

Advocating for Fairness in Pennsylvania's Special Tax Forgiveness Program

PSTAP is actively engaged with lawmakers to correct inequities in Pennsylvania's Special Tax Forgiveness (SP) program. We are providing direct feedback that would ensure taxpayers are treated consistently—regardless of the type of investment vehicle they use.

The Issue

Under current law, when a taxpayer withdraws funds from a *non-retirement, non-qualified annuity*, **both the original principal and the interest earned** are counted as “poverty income” when determining eligibility for Special Tax Forgiveness.

This treatment is inconsistent with how other common investments are handled. For example, with a certificate of deposit (CD), only the interest is included in the income calculation—not the taxpayer's initial investment.

Our Position

PSTAP is advocating for legislation that would:

- Exclude the taxpayer's original principal investment amount from being counted as poverty income when withdrawn from a non-retirement annuity
- Align the SP calculation with the treatment of other investment products
- Ensure equitable and consistent eligibility standards for all Pennsylvania taxpayers

Why It Matters

Taxpayers should not be penalized simply because they chose one type of investment over another. Aligning the rules across investment vehicles promotes fairness, transparency, and uniformity in Pennsylvania's tax system.

PSTAP will continue working with legislators to advance this correction and protect taxpayers from unintended and inequitable outcomes.