



# Senate Finance Committee

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## BILL SUMMARY

**Legislation:** Senate Bill 1490, P.N. 2103  
**Sponsor:** Senator Brubaker  
**Act Amended:** Tax Reform Code of 1971  
**Topic:** Tax Procedure  
**Date:** April 26, 2012

### Synopsis:

Senate Bill 1490 amends the Tax Reform Code ("TRC") to provide additional time for taxpayers to file reports, allows challenges to tax adjustments in certain cases, and authorizes compromises by the secretary of Department of Revenue ("DOR") in civil tax cases.

### Summary:

The legislation requires DOR to grant automatically a corporation additional time to file its annual tax report when the federal government grants an extension for filing tax reports.

The legislation provides additional time for a corporation to file changes to its tax report based on changes made by the federal government. The legislation provides that a corporation shall have 6 months from its receipt of the final change by the federal government to file an amended tax report with DOR.

The legislation inserts a new subsection (a.1) in Section 2702 of the TRC to authorize a taxpayer to petition for review of a tax adjustment not resulting in an increase in liability. The legislation permits a taxpayer to request a review of DOR's adjustment of a tax item if the adjustment did not result in a tax increase in the year of adjustment but may increase in a subsequent year. The legislation provides that a request for review may include:

1. Recalculation of corporate net income tax loss;
2. Recalculation of the taxpayer's capital stock franchise tax average net income; and
3. Recalculation of the personal net income tax basis of an asset under Article III.

The legislation requires that a request for review be filed within 90 days of DOR's notice of adjustment. The legislation provides that failure to file a petition within the time above shall not prejudice the taxpayer's right to file a petition in a subsequent tax year.

The legislation provides that if petition for reassessment raises issues outside of the assessment, DOR shall divide into a separate petition issues raised by the assessment and a separate petition for refund.

The legislation authorizes DOR to compromise on any civil tax matter within the DOR's jurisdiction and arising under the laws of the Pennsylvania.

The legislation shall take effect immediately.

**Current law:**

Under Section 405 of the TRC, DOR is permitted, not required, to grant a corporation an extension to file its tax report when the federal government grants an extension.

Under Section 406 of the TRC, a corporation has 30 days after the federal government makes changes to its tax return to file an amended Pennsylvania tax report with DOR.

Article XXVII (Procedure and Administration) of the TRC does not specifically permit petitions for reassessment to include a review of tax adjustment that does not result in an increase in tax in the year of adjustment.