

Tax Compliance & Planning TRENDS

New PA Tax Amnesty Program Effective April 26, 2010

Pennsylvania signed into law a tax amnesty program on October 9, 2009, and the City of Philadelphia has proposed a new amnesty program, which is pending approval by City Council. Pennsylvania's amnesty program begins April 26, 2010, through October 9, 2009. During this period, the Department of Revenue will waive all penalties and half of the interest due on any delinquent tax liability as of June 30, 2009. The proposed program for Philadelphia would begin May 3, 2010, and last 45 days. During this time, the City will also waive all penalties and half of the interest on any delinquent tax liability.

State of Pennsylvania Program

Pennsylvania's tax amnesty program will run from April 26, 2010, to June 18, 2010. During this period, the Pennsylvania Department of Revenue will waive all penalties and half of the interest due on any delinquent tax liabilities as of June 30, 2009. Taxpayers participating in the program must file all delinquent tax returns and pay all taxes and half the interest during the amnesty period.

All taxes administered by Pennsylvania Department of Revenue are eligible for the tax amnesty program. The program does not include the Unemployment Compensation Tax which is administered by Pennsylvania Department of Labor & Industry.

In addition to delinquencies known to the Department of Revenue, the Amnesty program includes the following tax liabilities:

- Tax liabilities for which no return was filed, no payment was made, and the tax payer has not been contacted by the Department of Revenue regarding unfiled returns or unpaid taxes.
- Tax liabilities for which a return had been filed but the tax was underreported, and the taxpayer has not been contacted by the Department of Revenue regarding the underreported taxes.

For taxpayers who have not previously filed returns with the Department of Revenue, only undisclosed tax delinquencies dating back to July 1, 2004, will be required to be filed and paid under the tax amnesty program. For those taxpayers who have either filed returns or for whom the Department is aware of the filing obligation, the tax due for all periods must be paid under the amnesty program.

Taxpayers who have unpaid delinquencies at the end of the amnesty period will be assessed a 5% non-participation penalty on all unpaid tax, and penalties and interest not paid in full during the amnesty period. Taxpayers with existing deferred payment plans, inactive appeals or bankrupt entities are exempt from this penalty.

City of Philadelphia – Proposed Program

The city of Philadelphia is currently working on adopting a tax amnesty program to coincide with the Pennsylvania state tax amnesty program. The program is awaiting final approval from City Council at this time.

The proposed amnesty program would begin May 3, 2010, and last 45 days. During this period, the city of Philadelphia will waive half of the interest and all penalties for delinquent taxes. Taxpayers participating in the program will pay their delinquent and half of the accrued interest during the amnesty period. The taxes included under the amnesty program are wage tax, property tax, school tax, and business privilege tax. Philadelphia sales tax is included under the state amnesty program since the Pennsylvania Department of Revenue administers this area.

Source: The Pennsylvania Bulletin Doc. No. 09-2237