

# **SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE**

**BILL NO.** Senate Bill 356

**PRINTER NO.** 887

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

January 29, 2015

**PRIME SPONSOR**

Senator Folmer

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 356 amends the Local Tax Enabling Act (Act 511 of 1965) to clarify and reform certain provisions contained in Act 32 of 2008 as they relate to the consolidated collection of local income taxes.

With regard to declaration and payment of local income taxes, Senate Bill 356 provides that taxpayers may use the Annual Local Earned Income Tax Return form available from the Department of Community and Economic Development's ("DCED") publicly accessible Internet website to file the final return. The legislation also amends the due dates for the filing of quarterly estimated payments from April, June, September and January to April, July, October and January.

Senate Bill 356 establishes a safe harbor estimated tax provision so that a taxpayer will be considered to have met the requirements for declaration and minimum payments of estimated tax for any year in which the taxpayer timely declares and makes quarterly payments of estimated tax in amounts that equal at least one-fourth of the total income tax due and not withheld in the previous year.

The legislation provides that a taxpayer or an employer may file a tax return or make payment on the next business day if any due date falls on a Saturday, Sunday or legal holiday. Employers required to file quarterly returns must file such returns by the last day of the month following the month in which the quarterly returns are due instead of within 30 days following the end of each calendar quarter.

Senate Bill 356 further provides for the filing of estimated local income taxes for taxpayers whose estimated gross income from farming is at least two-thirds of their total income. Such individuals may file their estimated tax returns at any time on or before January 15 of the succeeding year, but if the farmer files a final return and pays the entire tax by March 1, the return may be considered as his or her declaration due on or before January 15. This provision is consistent with the estimated tax provisions contained in section 325 of the Tax Reform Code of 1971 with regard to the state personal income tax.

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The legislation prohibits a political subdivision, tax collection committee or tax officer from doing any of the following:

- Prohibiting a taxpayer from filing any return or declaration in person or by first class mail.
- Prohibiting a taxpayer or an employer from filing a form that has been posted on DCED's publicly accessible Internet website.
- Imposing a penalty for failing to timely file a quarterly estimated tax return for which no payment of estimated tax was due.

The amendment of sections 501, 502(c) and 512 of the Local Tax Enabling Act shall apply to taxable years beginning after the effective date of the legislation. The act shall take effect in 180 days.

## **FISCAL IMPACT:**

Senate Bill 356 will have no adverse fiscal impact on Commonwealth or local funds.

With regard to the collection of local income taxes, Senate Bill 356 makes changes to administrative and filing procedures, but it does not make substantive changes affecting the amount of taxes that are ultimately due and payable. Therefore, local income tax revenue collection amounts should not be affected by the legislation.