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INDEPENDENT REGULATORY  
REVIEW COMMISSION

Original: 2508  
January 13, 2006

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

Dear Ms. Sprunk:

**RE: Opposition to the Proposed Regulation to Expand Sales Tax on Security  
Equipment Installation**

We have recently become aware of the Department's draft proposed regulation described as "an Administrative Clean Up of Chapter 46 and Amendment to 31.11 of Title 61 of the Pennsylvania Code."

As we understand it, the Department is proposing to repeal its regulation on Financial Institution Security Equipment and 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. We further understand it will constitute financial institution security equipment – and that the **removal of this regulation and the underlying definition will implement significant additional costs on us, individually, and will cost the banking industry in PA hundreds of millions of dollars.** If the proposal is adopted, all of the following purchases will become taxable to us:

- 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

It certainly appears that this proposal is far more than an administrative clean-up and is actually a **significant change in policy** through the elimination of a long-standing definition of both "security equipment" and "installation" as contained in 61 PA Code 46.9(b) in which "permanence" is not a requirement. These definitions would be eliminated by the proposed amendment to 31.11.

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As we, and other community banks face stiff competition from other institutions that are based out-of-state and from credit unions that are not taxed, the tax impact of this proposal, if passed, will be yet another unfair advantage imposed upon the financial institutions based in the State of Pennsylvania.

Univest is a \$1.8 billion financial institution headquartered in Souderton, Montgomery County, with 36 offices in both Bucks and Montgomery Counties. **We oppose the proposed regulation to expand sales tax on security equipment installation.**

Thank you for the opportunity to express our comments.

Sincerely,



Diane L. Koehler  
Executive Vice President  
and Chief Risk Officer

**UNIVEST CORPORATION OF PENNSYLVANIA**

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**ADDRESS:** 14 North Main Street, P. O. Box 64197, Souderton, PA 18964

**DATE:** 1/13/06

**FACSIMILE COVER SHEET**

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**FROM:** Diane L. Koehler

**DEPARTMENT:** Administration

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**COMMENTS:**

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THANK YOU.**