRIMARY SOURCE OF
FUNDING 726

11-6:1 Limitation on Mercantile or Business
Privilege Taxes 726

11-6:2 Lack of Notice for Unpaid Pennsylvania Local
Business Privilege Tax..... 727

11-6:3 Airport Authority Immune From Local Taxes..... 727

11-6:4 Video Programming Municipal Tax
Authorization Act..... 728

Table of Contents

11-6:5	Allegheny County Sales Tax	729
11-6:6	Hotel Room Rental Tax in Third-Class Counties	729
11-7	LOCAL TAXATION, SPECIAL TOPICS AND CURRENT DEVELOPMENTS.....	730
11-7:1	Local Services Tax	731
11-7:1.1	Installment Collection	732
11-7:1.2	Exemptions.....	732
11-7:2	Business Privilege Tax.....	733
11-7:2.1	General Overview	733
11-7:2.2	Rates and Limitations.....	733
11-7:2.3	Exemptions From the Tax Base	734
11-7:2.4	Transaction Tax vs. Business Privilege Tax	735
11-7:2.5	Situs of Receipts From the Rendering of Services (Business Privilege Tax)	735
11-7:2.6	Receipts From Interstate Revenue.....	737
11-7:2.7	Business Privilege Tax Imposed on Management Fees From Affiliated Entities	738
11-7:2.8	Business Privilege Tax and Purely Public Charities	738
11-7:2.9	Business Privilege Tax and Authority to Tax Separate Legal Entities	740
11-7:2.10	Commonwealth Regulation of Securities Industry and the Preemption Doctrine	741
11-7:2.11	Business Privilege Tax's Interest and Penalties Barred by the Doctrine of Laches	741
11-7:2.12	Business Privilege Tax and Merger of Local Governments	741
11-7:3	Amusement Tax.....	742
11-7:3.1	Selective Enforcement of Taxes Unconstitutional	742
11-7:3.2	Miniature Golf Course	742
11-7:3.3	Golf Course on Public Property	742
11-7:4	Earned Income Tax	743
11-7:4.1	Countywide Collection of the Local Earned Income and Net Profits Tax	743
11-7:4.2	New Withholding Requirements	743
11-7:4.3	New Remittance Requirements.....	743

Table of Contents

11-7:4.4	General Rule.....	743
11-7:4.4a	Employer With Multiple Business Locations (Combined Filing)	744
11-7:4.4b	Consequences of Filing a Combined Return	744
11-7:4.5	The <i>Local Earned Income Tax Residency Certification Form</i>	744
11-7:4.6	Determination of Employee Residence....	745
11-7:4.7	Determination of Employee Work Location.....	746
11-7:4.7a	Home Office as an Employee's Work Location ...	747
11-7:4.7b	Temporary Work Location as Employee's Work Location	748
11-7:4.7c	Work Location for an Employee Who Has no Fixed Work Location.....	749
11-7:4.8	Act 32 and Philadelphia Wage Tax Issues	750
11-7:4.9	Out-of-State Employers	751
11-7:4.10	Penalties for Failure to Comply With Act 32	752
11-7:4.11	Business Losses Cannot be Used to Offset Earned Income	752
11-7:4.12	Cap on Earned Income Exclusion.....	753
11-7:4.13	Financially Distressed Municipality	753
11-7:4.14	S-Corporation Profits	754
11-7:4.15	Compensation.....	754
11-7:4.15a	Exercise of Stock Options	754
11-7:4.15b	<i>Qui Tam Payments</i>	755
11-7:4.16	Occupation Tax – Statute of Limitations....	755
11-7:4.17	Local Tax Amnesty.....	755
11-7:4.18	Taxpayer Not Entitled to Refund of Sales Tax Paid by Contractor	756
11-7:4.19	Interest on Refunds	756
11-7:4.20	Time Limit for Townships to Decide Refund Claims	756
11-7:4.21	Members of the United States Armed Forces	757

Table of Contents

Chapter 12: Taxes on Real Estate759

12-1 LOCAL REAL PROPERTY TAX..... 759

 12-1:1 Overview..... 759

 12-1:2 Imposition 759

 12-1:3 Real Property Subject to Tax 760

 12-1:4 Tax Exemptions..... 763

 12-1:5 Tax Rebates and Deferrals..... 775

 12-1:6 Assessment Process..... 778

 12-1:7 Assessment Appeals..... 786

12-2 PUBLIC UTILITY REALTY TAX..... 795

 12-2:1 Overview..... 795

 12-2:2 Imposition 796

 12-2:2.1 Distribution of Tax..... 796

 12-2:3 Property Subject to Tax 797

 12-2:4 Tax Rate 800

 12-2:5 Tentative Tax 800

 12-2:6 Assessment of Tax 801

 12-2:7 Interest and Penalty 801

 12-2:8 Additional Assessments, Refunds, and Rebates 802

 12-2:9 Appeals..... 802

 12-2:10 Surcharge..... 803

 12-2:11 Additional Tax 804

Chapter 13: Realty Transfer Tax805

13-1 OVERVIEW 805

13-2 IMPOSITION 805

13-3 TAX BASE, EXCLUSIONS & EXEMPTIONS 806

13-4 OTHER REALTY TRANSFER TAX ISSUES..... 829

13-5 RATE 852

13-6 COMMON LEVEL RATIOS 852

13-7 CREDITS, PAYMENTS & RETURNS 853

Chapter 14: Philadelphia City and School District Taxes855

14-1 PHILADELPHIA TAXES IN GENERAL 855

 14-1:1 Recent Developments 855

 14-1:2 Overview..... 855

 14-1:3 Payments and Returns 857

 14-1:4 Audits, Assessments and Appeals 860

14-2 PHILADELPHIA WAGE, NET PROFITS AND EARNINGS TAX..... 868

 14-2:1 Overview..... 868

 14-2:2 Imposition 870

Table of Contents

14-2:3	Tax Base, Exclusions & Exemptions	871
14-2:4	Credits, Payments & Returns	881
14-2:5	Audits, Assessments & Appeals	888
14-3	BUSINESS INCOME AND RECEIPTS TAX	888
14-3:1	Overview	888
14-3:2	Imposition	890
14-3:3	Tax Base, Exclusions & Exemptions	896
14-3:4	Rates	905
14-3:5	Credits, Payments & Returns	909
14-4	REALTY TRANSFER TAX	914
14-5	REAL ESTATE TAX	918
14-6	AMUSEMENT TAX	934
14-7	MECHANICAL AMUSEMENT DEVICES TAX	937
14-8	PARKING TAX	937
14-9	VEHICLE RENTAL TAX	939
14-10	SALES, USE AND HOTEL OCCUPANCY TAX	939
14-11	HOTEL TAXES	944
14-11:1	Hotel Room Rental Tax	945
14-11:2	Tourism and Marketing Tax	946
14-11:3	Hospitality Promotion Tax	946
14-11:4	Reports, Returns, Payment and Collection of Hotel Taxes	946
14-12	SCHOOL DISTRICT INCOME TAX	948
14-12:1	Imposition, Tax Base & Rate	949
14-12:2	Taxable Income, Exclusions & Exemptions	950
14-12:3	Credits, Payments & Returns	955
14-13	BUSINESS USE AND OCCUPANCY TAX	956
14-13:1	Imposition	956
14-13:2	Tax Base, Rate, Exclusions & Exemptions	959
14-13:3	Credits, Payments and Returns	961
14-13:4	Audits, Assessments & Appeals	962
14-14	LIQUOR SALES TAX	962
14-14:1	Tax Base & Rate	963
14-14:2	Credits, Payments & Returns	963
14-14:3	Audits, Assessments & Appeals	963
14-15	OUTDOOR ADVERTISING TAX	965
14-15:1	Tax Rate	966
14-15:2	Definitions	966
14-16	TOBACCO AND TOBACCO-RELATED PRODUCTS TAX	966
14-17	SWEETENED BEVERAGE TAX	968
14-17:1	Tax Rate	968

Table of Contents

14-17:2 Definitions. [Phila. Code §19-4101] 968

14-17:3 Exceptions 969

14-17:4 Distributor Registration; Purchases from
Registered Distributors 970

14-17:5 Notification of Dealer Status 970

14-17:6 Liability for Payment of the Tax 971

14-17:7 Administration 971

14-17:8 Penalties 971

14-17:9 Challenges to the Beverage Tax 972

14-17:10 Healthy Beverage Credit 974

14-18 DEVELOPMENT IMPACT TAX 975

14-19 VOLUNTARY DISCLOSURE PROGRAM 976

14-20 TAX AMNESTY 976

Chapter 15: Pittsburgh City and School District Taxes 977

15-1 OVERVIEW 977

15-1:1 The Local Tax Enabling Act (“LTEA”) 978

15-1:2 City of Pittsburgh Overview 978

15-1:3 General Provisions – City of Pittsburgh 982

15-1:4 Pittsburgh School District Generally 983

15-2 EARNED INCOME TAX 984

15-2:1 Earned Income Tax – City of Pittsburgh 984

15-2:2 Earned Income Tax – Pittsburgh School District 987

15-3 HOME RULE TAX 988

15-3:1 Home Rule Tax – City of Pittsburgh 988

15-3:2 Home Rule Tax – Pittsburgh School District 989

15-4 OTHER TAXES 990

15-4:1 Payroll Expense Tax – City of Pittsburgh 990

15-4:2 Local Services Tax (Formerly Occupational
Privilege Tax or Emergency and Medical Services
Tax) – City of Pittsburgh 992

15-4:3 Local Services Tax (Formerly Emergency and
Municipal Services Tax) – Pittsburgh School
District 993

15-4:4 Business Privilege Tax – City of Pittsburgh 993

15-4:5 Business Privilege Tax – Pittsburgh School
District 993

15-4:6 Institution and Service Privilege Tax – City of
Pittsburgh 993

15-4:7 Institution and Privilege Tax – Pittsburgh School
District 995

15-4:8 Realty Transfer Tax – City of Pittsburgh 995

Table of Contents

15-4:9 Realty Transfer Tax – Pittsburgh School District 996

15-4:10 Real Estate Property Tax – City of Pittsburgh 996

15-4:11 Other Real Estate Property Taxes 999

15-4:12 Amusement Tax – City of Pittsburgh..... 999

15-4:13 Amusement Tax – Pittsburgh School District 1001

15-4:14 Non-Resident Sports Facility Usage Fee 1001

15-4:15 Parking Tax – City of Pittsburgh 1008

15-4:16 Parking Tax – Pittsburgh School District..... 1009

15-5 ALLEGHENY COUNTY TAXES..... 1009

15-6 TAX CREDITS..... 1015

Chapter 16: Procedures, Protests & Appeals 1017

16-1 INTRODUCTION..... 1017

16-2 RECENT DEVELOPMENTS..... 1017

16-2:1 Recent Developments – 2020 1017

16-2:2 Recent Developments – 2018 1017

16-3 MANDATORY E-FILING OF RETURNS

PREPARED BY TAX PREPARERS 1018

16-3:1 Sales and Use Tax 1018

16-3:2 Corporate Taxes 1020

16-3:3 Personal Income Tax 1022

16-3:3.1 Mandatory Electronic Filing of
PA Personal Income Tax Return (PA-40)
Prepared by Third-Party Preparers 1022

16-3:3.2 Mandatory Electronic Filing of
Employer Quarterly Return of
Income Tax Withheld (PA-W3)
Prepared by Third-Party Preparers
Required to be Filed After
January 1, 2014 1023

16-3:4 Liquid Fuels and Fuels Tax 1025

16-4 REGISTRATION 1027

16-5 CORPORATE NET INCOME TAX AND CAPITAL
STOCK/FOREIGN FRANCHISE TAX..... 1028

16-5:1 Amended Reports, Corrected Reports and
Reports of Change 1028

16-5:2 Settlement Process 1032

16-5:3 Administrative Review of Settlements and
Resettlements..... 1033

16-5:4 Tax Refunds 1034

16-6 SALES AND USE TAX 1034

Table of Contents

16-6:1	Amended Returns	1034
16-6:2	Audits	1034
16-7	ADMINISTRATIVE REVIEW OF ASSESSMENTS AND REASSESSMENTS	1034
16-8	PERSONAL INCOME TAX	1034
16-8:1	Amended Returns	1034
16-8:2	Audits	1034
16-8:3	Administrative Review of Assessments and Reassessments.....	1035
16-8:4	Refunds	1035
16-9	PETITIONS TO THE BOARD OF APPEALS	1035
16-9:1	Board of Appeals Procedures	1035
16-9:2	Petitions to the Board of Finance and Revenue	1035
16-10	BOARD OF FINANCE AND REVENUE PROCEDURES	1035
16-10:1	Judicial Appeals.....	1035
16-10:2	Board of Finance and Revenue Practice and Procedure – Act 52	1036
16-10:2.1	Interim Operating Rules of the Board of Finance and Revenue Definitions	1038
16-10:3	Act 119 – Procedural Rules for Determinations and Assessments Made by the Department of Revenue After December 31, 2007	1049
16-10:3.1	Corporate Net Income Tax and Capital Stock/Foreign Franchise Tax	1050
16-10:3.2	Amended Reports, Corrected Reports and Reports of Change	1050
16-10:3.2a	Changes or Corrections Initiated by the Federal Government	1052
16-10:3.2b	Changes or Corrections Initiated by the Taxpayer	1054
16-10:3.3	Determinations and Assessments.....	1055
16-10:3.4	Notices	1059
16-10:3.5	Administrative Review of Assessments and Reassessments.....	1060
16-10:3.6	Collection of Taxes	1064
16-10:3.7	Refunds	1065
16-11	SALES AND USE TAX	1065
16-11:1	Amended Returns	1065
16-11:2	Audits	1065
16-11:3	Assessments	1068

Table of Contents

16-11:4	Administrative Review of Assessments and Reassessments.....	1068
16-11:5	Collection of Taxes.....	1069
16-11:6	Refunds	1070
16-12	PERSONAL INCOME TAX.....	1071
16-12:1	Amended Returns.....	1071
16-12:2	Audits and Assessments.....	1071
16-12:3	Administrative Review of Assessments and Reassessments.....	1075
16-12:4	Collection of Taxes.....	1077
16-12:5	Refunds	1078
16-13	UNIFORM REFUND PROCEDURES	1078
16-13:1	Uniform Statute of Limitations.....	1078
16-13:2	Petitions to the Board of Appeals.....	1080
16-13:3	How to File a Petition for Refund	1080
16-14	UNIFORM ADMINISTRATIVE PROCEDURES.....	1081
16-14:1	Board of Appeals (Department of Revenue)	1081
16-15	BOARD OF FINANCE AND REVENUE.....	1087
16-16	JUDICIAL APPEALS	1094
16-17	INTEREST ON TAXES DUE.....	1096
16-18	INTEREST ON OVERPAYMENTS OR REFUNDS OF TAX	1100
16-19	TAX CLEARANCE CERTIFICATES, DISSOLUTIONS, WITHDRAWALS, MERGERS, CONSOLIDATIONS AND BULK SALES	1104
16-20	VOLUNTARY DISCLOSURE PROGRAM.....	1114
16-21	USE TAX VOLUNTARY COMPLIANCE PROGRAM	1116
16-22	ELECTRONIC FUNDS TRANSFER (EFT)	1116
16-23	VENDOR ENFORCEMENT PROGRAM.....	1120
16-24	TAX AMNESTY PROGRAM	1121
16-25	PROCEDURES TO ATTACH AND SEIZE BANK ACCOUNTS.....	1126
Chapter 17: Escheat and Corporate Fees, Licenses.....		1135
17-1	OVERVIEW	1135
17-2	UNCLAIMED PROPERTY (ESCHEAT).....	1135
17-3	CORPORATE FEES AND INCORPORATION	1145
Chapter 18: Credits		1151
18-1	NEIGHBORHOOD ASSISTANCE TAX CREDIT	1151
18-2	ENTERPRISE ZONE TAX CREDITS.....	1157
18-3	PENNSYLVANIA TAX CREDIT FOR NEW JOBS.....	1158

Table of Contents

18-4 RESEARCH AND DEVELOPMENT TAX CREDIT... 1163

18-5 EDUCATION TAX CREDIT (ETC)..... 1167

18-6 PRE-KINDERGARTEN TAX CREDIT 1181

18-7 EDUCATIONAL OPPORTUNITY SCHOLARSHIP
TAX CREDIT 1184

18-8 LOCAL ECONOMIC REVITALIZATION TAX
ASSISTANCE ACT (LERTA)..... 1190

18-9 CITY REVITALIZATION AND IMPROVEMENT
ZONES 1193

18-10 KEYSTONE OPPORTUNITY ZONE PROGRAM..... 1202

18-11 2012 KEYSTONE OPPORTUNITY ZONE
EXTENSION, EXPANSION, AND NEW
DESIGNATIONS 1220

18-12 2016 KEYSTONE OPPORTUNITY ZONE
EXTENSION AND NEW DESIGNATIONS 1221

18-13 FILM TAX CREDIT 1224

18-14 STRATEGIC DEVELOPMENT AREAS..... 1230

18-15 KEYSTONE INNOVATION ZONES 1231

18-16 KEYSTONE SPECIAL DEVELOPMENT ZONES 1233

18-17 ALTERNATIVE ENERGY PRODUCTION TAX
CREDIT 1240

18-18 RESOURCE ENHANCEMENT AND
PROTECTION PROGRAM (REAP)..... 1243

18-19-A RESOURCE MANUFACTURING TAX CREDIT 1245

18-19-B LOCAL RESOURCE MANUFACTURING
TAX CREDIT 1246

18-20 PROMOTING EMPLOYMENT ACROSS
PENNSYLVANIA PROGRAM 1248

18-21 HISTORIC PRESERVATION INCENTIVE
TAX CREDIT [EFFECTIVE JULY 1, 2013]..... 1250

18-22 COMMUNITY-BASED SERVICES TAX CREDIT
[EFFECTIVE JULY 1, 2013] 1253

18-23 MOBILE TELECOMMUNICATIONS
BROADBAND INVESTMENT TAX CREDIT 1254

18-24 INNOVATE IN PA TAX CREDIT 1256

18-25 CONCERT REHEARSAL AND TOUR TAX
CREDIT 1261

18-26 VIDEO GAME PRODUCTION TAX CREDIT 1277

18-27 COAL REFUSE ENERGY AND RECLAMATION
CREDIT 1286

18-28 WATERFRONT DEVELOPMENT TAX CREDIT 1294

Table of Contents

18-29 MANUFACTURING AND INVESTMENT
TAX CREDIT 1304

18-30 RURAL JOBS AND INVESTMENT TAX CREDIT 1312

18-31 MIXED USE DEVELOPMENT TAX CREDIT 1329

18-32 BEGINNING FARMER TAX CREDIT 1339

18-33 COMPUTER DATA EQUIPMENT CENTER
PROGRAM 1343

18-34 PENNSYLVANIA CHILD AND DEPENDENT CARE
ENHANCEMENT PROGRAM 1351

18-35 PENNSYLVANIA AIRPORT LAND DEVELOPMENT
ZONE (ALDZ) PROGRAM..... 1352

18-36 SALE OF RESTRICTED TAX CREDITS 1360

18-37 PHILADELPHIA CREDITS 1366

18-37:1 Philadelphia Job Creation Tax Credit 1366

18-37:2 Philadelphia Contribution to Community
Development Corporation Tax Credit 1370

18-37:3 Philadelphia 10-Year Abatement of Real Estate
Taxes for Improvements to Industrial,
Commercial and Other Business Properties 1376

18-37:4 Philadelphia 10-Year Abatement From Real
Estate Taxes for the Conversion of Deteriorated
Industrial, Commercial and Other Business
Property to Commercial Residential Use 1378

18-37:5 Philadelphia 10-Year Abatement From Real
Estate Taxes for Improvements to Existing and
New Construction of Residential Property 1379

18-37:6 Philadelphia Re-Entry Employment
Program (PREP) 1380

18-37:7 Philadelphia Green Roof Tax Credit 1382

18-37:8 Philadelphia Healthy Beverage Credit 1384

18-37:9 Philadelphia Sustainable Business Credit..... 1385

Chapter 19: Miscellaneous Commonwealth Taxes 1387

19-1 ALCOHOLIC BEVERAGES TAX 1387

19-1:1 Overview..... 1387

19-1:2 Imposition 1387

19-1:3 Tax Base and Exemptions 1389

19-1:4 Credits, Payments and Returns 1390

19-2 CIGARETTE TAX & TOBACCO PRODUCTS TAX 1392

19-2:1 Cigarette Tax – Overview 1392

19-2:2 Cigarette Tax – Imposition 1394

Table of Contents

19-2:3	Cigarette Tax – Tax Base and Exemptions	1395
19-2:4	Cigarette Tax – Credits, Payments and Returns	1396
19-2:5	Tobacco Products Tax	1396
19-3	PENNSYLVANIA MEDICAL MARIJUANA TAX	1399
19-3:1	Overview.....	1399
19-3:2	Administration	1399
19-3:3	Exemption	1399
19-4	PENNSYLVANIA RACE HORSE DEVELOPMENT & GAMING ACT.....	1399
19-4:1	Overview.....	1399
19-4:2	Tax Base and Rate	1401
19-4:3	Gambling Expansion Act	1406
19-5	NONLICENSED CORPORATION PARI-MUTUEL WAGERING TAX.....	1409
19-5:1	Effective July 9, 2013 through February 22, 2016....	1409
19-5:1.1	Overview.....	1409
19-5:1.2	Tax Base and Rate	1409
19-5:1.3	Tax Return.....	1410
19-5:1.4	Penalties	1410
19-5:2	Effective February 23, 2016	1411
19-5:2.1	Overview.....	1411
19-5:2.2	Tax Base and Rate	1411
19-5:2.3	February 2016 Tax Return	1411
19-6	FIREWORKS	1411
19-6:1	Effective October 30, 2017	1411
19-6:1.1	Overview.....	1411
19-6:1.2	Definitions.....	1412
19-6:1.3	Tax Base and Rate	1412
19-6:1.4	Annual License Fees	1412

Chapter 20: Commonwealth Corporate Level Taxes as Applied to Electric Utilities & Wholesalers, Pipeline Companies, and the Marcellus Shale Industry 1413

20-1	OVERVIEW	1413
20-2	ELECTRIC UTILITIES AND WHOLESALERS	1413
20-3	GAS UTILITIES AND PIPELINE COMPANIES	1425
20-4	MARCELLUS SHALE INDUSTRY	1430

Chapter 21: Institutions of Purely Public Charity 1447

21-1	INTRODUCTION.....	1447
21-1:1	Overview.....	1447
21-1:2	History	1448

Table of Contents

21-1:3	Act 55 Definitions	1453
21-1:4	Requirements of Act 55 Five (5) Part <i>HUP</i> Test	1455
21-1:4.1	Charitable Purpose	1455
21-1:4.2	Gratuitous Services	1455
21-1:4.3	Beneficial Operation	1459
21-1:4.4	Government Burden	1461
21-1:4.5	Profit Motive	1461
21-1:5	Constitutional Standard & Statutory Standard of Purely Public Charity	1463
21-1:5.1	Gratuitous Services	1465
21-1:5.2	Beneficial Operation	1466
21-1:5.3	Government Burden	1467
21-1:6	Standard of Review	1467
21-2	REAL ESTATE EXEMPTION	1468
21-2:1	Real Estate Exemption – Use of Property Affecting Exempt Status	1468
21-2:2	Effective Date of Exemption	1470
21-2:3	Voluntary Agreement	1470
21-2:4	State-Related Universities	1470
21-2:5	Residential Housing	1471
21-2:6	Nursing Homes	1471
21-2:7	Nonprofit Housing for Mentally Disabled	1472
21-2:8	Charitable Trusts	1473
21-3	SALES AND USE TAX EXEMPTION	1474
21-3:1	Charitable Organizations	1474
21-3:2	Limitations and Exceptions	1474
21-3:3	Application for Sales and Use Tax Exemption	1475
21-3:4	Burden of Proof	1475
21-3:5	Annual Reports	1477
21-3:6	Exemption Certificates	1478
Chapter 22: Collection of Delinquent Real Estate Taxes		1479
22-1	OVERVIEW	1479
22-2	REAL ESTATE TAX SALE LAW (“RETSL”)	1480
22-2:1	Applicability	1480
22-2:2	Tax Claim Bureaus	1481
22-2:3	Real Estate Tax Liens	1481
22-2:4	Sequestration	1484
22-2:5	Tax Sales Generally	1485
22-2:6	Upset Sales	1485
22-2:7	Judicial Sales	1500
22-2:8	Repository Sales	1504

Table of Contents

22-2:9 Private Sales 1505

22-2:10 Restrictions on Tax Sale Purchases 1506

22-3 MUNICIPAL CLAIMS AND TAX LIENS ACT

 (“MCTLA”)..... 1507

22-3:1 Applicability 1507

22-3:2 Public Tax Lists 1507

22-3:3 Real Estate Tax Liens 1507

22-3:4 Sequestration 1510

22-3:5 Sheriff’s Sales..... 1512

22-4 CITY OF THE SECOND CLASS TREASURER’S

 SALE AND COLLECTION ACT (“TSCA”) 1518

22-4:1 Applicability 1518

22-4:2 Real Estate Tax Liens 1518

22-4:3 Treasurer’s Sales 1518

22-5 CITIES OF THE SECOND CLASS A TREASURER’S

 SALE ACT (“TSA”) 1523

22-5:1 Applicability 1523

22-5:2 Real Estate Tax Liens 1523

22-5:3 Treasurer’s Sales 1524

22-5:4 Special Provisions Relating to the City as

 Purchaser 1527

22-6 MISCELLANEOUS 1531

22-6:1 Adequacy of Sale Price at Public Tax Sale 1531

22-6:2 Quiet Title Actions 1531

Index 1533