

Pennsylvania Tax Return Changes

Sales and Use Tax

The Pennsylvania Department of Revenue has added a new line to the individual income tax return form. Filers must report and pay a “use” tax on items shipped to or used in Pennsylvania where no sales tax was incurred at the time of purchase. While not a new tax, inclusion on the Form PA-40 demonstrates a renewed focus by the Pennsylvania Department of Revenue.

What is Use Tax?

- Use tax is a substitute for sales tax. When sales tax is not charged by the seller on a taxable item or service and the item or service is shipped to or used in Pennsylvania, the purchaser instead pays a use tax directly to Pennsylvania.
- Use and sales tax rates are both 6 percent. Allegheny and Philadelphia County residents pay an additional local tax of 1 percent and 2 percent, respectively.
- If you have paid the state sales tax of another state with a lower sales tax rate, the difference is owed to Pennsylvania.
 - For example, if you bought a painting in Wyoming (which has a 4 percent sales tax) and brought it to your Bucks County home (which has a 6 percent sales tax), 2 percent use tax is due to Pennsylvania.

What Types of Purchases are Subject to Use Tax?

- Not all purchases are subject to sales or use tax. Most clothing purchases are not subject to either sales or use tax.
- Internet, mail-order catalog and out of state purchases may require individuals to pay a use tax if the vendor did not charge sales tax.
 - For example, if you purchased a book from Amazon.com or bought a TV from Delaware for use in your Pennsylvania home, you owe use tax.

How to Calculate the Use Tax

- Review 2011 receipts to identify purchases made free of sales tax. If the items were shipped to or used in Pennsylvania, the value of each may be subject to use tax. You can research your purchase history on most vendors' websites.
- If receipts are missing or incomplete, you may estimate your use tax liability by referencing the use tax table in the Pennsylvania Form PA-40 income tax instructions.
 - For example, if your Pennsylvania taxable income is \$150,000, then you will pay \$44 of use tax, the equivalent of a 6 percent use tax on 0.5 percent of your income.
 - The tax table does not represent a "safe harbor" amount. Pennsylvania reserves the right to assess additional use tax if it is discovered you should have paid a greater amount.
- If none of the purchases you made in 2011 are subject to use tax, enter zero on Line 25 of your Pennsylvania income tax form. Pennsylvania has cautioned they may seek out information from certain vendors, particularly internet vendors, in order to accurately determine use tax liability.

Additional Information is contained in the Instruction Booklet for Form PA-40.

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