

PA Use Tax Voluntary Compliance Program

PA records showed that you have not reported Use Tax in the previous three years. Use tax is the six percent tax that is due on the purchase of tangible personal property or taxable services within PA that you have not paid sales tax on directly to the vendor.

The most common types of purchases that are subject to use tax are made over the internet, through toll-free numbers, from mail order catalogs or from out-of-state vendors. Many taxpayers are unfamiliar with use tax until they are selected for an audit. This is a voluntary compliance self-audit.

You need to consider the following questions in order to search your records for possible use tax issues. If you can answer yes to any of these questions, you need to look closer, and pull those records for use tax that may need to be reported and paid:

1. Do you make purchases on the internet and not pay sales tax on those items?
2. Do you make purchases from out-of-state vendors that do not charge you sales tax?
3. Do you purchase items for resale and claim the exemption from sales tax, but then use those items in your own business as the end-user and not pay the sales tax?
4. Review the major purchases on the enclosed asset list for the years of the self audit. This is the easiest way for PA to find use tax liability. Pull the invoices and confirm that sales tax was paid. Vehicles generally are covered through the Department of Transportation title transfer and registration process. Are there any that you have not paid the sales tax?

Enclosed is a list of common examples that are subject to sales and use tax. If you have any questions or need help, please call our office.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE

USE TAX VOLUNTARY COMPLIANCE PROGRAM

QUESTIONS AND ANSWERS

How do I calculate penalty and interest under the Use Tax Voluntary Compliance Program?

Under the Use Tax Voluntary Compliance Program, if a return and payment is postmarked by the designated due date, penalties will be waived. This due date can be found in the upper right-hand portion of the letter you received from the Department.

If you file and pay Use Tax after the designated due date, the penalty is 5 percent of the unpaid tax for each month or fraction of a month from the original filing date of the return. The maximum penalty is 25 percent of the unpaid tax and the minimum penalty is \$2. Interest is calculated on a daily basis using an annual interest rate, which varies by calendar year.

The formula is: Interest = Late Paid/Unpaid Tax x Number of Days x Applicable Daily Interest Rate. You can calculate penalty and interest by using the Penalty and Interest Calculator available on the Department's Web site. A summary of interest is available on the form REV-1611 (Notice of Interest Calculations).

Is Use Tax a new tax?

Use Tax is not new. Pennsylvania first imposed the Use Tax in 1953. All states that impose a Sales Tax also impose Use Tax. All businesses and individuals who incur a Use Tax liability have an obligation to file and pay the tax in a timely manner.

If you or your business buy items that are subject to Sales Tax, for which the seller does not charge and collect the tax on the invoice (or receipt), you are personally responsible for remitting the tax directly to the PA Department of Revenue. Tax is collected on the full purchase price without deduction of charges for labor, shipping, handling, delivery, or installation. Separately stated charges for returnable containers are not subject to tax.

If I do not register for Use Tax will I get fined?

Businesses that incur Use Tax liabilities on a regular basis must register for a Use Tax account number by completing the PA Enterprise Registration Form (PA-100). Non-recurring Use Tax liabilities can be reported on the Use Tax Return (PA-1).

We are a not for profit organization that is not subject to Tax, do I have to respond to the Use Tax Voluntary Compliance letter?

Yes. Only those items used directly and predominantly in the fulfillment of the charitable purpose are exempt, unrelated purchases follow the same rules of taxation as any other business. If you have no unrelated purchases respond with a zero return and copy of the exemption certificate.

Am I going to be audited if I do not reply to the Use Tax Voluntary Compliance letter?

The Department can identify those who owe Use Tax by various methods. These include routine audits, self-assessment programs, complaints, investigations, and by obtaining lists of out-of-state purchases through the cooperation of vendors and other states. The Department can also identify businesses that report minimal amounts of Use Tax. Failure to respond to the Department's letter will result in a "non-filer" status and may subject you to an audit of your financial records.

Additional Questions and Answers can be found on the Department's Web site at www.revenue.state.pa.us.

Examples of Tangible Personal Property Subject to Sales and Use Tax

Many common business purchases are subject to Use Tax. Use Tax follows the same rules for Sales Tax and therefore does not apply to items directly and predominantly used in exempt business activities.

The following tangible personal property is generally subject to tax. This list is illustrative only, and is not meant to be all-inclusive. If you have questions about the taxability of an item, please refer to the Retailers' Information Guide (REV-717) for additional information.

<p style="text-align: center;">Computers</p> <ul style="list-style-type: none">• Desktops• Laptops• Printers• Scanners• Cables• Canned software & maintenance agreements• Monitors• Other peripheral equipment	<p style="text-align: center;">Furniture</p> <ul style="list-style-type: none">• Desks• Chairs• Tables• Lamps• Cords• Televisions• CD/DVD player
<p style="text-align: center;">Office Equipment</p> <ul style="list-style-type: none">• Photocopiers• Fax machines• Calculators• File cabinets• Humidifiers & dehumidifiers• Video equipment• Air purifiers• Telephone systems	<p style="text-align: center;">Administrative Supplies</p> <ul style="list-style-type: none">• Checks• Photocopies• Paper• Envelopes• Folders• Schedule books• Staplers• Tape, tape dispensers
<p style="text-align: center;">Printed Matter</p> <ul style="list-style-type: none">• Desk calendars• Business cards• Manuals, training books• Directories• Posters	<p style="text-align: center;">Cleaning Supplies</p> <ul style="list-style-type: none">• Mops & brooms• Sponges• Buckets• Cleansers• Paper towels• Disposable gloves

Examples of Services Subject to Sales and Use Tax:

<ul style="list-style-type: none">• Building cleaning & maintenance services• Lawn care services• Disinfecting or pest control services• Help supply services• Secretarial & editing services• Premium cable services	<ul style="list-style-type: none">• Employment agency services• Lobbying services• Credit reporting services• Adjustment & collection services• Telecommunications services• Self storage services
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