



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

We provide here a summary of answers provided by the Department of Revenue (DOR) from December 3, 2025. This document is classified as revenue information issued for informational purposes only for the convenience of PSTAP's members. Pursuant to 61 PA. Code Section 3.4, this presentation should not be relied upon for any purpose or used in tax appeals. Taxpayers requiring a binding opinion on a specific situation may request a written letter ruling under 61 PA. Code Section 3.3.

1. When a taxpayer has a credit on their PA withholding account that does not automatically populate, what steps should be taken to apply it?

To use a withholding credit/overpayment, do not make a deposit period payment for the period end date that you wish to use the credit.

When filing the quarterly return (W-3), double click the withholding tax line next to the period end date and manually input the amount of credit you wish to use

If credit does not cover the liability, you will need to make a period deposit payment to cover the remaining and adjust the withholding tax line on the return to equal the period deposit payment + the credit.

2. How is interest on individual tax refunds calculated and paid?

Interest is calculated If any overpayment of tax is not refunded or credited within seventy-five (75) days after the last date prescribed for filing the final return or report of the tax determined without regard to any extension of time for filing.

Interest will also be calculated and added to an overpayment when any amount claimed to be overpaid with respect to which an administrative review or appellate procedure is initiated in the manner provided by law by the taxpayer shall be deemed to have been overpaid sixty (60) days following the date of initiation of said review or procedure.

3. If a withholding overpayment is reflected as a pending credit in myPATH, how can a taxpayer formally request a refund?

Taxpayers can use the Request a Refund option when logged into myPATH or they can Send a Message through their myPATH profile to make the request. Additionally, they can submit a request via email to the Bureau of Business Taxpayer Accounting at ra-rv-btarefund@pa.gov.

4. Has the department identified any issues with Schedule G-L not transmitting properly when returns are e-filed through a third-party software vendor?

The department is unaware of this issue, so please provide examples so we can investigate this further.

5. If an individual or trust refund has not been received within six months of filing, what follow-up steps should be taken?

Large overpayment requests often take over six months to process. Tax practitioners can check a refund status via Where's My Refund, Send a Message through myPATH, or submit your question through the Online Customer Service Center and select Tax Practitioners, as the tax category.



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

- 6. Practitioners have observed that PA-41 returns are often processed more slowly than PA-40s, and in some cases, only after direct outreach to the Department. Why is this additional step necessary?**

Due to resource constraints, the Bureau of Individual Taxes prioritizes processing PA-40 returns claiming overpayments. The department will pay interest on any PA-41 overpayment that is not credited or refunded within 75 days of the later of:

1. The return due date or
2. The actual filing date of a complete, correct return.

- 7. To avoid triggering a notice, does the PA-1000 require submission of all real estate tax bills paid during the year, or is one document sufficient if it exceeds the refund amount?**

One document is sufficient if it meets or exceeds the rebate amount requested; no further proof will be required. However, if the claimant may qualify for the supplemental rebate, we strongly recommend submitting the additional documentation, as it won't be awarded without it.

For 2025, the supplemental income limit increases to \$32,070. Claimants who pay more than 15% of their income in property taxes qualify for a supplemental rebate.

- 8. How many prior years can a PA personal income tax return be e-filed? Is the limitation (e.g., current year plus two prior) due to Department policy or software constraints?**

The current year and the immediate prior tax years can be amended via Fed/State e-file. This limitation is due to IRS Fed/State e-file restrictions.

- 9. Is a PA-41 required for a revocable grantor trust that holds only real estate?**

Please refer to the guidance we put out regarding grantor trusts; FAQ Answer ID 4242. We are following IRS rules regarding grantor trust filings.

- 10. When the PIT Handbook does not clearly address a nuanced income classification (e.g., strike benefits), what is the best resource for authoritative guidance?**

You can search for answers to frequently asked questions in the Online Customer Service Center or Submit your question through the Tax Professional Email Portal.

- 11. If a taxpayer qualifies for the federal dependent care credit but does not receive it due to zero tax liability, are they still eligible for the Pennsylvania credit?**

If the taxpayer files their IRS return and an amount is reported on Line 9a of federal Form 2441, it can be reported on the PA Schedule DC and Line 23 of the PA-40. If Line 9a is zero, the credit is not allowed for PA purposes.

- 12. Our software (CCH Axcess) prevents e-filing a PA-40 with more than four RK-1s reporting EITC/OSTC credits on Schedule OC. Is this a software limitation or a Department-imposed restriction? If the latter, what is the rationale?**

This is not a department-imposed restriction.



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

13. What are a taxpayer's responsibilities when using a third-party vendor to file 1099s through myPATH?

The taxpayer's responsibilities when a third party is filing 1099s on their behalf are not different than any other form type where a practitioner or third party is filing on a taxpayer's behalf.

14. Is the department aware of any instances where apportionment on the RCT-101 was changed from 100% to 0% without taxpayer input?

We were made aware of an issue with 1 software vendor where practitioners were "checking a box" for 100% apportionment, but the software was then completing Schedule C-1 as 0/1 (instead of 1/1 as it should have). Our system reads from Schedule C-1 and not what is on Line 7 of Section C. The software vendor was contacted and has fixed their software. As a reminder, all figures must match between the RCT-106, the Schedule C-1 and Line 7 of Section C.

15. Has the department identified any processing issues where royalty income on PA trust returns is being doubled – once by adding it to the business income line and again by taking losses from rental properties and adding that to the business income line?

The department identified ongoing Schedule E issues linked to UltraTax, dating back to 2022. UltraTax has confirmed a fix for the next tax year. Please share examples if other software vendors are affected.

16. If you A PA grantor trust has interest/dividend income, business income and capital gains. The trust is a PA resident trust and when it was originally created the grantor was a Pennsylvania resident but is no longer.

- a. Are all classes of income taxed to the grantor in PA because the situs of the grantor trust is PA?
- b. Or is only the business income sourced to PA taxable to the grantor because the grantor is a resident of another state?

The income will be taxable to the grantor/owner of the trust directly as if the grantor/owner received the income directly.

17. Is there specific statutory or regulatory authority that supports the Department's position that pass-through losses are disallowed without a PA RK-1, while income is still taxed without one? The citation would be helpful when explaining the position to clients.

The department has general authority to examine books and records and "verify the accuracy of any return made, or if no return was made, to ascertain and assess the tax imposed by this article" 72 P.S. §7355. In addition, taxpayers are required to keep records "sufficient to establish the amount of gross income, deductions allowable, credits or other matters required to be shown by the person and any return of the tax or information" 61 Pa. Code §117.15

There are significant differences between federal tax law and Pennsylvania tax law. See generally, AMP Prods. Corp. v. Com., 593 A.2d 1, 3 (Pa.Cmwlt 1991) (stating that "As a sovereign, the Commonwealth can impose its own scheme of taxation...") and Tygart Res., Inc. v. Com., 578 A.2d 86, 88 (Pa.Cmwlt. 1990) (holding that the federal tax principles are not incorporated into the Tax Reform Code).

Due to these differences, the department must be able to review a pass through entity's return in order to substantiate losses reported on a Federal Schedule K-1 conform to Pennsylvania's personal income tax law. When a return is not available for review, the department's only recourse is to disallow the loss.



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

- a. **If a taxpayer does not report the loss due to lack of a PA RK-1, can they preserve their basis and claim the full loss upon disposition of the investment (e.g., on PA Schedule D)? What documentation is required to substantiate basis in such cases?**

Under §7303, basis must be reduced by the greater of: the loss deducted on the return and not disallowed; and the amount of straight-line depreciation. So, at a minimum, the basis in the interest must be reduced by at least straight-line depreciation, even if no loss is claimed/allowed.

- b. **Conversely, if a taxpayer receives a federal K-1 showing income but no PA RK-1 is issued, can the taxpayer defer reporting the income? If not, why is the department's verification standard different for income versus loss?**

The taxpayer cannot defer reporting the income. The department will disallow losses from a federal K-1 because that is the remedy available when a loss claimed on a return cannot be substantiated. There is no such remedy available for underreported income.

18. **Practitioners are encountering more nuanced sales and use tax questions. Is there a team or specific point of contact for addressing complex or atypical scenarios?**

There are several methods to research. First below is the link to the new Customer Service Center to begin a search. The department has issued recent guidance on digital goods and services, help supply, and other topics. They can be found on the DOR website. [Pennsylvania DOR Support Home](#)

We realize that likely doesn't address the more nuanced questions. A taxpayer can request a letter ruling to address these nuanced issues. Letters are issued at the Department's discretion and the taxpayer's name must be included in any request. The link to the letter rulings on our website is below.

[Private Letter Rulings | Department of Revenue | Commonwealth of Pennsylvania](#)

Examples:

- a. **If a salon provides products only as part of services or promotions, is a \$0 sales tax return still required?** Yes.
- b. **Are there any circumstances under which barbers or beauticians must collect sales tax on services?** No but they must collect sales tax on products they sell.
- c. **Are wine tastings or sales at grocery stores subject to sales tax?** No.

19. **Which related parties are eligible for a step-up in basis on the REV-1500?**

Because the REV-1500 reports date-of-death market value, that value becomes the new basis, regardless, who inherits it.

20. **What tax rate applies on the REV-1500 for a trust beneficiary who is an incarcerated child of the grantors?**

Children over 21 are taxed at 4.5%; those 21 or younger are taxed at 0%. Incarceration does not affect the rate.



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

- 21. Practitioners and taxpayers would benefit from clearer guidance on first-time penalty abatement. What is the Department’s process and eligibility criteria? Does it vary by entity type? If granted, is the taxpayer notified, and can they still go to the Board of Appeals on the issue?**

First-time penalty waivers are granted once every 1-3 years dependent upon the tax type. The penalty waivers are applied automatically by the Department based upon established criteria and business rules. The taxpayer is notified via a letter.

- 22. Assuming all other requirements are met, for voluntary disclosure purposes, generally how many years of unfiled returns must be submitted, in addition to the current year, for a taxpayer to enter into a voluntary disclosure agreement with the DOR?**

The standard lookback period is three years plus the current year for all tax types, unless tax was collected and not remitted. If tax was collected, there is no limited lookback period—the agreement would date back to when tax was first collected.

The current 2026 lookback for annual return filings that include Corporate, Pass Through, and Personal Income Tax is 2022.

For quarterly filings like Sales & Use Tax or Employer Withholding, the lookback begins on January 1, 2023. This is a fixed (non-rolling) lookback period.

- 23. Under what circumstances does the department accept electronic signatures (e.g., DocuSign, Adobe Sign)? Does this vary by tax type? Are such signatures accepted on POAs, petitions for appeal, and the REV-1500?**

We are still gathering information of this and will provide as soon as possible.

- 24. Will a missed PA Annual Report filing (new for 2025) with the Department of State impact a taxpayer or affect any filings with the PA Department of Revenue?**

The department does not anticipate any impacts or effects, but DOS won’t be administratively closing any entities until 2027, so it is still very early in this process.

- 25. PSTAP previously participated in a review of DOR assessment letters and submitted recommendations to improve clarity. Will the department continue reviewing additional letters, and will PSTAP be invited to participate? Please provide an update on the status of this initiative and any changes implemented.**

DOR is in the process of implementing revisions to the notice of assessment with the goal to have that completed by the 2026 tax season. We will be reviewing additional notices and will likely seek feedback again as we progress but the work to implement suggested changes to other notices will be delayed until 2027 due to our efforts to implement a significant system upgrade during 2026.

- 26. What is the appropriate process for tax professionals to report phishing scams targeting preparers or clients?**

Tax professionals can report fraud scams via our online form by going to revenue.pa.gov and searching “Fraud”. They can also send any concerns to Sherry, and she can report to the department via our outreach resource account: ra-rv-outreached@pa.gov.



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

- 27. Can the department clarify how a return showing a refund is marked “under assessment”? A notice was received with the original return that showed an \$18 penalty, which was paid and thought to have closed the matter. The department later claimed the return is in assessment because the payment was not made despite the fact that the return shows a refund due. (copy to be submitted)**

Please provide the specific example of this notice.

When the department adjusts a tax return, the amount subject to appeal is the “assessed amount” regardless of if the taxpayer is due a refund or not. The assessed amount does not equate to a balance owed to the department.

- 28. Are notices reviewed by experienced DOR staff before being issued to taxpayers? Practitioners have received notices referencing incorrect or duplicate income items or standard paragraphs that don’t apply to the return.**

Not all notices are reviewed by experienced DOR staff before issuance. If there is a concern, please share examples, so we can address any training needs.

- 29. Can you verify that checks issued by PA Treasury will now include reference information and if so, when will that go into effect and which information specifically will be referenced on the check?**

Refund checks that are currently being issued by the department include reference information on the top portion of the check. This change was implemented in April of 2025. The following information is provided in the remittance advice portion of the checks:

- Tax Type
- Refund ID
- Taxpayer Identification Number
- Additional Details if applicable
- Period of the refund
- Account ID
- Refund Amount
- Interest Amount if applicable
- Total Refund Amount

- 30. Please provide a list of current “Tips/Reminders to Practitioners” that PSTAP can share with members. Please include confirmation of how to best communicate with the department and what to do when an issue has been unable to be resolved through normal channels.**

The department developed a section in our annual tax seminar series to assist tax practitioners with interacting with the department. Covering topics like: Before you file a return, The best way to ask question, How to respond to notices, etc.. We will provide a copy of the seminar booklet content with the answers.

However, as we have previously outlined if a preparer has a question prior to filing a return or after receiving a notice they should contact the department through the following means:

1. SEND A MESSAGE

myPATH third party users have the option to send messages directly to the department. Messages can be in reference to a specific tax account or filing period and may be sent with attachments, such as supporting



PSTAP ANNUAL MEETING

December 2025: Questions and Answers

documentation. After a message is submitted to the department, a representative will provide a response which can be retrieved by logging in to myPATH and viewing the messages inbox. We encourage all customers to use the Send a Message feature as their primary means for communicating with the department.

2. TAX PROFESSIONAL EMAIL PORTAL

Many year ago the department set up a Tax Professional Email Service through our Online Customer Service Center. Please visit our website, www.revenue.pa.gov and click the Customer Service icon on the grey toolbar. From there, select the tab that says, Submit a Question. Once logged in, click the dropdown under Tax Category and scroll down to select Tax Practitioner. From there, you will have the ability ask your specific question, and attach any supporting documentation. Then you will receive a confirmation screen advising that your question has been submitted. This screen will also contain a reference number should you need to call in to the department and follow up. Once your question is answered, you will receive an email notification requesting that you log back into the secure portal to view the response.

3. SCHEDULE A CALL

The department also offers Schedule a Call, an online service that will allow tax professionals to schedule to receive a call from our Customer Experience Center. No dialing, no waiting, no problem. All you need to do is visit our website at www.revenue.pa.gov and select Tax Professional on the main page. Once on the Resources for Tax Professional webpage, simply click the "Schedule a Call" icon under the title.

If you are using the Schedule a Call service, please keep in mind that your requested phone call will be made as soon as possible after the time selected.

4. CALL

To speak to a representative, the department's Customer Experience Center is available Monday-Friday from 8 am to 5 pm by calling one of the phone numbers available on our web page.

31. Why does myPATH sometimes reflect credit carryovers in pennies when returns are filed using whole-dollar amounts?

Please provide the specific example of this occurring so we can research further.

32. In what situations can amended returns be filed through myPATH?

Most that have ability to file via myPATH can also amend via myPATH.

33. Is there functionality available to add a calculator on myPATH to assist with computing interest and penalties? This would be particularly helpful with underpayments on REV-1630 and could also reduce taxpayer confusion with some of the department's letters and notices.

A penalty and interest calculator is available on myPATH under the Additional Services panel. It does not currently provide for taxpayers to calculate their potential estimated underpayment penalty, though.

34. Why are fiduciary returns not currently supported on myPATH? Are there plans to add this functionality, similar to other states like South Carolina?

Fiduciary accounts were not originally implemented into myPATH because of the volume of filers. We understand that this is a request of practitioners and will be evaluated in the future for addition to myPATH.