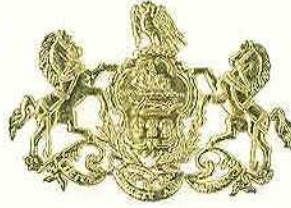


State Senator
Don White
41st Senatorial District

COMMITTEES

- VETERANS AFFAIRS & EMERGENCY PREPAREDNESS, CHAIR
- COMMUNITY & ECONOMIC DEVELOPMENT, VICE CHAIR
- BANKING & INSURANCE
- ENVIRONMENTAL RESOURCES & ENERGY TRANSPORTATION
- PA INFRASTRUCTURE INVESTMENT AUTHORITY (PENNVEST)
- SOUTHWESTERN PA VETERANS' CENTER ADVISORY COUNCIL



Senate of Pennsylvania

January 9, 2006

Chairman John McGinley
Independent Regulatory Review Commission
14th Floor, Harrisstown 2
333 Market St.
Harrisburg, PA 17101

Dear Chairman McGinley:

S&T Bank recently contacted my office to express concerns about the proposed regulation change by the Department of Revenue and the method in which this change is proposed. This adjustment will significantly increase the Sales and Use Tax for financial institutions in Pennsylvania, which will cost the Commonwealth's independent banks several million dollars.

Banks currently have tax relief on computer hardware, software, telephone systems, banking LAN and WAN, and all maintenance of these purchases. If the current exemption is eliminated, financial institutions in Pennsylvania will become considerably less competitive.

I appreciate your consideration of their concerns as you develop new regulations. Our independent banks should remain tax exempt from these transactions. If you have any questions, please feel free to contact me.

Sincerely,

Don White
Senator, 41st District

DCW/akd

cc: Mr. Robert E. Rout, Senior Executive V.P., CFO, and Secretary of S&T Bank
Mr. James C. Miller, Chairman and CEO
Mr. Todd D. Brice, President and COO

- SENATE BOX 203041
THE STATE CAPITOL
HARRISBURG, PA 17120-3041
717-787-8724
FAX: 717-772-1589
- 618 PHILADELPHIA STREET
INDIANA, PA 15701
724-357-0151
FAX: 724-357-0148
- (TOLL FREE) 866-357-0151
- 101 MARKET STREET
SUITE 100
KITTANNING, PA 16201
724-543-3026
FAX: 724-548-4856

3950 WILLIAM PENN HIGHWAY
MURKYSVILLE, PA 15668
724-327-2422
FAX: 724-327-2422

INDEPENDENT REGULATORY
REVIEW COMMISSION

JAN 12 AM 8:05

RECEIVED



Original: 2508

MEMBER FDIC



800 Philadelphia Street
P.O. Box 190
Indiana, PA 15701

RECEIVED
2006 JAN 12 AM 8:05
INDEPENDENT REGULATORY
REVIEW COMMISSION

January 3, 2006

Senator Donald C. White
618 Philadelphia Street
Indiana, PA 15701

Dear Senator White:

Attached please find a legislative alert concerning a proposed regulation change by the Department of Revenue that will substantially increase Sales and Use Tax for Pennsylvania financial institutions.

Your legislative focus has consistently been directed toward economic development in the Commonwealth, so I am sure that you will share my concern about this proposed back-door tax increase that will make the ever-decreasing list of remaining independent financial institutions in Pennsylvania less competitive. I am also concerned about the manner in which this proposed tax increase is presented via regulatory wording gymnastics rather than through the vote of accountable legislators.

Please convey your objection to this proposed regulation to the Pennsylvania Department of Revenue and Independent Regulatory Review Commission by the January 15, 2006 comment deadline.

Sincerely,

Robert E. Rout
Senior Executive Vice President
Chief Financial Officer and Secretary

RER:jz

Attachment

Cc: James C. Miller, Chairman and CEO
Todd D. Brice, President and COO
Senator Donald C. White, Harrisburg Office

RECEIVED

JAN 06 2006

INDIANA

STATE TAX REFUND SERVICE

350 North 25th Street
Camp Hill, PA 17011

Office (717) 737- 2366

E-mail - hbanzhoff@strsnet.com

Fax (717) 737-2141

**RE: Proposed regulation changes to cost banking industry hundreds of millions in sales tax
Your Action must be taken by January 15, 2006**

In what is claimed to be a revenue neutral change, the Pennsylvania Department of Revenue is proposing to repeal its regulation on Financial Institution Security Equipment, 61 PA Code § 46.9. (PA Bulletin, Volume 35, December 17, 2005) The department argues that Sec. 46.9 is redundant, being covered by Chapters 31 and 46, which relates to construction contractors. This is not so. The Department proposes to add a list of limited security equipment to the construction contractor regulation that the Department considers to be **permanently** installed under a construction contract. Only this list will constitute financial institution security equipment.

Under the current banking regulation, Financial Institution Security Equipment is defined as - **systems, devices and equipment, and their components**, utilized by a financial institution for its **protection or convenience** in conducting financial transactions. Permanence is not a requirement.

The removal of this regulation and underlying definition will cost the banking industry hundreds of millions of dollars. Currently the banking industry, when petitioning for tax refund, receives tax relief on all systems, both hardware and software, related its protection or convenience. **The following purchases will become taxable, if the department prevails:**

- Computer hardware:
 - Mainframe computer containing customer records
 - Teller Machines
 - Proof Machines and Encoders
 - Data Lines
- Customer related software
- Banking telephone system
- Banking LAN and WAN
- All maintenance of the above software and hardware

By eliminating this regulation all of the above will become taxable. Objections regarding the proposed rule changes should be sent to your legislators, the Department of Revenue, and the IRRC.

Mary R. Sprunk
Office of Chief Counsel *See list*
PA Department of Revenue
Dept. 281061
Harrisburg, PA 17128-1061

Independent Regulatory Review Commission
(IRRC)
14th Floor Harrisstown 2
333 Market Street
Harrisburg, PA 17101

Comments must be received by the Department and IRRC by January 15, 2006

If you have any questions regarding the tax impact to your bank please feel to give me a call. The full text of Req. Sec. 46.9 Financial Institution Security Equipment and the proposed rule changes can be found on our web page at www.strsnet.com. **Urge the Pennsylvania Bankers Association to object!**