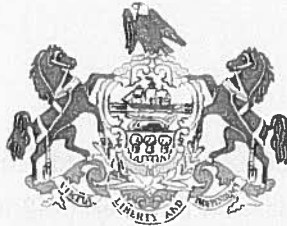


JOHN C. BEAR, MEMBER
97th LEGISLATIVE DISTRICT

HARRISBURG OFFICE:
PO BOX 202097
HARRISBURG, PA 17120-2097
PHONE: (717) 787-1776
FAX: (717) 705-2031

DISTRICT OFFICE:
1555 HIGHLANDS DRIVE
SUITE 110
LITITZ, PA 17543
PHONE: (717) 626-1776
FAX: (717) 626-4234



House of Representatives
Commonwealth of Pennsylvania
Harrisburg

COMMITTEES

APPROPRIATIONS
FINANCE
LABOR AND INDUSTRY
VICE CHAIRMAN
PROFESSIONAL LICENSURE

JBEAR@PAHOUSEGOP.COM
REPBEAR.COM
FACEBOOK.COM/REPBEAR
YOUTUBE.COM/REPBEAR

TO: All House Members
FROM: Rep. John C. Bear *JCB*
DATE: June 18, 2012
SUBJECT: **Proposed Legislation - Tax Reform Code**

In the near future I will be introducing legislation which provides for a variety of amendments to the Tax Reform Code in order to promote a level business playing field, strengthen collection methods, and streamline administrative processes with the Department of Revenue. Below I have provided a brief description of the changes my legislation will provide for.

Vendor Sales Tax Discount

Currently, all businesses that file their Sales and Use Tax returns ahead of schedule are permitted to retain 1% of what they collect during a reporting period. If enacted, my legislation will restrict this discount to 1% of what is collected during a reporting period; limit \$250 per vendor, per month. A change of this magnitude would impact less than 2% of businesses and save the Commonwealth \$41.3 million during FY 2012-2013.

Enhanced Enforcement Package

Over the course of recent years, the General Assembly and the Department of Revenue have worked together in order to increase tax compliance and expand enforcement efforts in order to supplement existing revenue streams. With this in mind, my legislation will build upon previous efforts by permitting the Department by implementing the following steps:

- Permitting the Department to freeze and garnish business bank accounts and the bank accounts of those individuals responsible for them in order to satisfy tax delinquencies. A measure of this nature is similar to existing wage garnishment power and brings state collection efforts in line with IRS practices.

- Ensuring that out-of-state businesses and individuals that benefit from Pennsylvania-based income pay their fair share by tightening up tax rules as they relate to pass-through businesses. The DOR would be authorized to assess tax at the entity level for efficiency purposes, levy fees on companies that don't provide K-1 income statements to taxpayers or the DOR and require non-resident estates and trusts to withhold from Pennsylvania nonresidents and file Pennsylvania tax returns.
- Replacing the slap-on-the wrist penalties for stealing trust fund taxes with felony penalties including fines up to \$25,000 and jail time up to seven years. Further, the statute of limitations related to the prosecution of this crime will be increased from two to five years.
- Extending the DOR's citation authority so that businesses can be criminally cited for not paying PIT, employer withholding and corporate taxes, while reducing the appeals process related to a SUT license revocation from 90 days to 15 days. This authority would streamline the collection of delinquent taxes and permit the DOR to display an orange placard detailing a tax delinquency at relevant places of business. Currently, this citation power extends only to sales tax licenses.
- Strengthening PIT collection efforts as it pertains to royalty payments and out-of state contractors by requiring companies paying royalties for oil and gas extraction activity on Pennsylvania land would be required to withhold the PA PIT on any such payments to either resident and non-resident taxpayers. Also, companies that bring out-of-state independent contractors to Pennsylvania would be required to withhold the PA PIT from these individuals.

Other Changes

- Repeal the requirement to send tax assessments by certified mail. This would save the Commonwealth \$750,000 annually.

Improving the Commonwealth's state tax and financial climate has and continues to be a priority of the General Assembly. I believe that legislation such as this represents an important step in addressing this priority. If you wish to co-sponsor this important piece of legislation, please contact Debra Brehm in my office at dbrehm@pahousegop.com or 717-787-1776.