ARTICLE VI. CORPORATION TAXES

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Authority
The provisions of this Article VI issued under section 6 of the Fiscal Code (72 P. S. § 6); and section 408(a) of the Tax Reform Code of 1971 (72 P. S. § 7408(a)), unless otherwise noted.

Source
The provisions of this Article VI adopted December 12, 1975, effective December 13, 1975, 5 Pa.B. 3195, unless otherwise noted.

Notes of Decisions

Regulations Not Required
The statutory deadline for making the S Corporation election is clearly set out in section 307.1 of the Tax Code (72 P. S. § 7307.1). Thus, whatever must be done to establish a valid S Corporation must be completed before the statutory deadline. This substantive rule was established by statute, and therefore, the Department of Revenue was merely enforcing the rule and was not required to promulgate regulations under the Commonwealth Documents Law (45 P. S. §§ 1101—1602). Chloe Eichelberger Textiles, Inc. v. Commonwealth, 675 A.2d 1297 (Pa. Cmwlth. 1996).

CHAPTER 151. GENERAL PROVISIONS

General

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REPORTING

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CREDITS

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GENERAL

§ 151.1. Definitions.

The following words and terms, when used in this article, have the following meanings, unless the context clearly indicates otherwise:

FC—The Fiscal Code (72 P. S. §§ 1—1804).
Report—Generally, any one of the annual corporate tax report forms. For example: the Corporate Net Income Tax Report or the Foreign Franchise Tax Report or the Bank Shares Tax Report.
Return—Generally, any of the Federal Internal Revenue Service tax forms. For example: U.S. Corporation Income Tax Return (Form 1120).
Settlement—The determination by the Commonwealth of tax liability of a taxpayer according to law. A settlement of a corporate tax report is made by a Taxing Officer of the Bureau of Corporation Taxes, Department of Revenue, evidenced by affixing his signature and the date of signing to the report. Settlements are subject to the approval of a Taxing Officer in the Department of the Auditor General, evidenced by affixing his signature and the date of signing to the same report.

Notes of Decisions

By voting for a settlement as defined by this section the Attorney General acquiesced in the entry of an order of the Board of Finance and Revenue and thereby waived the right to appeal therefrom, inasmuch as his representation of the Commonwealth does not change from one level of action to another. Commonwealth v. Carborundum Co., 458 A.2d 314, 315 (1983).
§ 151.2. Scope.
This chapter concerns administrative procedures and statutory provisions which pertain to corporate taxes in general, rather than specific taxes as set forth in subsequent chapters of this article.

§ 151.3. Letters of authority.
Effective March 27, 1974, the Department will require the filing of a letter of authority on the taxpayer’s letterhead stationery executed by an official of the taxpayer authorizing the tax practitioner, for example an attorney or accountant named to represent the taxpayer:

(1) When the name of the tax practitioner does not appear on the report as its corporate tax representative.

(2) When the tax practitioner presents for filing in the Department a Petition for Resettlement and the name of the tax practitioner does not appear either on the report named in the petition or within the body of the petition signed by an official of the taxpayer. See section 1102 of the FC (72 P. S. § 1102).

§ 151.4. Obtaining a Corporate Clearance Certificate.
(a) Corporate Clearance Certificate is a certificate issued by the Department evidencing the payment of taxes and charges as required by law.

(b) The information and documentation which is required to be furnished to obtain a Corporate Clearance Certificate depends upon the purpose for which the certificate is sought. The following is a list of purposes for which a Corporate Clearance Certificate is commonly obtained and the information and documentation which shall be required to be furnished.

(1) A dissolution under the Business Corporation Law (15 P. S. §§ 1001—2204).

   (i) An application for a Corporate Clearance Certificate executed in duplicate (Form RCT-442).

   (ii) Reports for the current tax year to the date of complete divestiture.

   (iii) A Schedule of Distribution of Assets in Dissolution (Form RCT-422). If distribution of assets is made in kind to stockholders, attach a copy of Federal Form 1099L.


(2) A dissolution by court of common pleas.

   (i) An application for a Corporate Clearance Certificate executed in duplicate (Form RCT-442).

   (ii) A copy of the Petition for Dissolution which was submitted to a court of common pleas.
(iii) Reports for the current tax year to the date of filing the Petition for Dissolution.
(iv) A Schedule of Distribution of Assets in Dissolution (Form RCT-422).
(3) The withdrawal by a foreign corporation under the Business Corporation Law (15 P.S. §§ 1001—2204).
   (i) An application for a Corporate Clearance Certificate executed in duplicate (Form RCT-442).
   (ii) A Withdrawal Affidavit (Form RCT-407) for a foreign corporation.
   (iii) Reports for the current tax year to the date business activities ceased and the corporation no longer employed property in this Commonwealth. An explanation of the disposition of assets located in this Commonwealth is required to accompany the reports.
   (iv) A detailed schedule of capital gains exempted under section 337 of the IRC.
(4) A merger under the Business Corporation Law (15 P.S. §§ 1001—2204)
   (i) An application for a Corporate Clearance Certificate executed in duplicate (Form RCT-442).
   (ii) A copy of the plan of merger.
   (iii) Reports for the current tax year to the proposed date of merger.
(5) A bulk sale under section 1403 of the FC (72 P.S. § 1403).
   (i) An application for a Corporate Clearance Certificate executed in duplicate (Form RCT-442).
   (ii) Reports for the current tax year to the proposed date of sale.
   (iii) A schedule of the assets to be sold and the resulting gains or losses.
   (i) An application for a Corporate Clearance Certificate executed in duplicate (Form RCT-442).
   (ii) Reports for the current tax year to the date on which the contract was completed.
(c) The Department of Labor and Industry, Bureau of Employment Security, will receive a copy of applications for Corporate Clearance Certificates. A clearance certificate evidencing the payment of liabilities owed to the Department of Labor and Industry will be issued directly to the applicant by the Department of Labor and Industry, except when the application was submitted under section 1403 of the FC (72 P.S. § 1403) as required by subsection (b)(5). A Corporate Clearance Certificate issued by the Department under section 1403 of the FC (72 P.S. § 1403) will include a clearance certificate issued by the Department of Labor and Industry.
§ 151.5. Release of corporation tax liens.

(a) When the corporate tax debtor or another interested party requests a release from the lien of corporate taxes on all or part of the tax debtor’s real property, the following mathematical formula shall be used in establishing the release consideration:

1. The assessed market valuation of the real property to be released will constitute the numerator of the fraction.
2. The assessed market valuation of the tax debtor’s real property within this Commonwealth, including the real property to be released, will constitute the denominator of the fraction.
3. The fraction will then be multiplied by the amount of the tax debit and the resulting figure will be the release consideration.

(b) Assessed market valuation is the value of the real property as assigned by the county assessment bureau prior to the application of the formula to arrive at the assessed tax valuation. In clarification, it is noted that the assessment bureau in one county may establish that a particular piece of real property lying therein has a value of $10,000 and will assess taxes on 25% of that value whereas another county may establish that a particular piece of real property lying therein has the same value but will assess taxes on 50% of that value; the use of the assessed market valuation will therefore result in a more uniform fraction in those instances where the tax debtor has real property in more than one county.

Example: John Doe desires to purchase a piece of the tax debtor’s real property in Schuylkill County; the assessed market valuation which is taxed at 25%, is $10,000. The balance of the tax debtor’s real property in this Commonwealth lies in Dauphin County and has an assessed market valuation of $10,000, the same to be taxed at 50%. The tax debit as of the date of the proposed sale is $750. The formula therefore will be expressed as follows:

$10,000/20,000 \times 750 = 375 (the release consideration).

(c) The party seeking the release shall provide the county assessment bureau with the assessed market valuation from the county wherein the real property is located. In the event county records are unavailable to establish the fraction, the party seeking the release may use the privately appraised market value of the real property to be released as the numerator over the privately appraised market value of the tax debtor’s real property within this Commonwealth as the denominator; when using this alternate method of establishing the fraction, the party seeking the release shall support the appraised market valuations with the written opinions of licensed realtors in the county wherein the real property is located.
third alternative and one which will be used only where the above described methods of establishing the real consideration are impossible or unduly burdensome, is to use corporate acquisition costs or corporate records, or both.

(d) For purposes of this section, the tax debit as of the date of the transfer or proposed transfer will be the controlling multiplicand figure. Before the county assessment bureau will submit a proposed release for approval by the Secretary, the Auditor General and the Attorney General, the party seeking the release shall provide the county assessment bureau with a check in the amount of the release consideration payable to the Department along with a legal description of the real property to be released.

(e) In those rare instances where the value of the real property to be released is less than the proportionate share of the taxes due, the Department with the approval of the Auditor General and the Attorney General, may reduce the release consideration as the equities of the situation dictate.

(f) Upon approval of the release by the Secretary, the Auditor General and the Attorney General, the party requesting the release will be provided by the county assessment bureau with a certificate showing the real property released. This certificate may then, at the discretion of the party released, be filed in the office of the recorder of deeds in the county wherein the real property is located.

Source


REPORTING

§ 151.11. Termination.

(a) General. A corporation which desires to terminate its responsibility to file annual reports, but does not desire to dissolve formally or withdraw under the Business Corporation Law (15 P. S. §§ 1001—2204) or dissolve under a petition to a court of common pleas, may terminate the filing responsibility by submitting the required information and documentation. The information and documentation which is required depends upon the nature of the corporation.

(1) A domestic corporation that has not transacted business shall file an Out of Existence Affidavit (Form RCT-404).

(2) A domestic corporation that has transacted business shall file the following:

(i) An Out of Existence Affidavit (Form RCT-403).

(ii) Corporate Tax Reports for the current tax year to the date of complete divestiture.

(iii) A detailed capital gains schedule under Federal Internal Revenue Service Form 4797 or Federal Internal Revenue Service Form 1120 Sched-
ule D or both or a pro forma capital gains schedule if gains are not recog-
nized under section 337 of the IRC.

(3) A foreign corporation shall file the following:
   (i) A Withdrawal Affidavit (Form RCT-407).
   (ii) Corporate Tax Reports for the current year to the date business
       activities ceased and the corporation no longer employed property in this
       Commonwealth, including an explanation of the disposition of assets located
       in this Commonwealth.
   (iii) A detailed capital gains schedule under Federal Internal Revenue
       Service Form 4797 or Federal Internal Revenue Service Form 1120 Sched-
       ule D or both or a pro forma capital gains schedule if gains are not recog-
       nized under section 337 of the IRC.

(b) Effect of termination. Upon acceptance of the required documentation by
    the Department, the name of the corporation shall be removed from the active tax
    rolls of the Department, and the corporation will no longer be required to file
    annual reports. A corporation which files a Withdrawal Affidavit or an Out of
    Existence Affidavit may subsequently lose the right to the use of its name. Refer
    to section 202 of the Business Corporation Law (15 P. S. § 1202).

Source

The provisions of this § 151.11 adopted November 11, 1977, effective November 12, 1977, 7 Pa.B. 3317.

Cross References

This section cited in 19 Pa. Code § 17.2 (relating to appropriation of the name of a senior corpo-
ration); 61 Pa. Code § 151.12 (relating to minimum reporting); 61 Pa. Code § 151.13 (relating to
resumption of reporting); and 61 Pa. Code § 155.29 (relating to minimum tax).

§ 151.12. Minimum reporting.

(a) A corporation which is qualified to terminate tax reporting under
    § 151.11 (relating to termination), but desires to preserve the right to use its
    name, may submit a Skeleton Report in lieu of an Out of Existence Affidavit or
    Withdrawal Affidavit. A Skeleton Report shall be filed annually on the corpora-
    tion’s due date for reporting.

(b) Skeleton Report is the report form filed with only the identification, State-
    ment in Support of Inactive Report, and affirmation sections completed.

(c) Skeleton Reports are settled at a minimum tax which will be established
    by the Bureau. Commencing with reports for calendar year 1983 and for each
    year thereafter, a minimum Capital Stock or Foreign Franchise Tax of $75 is
    imposed on corporations filing Skeleton Reports. See § 155.29 (relating to mini-
    mum tax).

(d) Without a Statement in Support of Inactive Report, reports shall be
    executed in full.
(e) The right of the corporation to the use of the corporate name is not jeopardized when Skeleton Reports are filed.

Source

Cross References
This section cited in 19 Pa. Code § 17.2 (relating to appropriation of the name of a senior corporation); and 61 Pa. Code § 155.29 (relating to minimum tax).

§ 151.13. Resumption of reporting.
(a) A corporation which has terminated its reporting requirement under § 151.11 (relating to termination) and then commences sufficient activities in this Commonwealth to subject the corporation to reporting shall submit a composite report and a Skeleton Affidavit (Form RCT-227 or RCT-228) for the period of inactivity. The report and affidavit shall be submitted with the report for the first tax period in which the taxable activities are resumed.

Example: A corporation which reports on a calendar year basis terminates its reporting requirement on August 15, 1972. On November 10, 1978, the taxpayer resumes activities in this Commonwealth which subject the corporation to Corporate Net Income and Capital Stock Tax reporting. The corporation shall submit a composite report and Skeleton Affidavit for the period from August 15, 1972 to December 31, 1977. This composite report and Skeleton Affidavit may be submitted together with the corporation’s reports for the 1978 tax year due on or before April 15, 1979.
(b) A composite report is one report which is filed for a period of more than 1 tax year.

Source

Cross References
This section cited in 19 Pa. Code § 17.2 (relating to appropriation of the name of a senior corporation).

(a) Applicability. This section applies to taxes imposed under Articles IV, VI, VII, VIII, IX, XI and XV of the Tax Reform Code of 1971 and not settled prior to January 1, 2008, along with the following:
(1) Corporate Loans Tax imposed under sections 19—24 of the State Personal Property Tax Act (72 P. S. §§ 3250-10—3250-15).

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(3) The electric co-op corporation membership fee imposed under 15 Pa.C.S. § 7333 (relating to license fee; exemption from excise taxes).


(b) General.

(1) An amended report may be filed by a taxpayer, on a form prescribed by the Department under oath or affirmation of an authorized officer, within 3 years after filing of the original report. An amended report may be filed for the purpose of bringing to the attention of the Department a correction to the original report or to provide additional information which the taxpayer requests the Department to consider.

(2) The Department will only consider additional information if it is submitted with an amended report. The taxpayer may submit any information it believes is relevant to the determination of its tax. The filing of an amended report is not a new report.

(3) The Department will not accept an amended report that challenges the Department’s policy, its interpretation of the statutes or the constitutionality of the Commonwealth’s statutes. Any challenges of the Department’s policy, its interpretation of the statutes or the constitutionality of the Commonwealth’s statutes shall be made by filing a petition for reassessment or a petition for refund.

(c) Prerequisite. An amended report will not be considered by the Department unless the taxpayer consents in writing, on a form prescribed by the Department, to the extension of the assessment period for the tax year to 1 year from the date of the filing of the amended report or 3 years from the filing of the original report, whichever period last expires. See section 407.4 of the TRC (72 P. S. § 7407.4). In addition, the taxpayer is required to maintain records until the end of the extended assessment period.

(d) Petition rights.

(1) An amended report does not replace the filing of a Petition for Reassessment or a Petition for Refund.

(2) The filing of an amended report does not extend the time limits for a taxpayer to file a Petition for Reassessment or a Petition for Refund.

(e) Review of amended report.

(1) The Department is not obligated to revise the tax due the Commonwealth upon review of an amended report. Its failure to revise the tax due the Commonwealth is not an appealable action and will not change any existing appeal rights of the taxpayer.

(2) If the Department determines an adjustment of the taxpayer’s account is appropriate, it will adjust the corporation’s tax on the Department’s records.
to conform to the revised tax as determined and will credit the taxpayer’s account to the extent of any overpayment resulting from the adjustment or assess the taxpayer’s unpaid tax and unreported liability for tax, interest or penalty due the Commonwealth, whichever is applicable.

(f) Amended report filed when tax liability is under appeal.

(1) An amended report involving issues under appeal will be forwarded to the appropriate administrative appeal board or to the Office of the Attorney General, to be included in the appeal.

(2) If the amended report involves issues other than those under appeal, the Department may review the amended report. The review of a report does not obligate the Department to change the tax due the Commonwealth and will not change any existing appeal rights of the taxpayer. If the Department determines that a change to the tax liability is appropriate, it will adjust the corporation’s tax on the Department’s records to conform to the revised tax as reported. The Department will credit the taxpayer’s account to the extent of any overpayment resulting from the adjustment or assess the taxpayer’s unpaid tax and unreported liability for tax, interest or penalty due the Commonwealth, whichever is applicable.

(g) Additional information required to be provided with an amended report. An amended report filed with the Department must contain the following:

(1) An agreement to the extension of the assessment period as described in subsection (c).

(2) The calculation of the amended tax liability.

(3) Revised Pennsylvania supporting schedules, if applicable.

(4) A complete explanation of the changes being made and the reason for those changes.

(5) Other information required by the Department to support the calculation of the amended tax liability.

Source


Cross References

This section cited in 61 Pa. Code § 153.54 (relating to changes made by Federal government).

CREDITS

§ 151.21. Definitions.

The following words and terms, when used in §§ 151.21—151.24, have the following meanings, unless the context clearly indicates otherwise:

Application—Use by the Department of a credit to pay a tax debit.
Assignment—The sale or exchange of a settled credit by a taxpayer (the assignor) to another taxpayer (the assignee) for application by the assignee to a tax debit in the assignee’s account.

Conditional statutory credit—Those statutory credits which are subject to special conditions set forth by the statute establishing those credits. The credits may be utilized in the manner set forth in this chapter, subject to the special conditions or limitations set forth by the statute which creates them. An example is section 5 of the Neighborhood Assistance Tax Credit (62 P. S. § 2085).

Settled credit—A surplus which has been determined to be an overpayment upon settlement by the Department of the annual tax report to which it relates.

Tax debit—The term includes tax principal, penalty and interest.

Transfer—The movement by the Department of a credit within the account of a taxpayer against a tax debit of the same taxpayer.

Unsettled credit—A surplus resulting from an apparent overpayment of a tax with respect to which a payment is made, either as a result of a tentative tax payment or of a regular payment, prior to settlement of the annual tax report to which it relates.

Source
The provisions of this § 151.21 adopted March 23, 1979, effective March 24, 1979, 9 Pa.B. 1071.

§ 151.22. Transfer, assignment and refund of credits.

(a) Use of unsettled credits. Unsettled credits are available for transfer to corporation tax debits within the account of the taxpayer upon receipt by the Department of the Annual Report on account of which the payment is submitted. If obligations due the Commonwealth have been paid, unsettled credits may be used by the taxpayer to pay a tax or other claim due by it to the Commonwealth, may be refunded or may be assigned to another person upon receipt by the Department of the Annual Report on account of which the payment is submitted. See section 3003(f) of the TRC (72 P. S. § 10003) and section 1108(b) of the FC (72 P. S. § 1108(b)). A transfer of an unsettled credit is not prohibited by the possibility of a subsequent resettlement under section 407(b) of the TRC (72 P. S. § 7407(b)), or an account adjustment made to correct a clerical or mathematical error on the part of the taxpayer or of the Department.

(b) Use of settled credits. Settled credits shall be used in accordance with the following:

(1) Taxes to which settled credits may be transferred. Except as otherwise provided by law or by regulation, a settled Corporation Tax credits may be transferred in payment of any other tax or taxes paid or payable into the General Fund. Credits of other tax paid into the General Fund may be so transferred in payment of corporation taxes. Taxes paid or payable into the General Fund include Personal Income Taxes, Cigarette and Beverage Taxes, sales and use
taxes, Inheritance Taxes and Corporation Taxes (except that portion of the Gross Receipts Tax on Motor Vehicle carriers credited to the Motor License Fund and Insurance Premiums Tax on foreign fire and foreign casualty insurance companies). Refer to section 902(b) of the TRC (72 P. S. § 7902(a)). Settled corporation tax credits may also be interchanged with tax credits from certain special funds such as the Unemployment Compensation Funds or the Motor Vehicle Fund.

(2) **Availability for assignment.** A settled credit may be the subject of assignment to another corporation. A settled credit is not deemed to be available for assignment, however, unless outstanding tax debits reflected in the account of the assignor are offset by sufficient credits to satisfy the debits, and unless other obligations due the Commonwealth by the taxpayer have been fully paid.

(3) **Availability for refund.** A settled credit may be refunded if outstanding tax debits reflected in the account are offset by sufficient credits to satisfy the debits and if other obligations due the Commonwealth by the taxpayer have been paid.

(4) **Petition for cash refund.** A settled credit which is the subject of a Petition for Cash Refund may not be transferred to taxes other than corporation taxes and may not be assigned to another corporation during the pendency of the proceedings.

(c) **Procedures for transfer, assignment and refund.** Procedures for transfer, assignment and refund shall conform with the following:

(1) **Transfer by corporation.** A corporation may direct the Department to transfer unsettled or settled credits of the corporation to present or anticipated tax debits of the corporation by submitting a letter, signed by an authorized representative of the corporation, setting forth the type, year and amount of the credit to be so transferred and the tax debit or debits to which it is to be applied.

(2) **Transfer by Department.** The Department may transfer unsettled or settled credits of the taxpayer within the account of the taxpayer. The Department may first make the transfer, and will send the taxpayer a statement of the specific manner in which the credits have been applied. The taxpayer may object to the proposed transfer within 30 days of receipt of the statement, and, if the Department determines that the objection is proper, the transfer will be reversed.

(3) **Assignment.** To assign an unsettled or settled tax credit to another taxpayer, whether or not a subsidiary corporation, the assignor shall complete and submit to the Department an Assignment of Tax Credit form signed by an authorized representative of the assignor corporation. The application will be deemed to authorize the Department to review the assignor’s account, transfer credits that may be necessary to offset or pay outstanding tax debits, and make other determinations that may be necessary to compute the assignor’s current
available unsettled or settled credit balance. The Department will then apply
the unsettled or settled credit assigned (not exceeding the current available bal-
ance) in accordance with the assignee’s instructions or, in the absence of
instructions, in the manner provided by § 151.24 (relating to order of applica-
tion of tax credits). The Department will then confirm the assignment in writ-
ing to both parties.

(4) Refund. To obtain a refund of an unsettled or settled tax credit, the tax-
payer shall submit to the Department a letter signed by an authorized represen-
tative of the taxpayer. The letter shall specify which credits the taxpayer is
requesting be refunded, shall include a statement that the taxpayer has no obli-
gations due the Commonwealth and shall be deemed to authorize the Depart-
ment to review the taxpayer’s account, transfer credits that may be necessary
to offset or pay outstanding tax debits and make other determinations that may
be necessary to compute the taxpayer’s current available unsettled and settled
credit balance. The Department will then refund the unsettled or settled credit
in accordance with the taxpayer’s instructions.

Source
The provisions of this § 151.22 adopted March 23, 1979, effective March 24, 1979, 9 Pa.B. 1071;
appears at serial pages (40493) to (40494) and (94409).

Cross References
This section cited in 61 Pa. Code § 151.21 (relating to definitions).

§ 151.23. Effective date of payment resulting from application of credit.
Tax credits which are applied in payment of a tax debit are credited as of the
post-mark date of the payment from which the credit originated.

Source
The provisions of this § 151.23 adopted March 23, 1979, effective March 24, 1979, 9 Pa.B. 1071.

Cross References
This section cited in 61 Pa. Code § 151.21 (relating to definitions).

§ 151.24. Order of application of tax credits.
In the absence of instructions by the taxpayer to the contrary, and unless oth-
erwise provided by law or by regulation, tax credits shall be applied to the pen-
talties, legal costs, interest and tax principal, in that order, of each tax debit in the
taxpayer’s account, in the chronological order in which the tax debits arose.

Source
The provisions of this § 151.24 adopted March 23, 1979, effective March 24, 1979, 9 Pa.B. 1071.

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(222513) No. 266 Jan. 97
Cross References

This section cited in 61 Pa.Code § 151.21 (relating to definitions); and 61 Pa.Code § 151.22 (relating to transfer, assignment and refund of credits).