



PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

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January 4, 2006

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Mary R. Sprunk
Office of Chief Counsel
Pennsylvania Department of Revenue
Department 281061
Harrisburg, PA 17128-1061

RE: Pennsylvania Association of Community Bankers
Proposed Repeal of 61 PA. Code Section 46.9
File No: 217-05(2)

Dear Mrs. Sprunk:

On behalf of the Pennsylvania Association of Community Bankers (PACB), we respectfully present to you our comments regarding the Pennsylvania Department of Revenue's draft proposal to repeal, inter alia, its regulation on Financial Institution Security Equipment at 61 PA. Code §46.9.

PACB represents, exclusively, the interests of almost 260 community banks, consisting of commercial banks, savings banks and thrifts within the Commonwealth of Pennsylvania.

PACB believes the Revenue Department's repeal of Section 46.9 and the intended transfer of less than all of the therein defined "security equipment" to Chapters 31 and 46 of the PA Code will alter the intention of the existing regulation. The current regulation at Section 46.9 includes in the definition of "*security equipment*" *systems, devices and equipment and their components* utilized by a financial institution for its *protection or convenience* in conducting financial transactions. The Revenue Department proposes to substitute a limited list of "security equipment" to Chapters 31 and 46 of the PA Code by deleting the following purchases from the definition:

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- Computer hardware:
 - Mainframe computer containing customer records
 - Teller machines
 - Proof Machines and Encoders
 - Data Lines

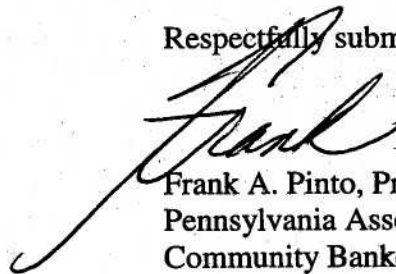
- Customer related software
- Banking telephone system
- Banking LAN and WAN
- All maintenance of the above software and hardware

Contrary to the current definition of "security equipment" inherent in the proposed repeal by the Revenue Department, is that only permanently installed equipment under a construction contract, on their list, will be deemed sales and use tax free. This is contrary to the mandate of Section 46.9.

Furthermore, the definition of "installation", as currently provided in Section 46.9, will be eliminated by the proposed repeal and no such definition currently exists in Chapter 31 of the P.A. Code. The proposed repeal of the definition of "installation" by the Revenue Department will result in the imposition of tax on activities previously deemed sales and use tax free. This also is contrary to the mandate of Section 46.9.

For the reasons above stated, PACB objects to the repeal of Section 46.9 of the PA. Code as proposed by the Revenue Department.

Respectfully submitted,



Frank A. Pinto, President
Pennsylvania Association of
Community Bankers