

# USE TAX FOR BUSINESS

REV-935 (PO+) 02-23



**Use tax is the counterpart to sales tax** and applies to purchases of taxable items and services when Pennsylvania **sales tax was not paid**.

## Sales and Use Tax

If your business purchases items subject to sales tax for which the seller does not charge and collect sales tax on the invoice or receipt, your business is responsible for remitting the use tax directly to the PA Department of Revenue.

Use tax is often due when sales tax was underpaid or not paid on purchases made over the Internet, through toll-free numbers (800, 888, 866 and 877), from mail order catalogs and from out-of-state locations. Use tax also applies to purchases of taxable items and services used in Pennsylvania when sales tax was not paid. The use tax rate is the same as the sales tax rate: 6 percent state, with an additional 1 percent local tax for items purchased or used in Allegheny County. Two percent local tax applies to items purchased or first used in Philadelphia on or after Oct. 8, 2009. Prior to Oct. 8, 2009, the Philadelphia local tax was 1 percent. 📌

## Is Use Tax new?

No. Pennsylvania first imposed use tax in 1953. All states that impose sales tax also impose use tax. 📌

## Why is use tax important?

Use tax is an important source of revenue for the Pennsylvania General Fund. Every dollar collected is a dollar available for government and public services. Equally as important, uniform collection and enforcement of use tax provides for fair competition between out-of-state and Pennsylvania-based businesses. Failure to pay use tax puts Pennsylvania businesses at a disadvantage against out-of-state businesses that do not charge sales tax. This disadvantage results in loss of sales for Pennsylvania businesses and potentially job loss for Pennsylvania residents. 📌

## Is there a credit for tax paid on an item in another state?

Yes. Pennsylvania grants a credit for sales tax paid to another state, provided the tax is legally due and paid, and that state offers reciprocal credit to Pennsylvania.

For example, if a Pennsylvania business purchases and takes delivery of a taxable item in another state and pays a 5 percent sales tax there, the purchaser is responsible for reporting and remitting the 1 percent difference (use tax), due to Pennsylvania upon the use of the property in Pennsylvania.

Credit against use tax is not granted for value-added taxes or sales taxes paid to foreign countries. Also, taxes paid to the federal government, such as customs duties, cannot be claimed as a credit against use tax. 📌

## How do I report and pay use tax?

Any business that incurs use tax liabilities on a regular basis is encouraged to register for a sales/use tax account number by completing the **Pennsylvania Online Business Tax Registration at [mypath.pa.gov](http://mypath.pa.gov)**. Businesses currently registered for the collection of sales tax are required to report and remit use tax liabilities when filing sales and use tax returns. Use tax is reported on line 6 of the sales and use tax return. Sales and use tax returns are filed via myPATH at **[mypath.pa.gov](http://mypath.pa.gov)**.

All other use tax liabilities can be reported via the department's **Online PA-1 Use Tax Return at [mypath.pa.gov](http://mypath.pa.gov)**. Liabilities are due, along with the payment of tax on or before the 20th day of the month after the month in which the purchase was made. 📌

## What if use tax is not paid?

The department identifies businesses that owe use tax through routine audits, self-assessment programs, complaints, investigations and lists of out-of-state purchases from vendors and other states. The department can also identify businesses that report minimal amounts of use tax. Underreporting of use tax can trigger an audit by the department.

The PA Department of Revenue may issue an assessment for a use tax liability, on which both penalty and interest charges may be imposed. These additional charges can exceed 30 percent of the tax amount. 📌

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**EXAMPLE:** PRICES ARE SHOWN ON AN IDENTICAL PURCHASE MADE FROM A PENNSYLVANIA BUSINESS AND AN OUT-OF-STATE BUSINESS

Quantity	Description	Unit Price	ABC Office Direct Out-of-State Businesses	XYZ Office Products Allentown, PA
1	Executive Desk Set	\$1,800	\$1,800	\$1,800
6	L-Shape Desk Sets	\$850	\$5,100	\$5,100
1	Leather Chair	\$650	\$650	\$650
2	Hideaway Chairs	\$200	\$400	\$400
6	Desk Chairs	\$300	\$1,800	\$1,800
	Freight		\$350	\$250
	Sales Tax		0	\$600
	<b>Total</b>		<b>\$10,100</b>	<b>\$10,600</b>

It appears the out-of-state vendor offers the better deal. However, when use tax is applied to the purchase made in the other state, it becomes clear the Pennsylvania vendor offered the lower, more competitive price. As shown here, proper remittance of use tax levels the playing field for Pennsylvania businesses by allowing them to compete with out-of-state vendors that do not charge sales tax.

## EXAMPLES OF PURCHASES SUBJECT TO USE TAX

All examples presume no sales tax was paid at the time of purchase and the item will be used within Pennsylvania.

**Example 1:**

A Harrisburg business purchases computer equipment from an out-of-state vendor on Feb. 10, totaling \$6,100, including shipping. A use tax payment of \$366 ( $\$6,100 \times 6$  percent) is due on or before March 20.

**Example 2:**

A Pittsburgh business orders \$2,050 of office supplies (including shipping) online on Aug. 27. A use tax payment of \$143.50 ( $\$2,050 \times 7$  percent), which includes 1 percent local use tax, is due on or before Sept. 20. 📌

## BUSINESS PURCHASES SUBJECT TO 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 tax-exempt business activities.

Taxable items include:

- Office equipment
- Administrative supplies
- Furniture
- Cleaning supplies
- Computers

This list is not all-inclusive. See the **Retailers' Information Guide (REV-717)** for a detailed list of taxable items. 📌

## KNOW WHO TO CONTACT



For additional information about use tax or to register for a Sales and Use Tax License, visit [www.revenue.pa.gov/usetax](http://www.revenue.pa.gov/usetax).

**Online Customer Service Center**

<https://revenue-pa.custhelp.com/>

**Taxpayer Services & Information Center**

Personal Taxes: 717-787-8201

Business Taxes: 717-787-1064

e-Business Center: RA-btftbusiness@pa.gov

**1-888-PATAxes (728-2937)**

Touch-tone service is required for this toll-free call. Call to order forms or check the status of a personal income tax account or property tax and rent rebate.

**Automated Forms Ordering Service**

1-800-362-2050

For Revenue district office locations and information, visit [www.revenue.pa.gov](http://www.revenue.pa.gov).

