PHILADELPHIA SALE AND USE TAX

As authorized in Act 6 of 1991, the City of Philadelphia has imposed a 1% Sales, Use and Hotel Occupancy Tax effective October 1, 1991. The tax is to be remitted to the Commonwealth of Pennsylvania.

BASIS – All property and services subject to the Pennsylvania sales and use tax are subject to the Philadelphia sales and use tax. If a sale is exempt from the Pennsylvania sales and use tax, the exemption also applies to the Philadelphia sales and use tax.

TIMING OF SALES – If the sale occurs before October 1, 1991, the sale is not subject to the Philadelphia tax, regardless of when delivery, billing or payment occurs. If the sale occurs on or after October 1, 1991, the sale is subject to the Philadelphia tax, regardless of when the delivery, billing or payment occurs. The date of an invoice or other similar document shall be considered the date of sale. Concerning leases, any lease payment due on or after October 1, 1991 is subject to the Philadelphia sales tax. No Philadelphia use tax is due on property or services purchased before October 1, 1991.

Example 1 – Bruce, a Philadelphia resident, orders a television set from a Philadelphia appliance store on September 30, 1991, signs a contract of sale and pays the vendor one-half of the purchase price at that time. The television set is delivered on October 1, 1991 at which time Bruce pays the balance due.

The sale is not subject to the Philadelphia sales and use tax.

Example 2 – Bruce buys a television set from a Philadelphia appliance store on September 30, 1991, signs a contract of sale and takes the television set with him or the set is delivered on that date.

The sale is not subject to the Philadelphia sales and use tax.

Example 3 – Bruce signed a contract for the lease of a television set from a Philadelphia appliance store on April 1, 1991. Lease payments are due on a monthly basis.

The lease payments due on or after October 1, 1991, are subject to the Philadelphia sales tax.

LOCATION OF SALES – The Philadelphia sales tax is a point of sale tax. The seller's place of business is where the sale is deemed to occur. If property or services are purchased from a location in the City of Philadelphia, the sale is subject to the Philadelphia sales tax. It does not matter where the purchased property is delivered or where the services are rendered unless delivery is to an out-of-state location or the service is rendered out-of-state (See Multi-State Sales Section); nor does it matter where the purchaser lives.

Example 1 – Bruce a Philadelphia resident, purchased a television set from an appliance store located in the City of Philadelphia. Bruce takes the television set from the store and takes it home in his car or the store delivers it to Bruce's home.

The sale is subject to the Philadelphia sales tax.

Example 2 – Jane, a Delaware County resident, purchases a television set at an appliance store located in the City of Philadelphia. Jane takes the television set from the store and takes it home in her car or the store delivers it to Jane's home in Delaware County.

The sale is subject to the Philadelphia sales tax.

Example 3 – Bruce, a Philadelphia resident, purchases a television set from an appliance store located in Montgomery County. Bruce takes the television set from the store and takes it home in his car or the store delivers it to Bruce's Philadelphia home.

The sale is subject to the Philadelphia use tax rather than the Philadelphia sales tax. Therefore, Bruce must pay the Philadelphia use tax directly to the State Department of Revenue. The appliance store in Montgomery County is not required to collect the Philadelphia sales or use tax.

SERVICES – The location rule for the taxability of services is the same as the rule for the sale of property. The location of the service provided is irrelevant except where the service is performed out of state.

Example 1 – Bruce, a Philadelphia resident, engages a Philadelphia appliance store to repair Bruce's television set at Bruce's Philadelphia home.

The service is subject to the Philadelphia sales tax.

Example 2 – Bruce, a Philadelphia resident, engages an appliance store in Montgomery County to repair Bruce's television set at Bruce's Philadelphia home.

The service is subject to the Philadelphia use tax rather than the Philadelphia sales tax. Therefore, Bruce must pay the Philadelphia use tax directly to the State Department of Revenue. The appliance store in Montgomery County is not required to collect the Philadelphia sales and use tax.

Example 3 – Jane, a Delaware County resident, engages a Philadelphia appliance store to repair Jane's television set at Jane's Delaware County home.

The store is subject to the Philadelphia sales tax.

MULTI-STATE SALES – The only exception to the above rules is that sales of property or services where the Philadelphia vendor ships the property or performs the service outside of the Commonwealth of Pennsylvania are not subject to either the Pennsylvania or Philadelphia sales tax.

Example 1 – Cindy, a New Jersey resident, purchases a television set from a Philadelphia appliance store. Cindy picks the television up at the Philadelphia store.

The sale is subject to the Philadelphia sales tax.

Example 2 – Cindy, a New Jersey resident, purchases a television set from a Philadelphia appliance store. The store ships the television set to Cindy at her New Jersey home.

The sale is not subject to the Pennsylvania or Philadelphia sales tax.

Example 3 – Bruce, a Philadelphia resident, purchases a television set from a New Jersey appliance store. Bruce takes the set home with him or it is delivered to his Philadelphia home.

The sale is not subject to the Philadelphia sales tax. Bruce owes the Philadelphia use tax, which Bruce is to pay directly to the State Department of Revenue. Bruce also would owe the Pennsylvania use tax if the New Jersey vendor did not charge the Pennsylvania sales tax.

RETAILER WITH MULTIPLE LOCATIONS – If one retailer has several locations, the sale is deemed to occur at the place of business where the initial order for the property or services is taken, even though the order must be forwarded elsewhere for acceptance, approval of credit, shipment or billing.

Example 1 – Bruce, a Philadelphia resident, orders a television set from an appliance store in Philadelphia. The television set is shipped to Bruce from a location in Montgomery County, or Bruce picks up the set at the Montgomery County location.

The sale is subject to the Philadelphia sales tax.

Example 2 – Bruce, a Philadelphia resident, orders a television set from an appliance store in Montgomery County. Bruce picks up the set at a Philadelphia location or the set is shipped from a Philadelphia location.

The sale is subject to the Philadelphia use tax rather than the Philadelphia sales tax. Therefore, Bruce must pay the Philadelphia use tax directly to the State Department of Revenue.

SALESMEN – Sales by door-to-door salesman or any other salesman are deemed to occur at the place of business from which that salesman works.

Example 1 – A salesman working out of an office in Montgomery County is selling encyclopedias door-to-door in the City of Philadelphia. Bruce buys the encyclopedia when the salesman visits Bruce's home in Philadelphia.

The sale is subject to the Philadelphia use tax rather than the Philadelphia sales tax. Therefore, Bruce must pay the Philadelphia use tax directly to the State Department of Revenue.

Example 2 – A salesman working out of an office in the City of Philadelphia is selling encyclopedias door-to-door in Delaware County. Jane buys the encyclopedia when the salesman visits Jane's home in Delaware County.

The sale is subject to the Philadelphia sales tax.

VEHICLES, BOATS AND AIRPLANES – The sale and use of vehicles, boats, airplanes, and other property required to be licensed is deemed to occur at the address of the purchaser. The location of the seller or where the property is delivered is irrelevant. The Philadelphia sales tax is due on vehicles, boats and airplanes that are registered on or after October 1, 1991.

Example 1 – Bruce, a Philadelphia resident, purchases an automobile from Montgomery County automobile dealer.

The sale is subject to the Philadelphia sales tax.

Example 2 – Jane, a Delaware County resident, purchases a boat from a Philadelphia boat dealer.

The sale is not subject to the Philadelphia sales tax. It should be noted that if Jane takes her boat into Philadelphia she will not owe the Philadelphia use tax. (See Use Tax Section.)

UTILITY SERVICES – The location of the sale and use of utilities including steam, natural and manufactured gas, and electricity service is deemed to occur at the location of the meter, which registers the service. Telephone service is deemed to occur in the county where the telephone number under which the service furnished is located.

Example 1 – A business located in the City of Philadelphia purchases electricity for its Philadelphia location.

The sale is subject to the Philadelphia sales tax.

Example 2 – A business headquartered in Philadelphia purchases electricity for its Montgomery County plant. The electricity is metered at the Montgomery County plant but billed to the Philadelphia headquarters.

The sale is not subject to Philadelphia sales tax.

Example 3 – A business headquartered in Delaware County purchases natural gas for its Philadelphia plant. The gas is metered at the Philadelphia County plant but billed to the Montgomery County headquarters.

The sale is subject to the Philadelphia sales tax.

USE TAX – Anyone who purchases taxable property or services, with the exception of motor vehicles, boats, airplanes, or other property required to be licensed, and did not pay the Philadelphia sales tax on their purchase owes the Philadelphia use tax if the property or services are consequently used in the City of Philadelphia. The user is required to remit the Philadelphia use tax directly to the State Department of Revenue.

Example 1 – Jane, a Montgomery County resident, purchases a television set at a Montgomery County appliance store. Jane asks the store to ship the set to a location in the City of Philadelphia.

While the Montgomery County store is not required to charge the Philadelphia use tax, Jane owes the Philadelphia use tax and must remit the tax directly to the State Department of Revenue.

Example 2 – Jane, a Montgomery County resident, purchases a television set without paying the Philadelphia sales tax. Jane takes the set to her Philadelphia business so she can watch it at work.

Jane's use of the television in Philadelphia is subject to the Philadelphia use tax, and Jane is required to remit the tax directly to the State Department of Revenue.

Example 3 – Bruce, a Philadelphia resident, purchases a television set at a Delaware County appliance store. Bruce picks up the set and takes it to Philadelphia, or the set is delivered to Bruce at his Philadelphia home.

The sale is subject to the Philadelphia use tax, which Bruce is required to pay directly to the State Department of Revenue

Please note these rules are general guidelines only. If you have any questions, please contact the Pennsylvania Department of Revenue at (717) 787-7905.

PHILADELPHIA SALES TAX
HOUSE BILL 209

KEY PROVISIONS

- Creates an Intergovernmental Cooperation Authority to oversee the fiscal integrity of the City.

- The governing body of the city is authorized to enact any combination of the following taxes, exclusively for purposes of the authority:

    - An optional sales tax of .5 or l%.

    - A realty transfer.

    - A tax on salaries, wages, commission, compensation or other income received by city residents.

- Charges the PA Department of Revenue with responsibility for administration, collection and enforcement of the taxes enacted.

- Except for the optional sales tax, the Department may appoint the city as its agent for the administration, collection and enforcement of the taxes enacted.

- The Department of Revenue is responsible for the administration, collection and enforcement of an optional sales tax.

- The city has enacted an ordinance imposing a 1% sales tax with an effective date of July 1, 1991. This must be delivered to the Department no later that 90 days prior to the effective date of the ordinance. Retailers will begin to collect the tax October 1, 1991.

- This Act in no way alters or effects the administration, collection and enforcement of the state sales tax under Article II.

- The sales tax is imposed on the sale, rental or lease of tangible personal property or services.

- Use tax is imposed on the use within the city of tangible personal property purchased at retail and on services purchased at retail as defined in Article II. It will be paid directly to the Commonwealth by the person who makes use of the property.

- Hotel Occupancy will be subject to this 1% tax.

- Local sales tax is a point of sales tax. State sales tax is a destination-based tax.

- A sale will be deemed to be consummated at the place of business of the retailer unless the property is delivered out-of-state.

- In the case of multiple locations, a sale will be consummated at the place of business of the retailer where the initial order for taxable property or services is taken, even though the order is forwarded elsewhere for acceptance, credit approval, shipping or billing.

- The sale by a retailers' employee is deemed to be consummated at the place of business from which that employee works.

- The sale or use of a motor vehicle, trailer, semi-trailer, mobile home, motorboat, aircraft or similar tangible personal property will be deemed to be consummated at the address of the purchaser or user.

- The sale or use of steam, natural and manufactured gas, electricity, and telephone and telegraph service will be deemed to occur at the service address in the city, which is the address where the telephone equipment is located and to which the telephone number is assigned or where the meter which registered the service is located, without regard to where the service is rendered.

- The Act provided for the issuance of a separated license for the collection and reporting of local taxes or the use of the license issued under provisions of Article II. The Department will not issue a separate license although the option to separately license remains available.

- Where applicable, the rules and regulations published relating to Article II will apply to the local sales tax. The Department is authorized to publish the necessary rules and regulations to enforce and administer this Act.

- The Department is entitled to retain its cost of administration and collection from any distribution to a local sales and use tax fund.

- The Department is required to deposit collected funds into a local sales and use tax fund, less any credits and refunds. The deposit into this fund must be a minimum of every two weeks.