

MEMORANDUM

DATE: July 2, 2014

SUBJECT: Estate/Trust Withholding Income Tax for Non-Resident

TO: All House Members

FROM: Rep. R. Lee James

I am preparing to introduce legislation that would amend the Tax Reform Code of 1971 to make minor corrections to the provisions that were intended to enhance pass-through business compliance.

As you may know, Act 52 of 2013 made omnibus amendments to the Tax Reform Code. Among these amendments, language was included that required an estate or trust to withhold personal income tax from PA source income on behalf of a non-resident beneficiary. While this provision may make sense in many cases, the new language is broadly applied, and it is not always simple or cost effective for an estate or trust to withhold income tax for a non-resident.

My legislation would make two minor changes that are intended to make this withholding requirement easier to comply with:

- A de minimis withholding exception - The estate or trust would not have to withhold in cases where the non-resident beneficiary's income is \$1,000. In these cases, the tax liability will be \$30.70 or less, and it makes little sense to burden the estate or trust with the cost of compliance or the Commonwealth with the cost of enforcement.
- A clarification that an estate or trust can obtain written notice from a beneficiary who is not a Pennsylvania resident and continue to rely on that information until the beneficiary provides new notice that he or she has become a resident.

I hope that you will join me by cosponsoring this legislation.