

PERSONAL INCOME TAX

Any out-of-state business with employees working in Pennsylvania is required to register with the state Department of Revenue and withhold state tax on wages and salaries paid to employees for services performed in Pennsylvania.

Pennsylvania has reciprocal agreements with Indiana, Maryland, New Jersey, Ohio, Virginia and West Virginia. Under these agreements, one state will not tax the other state's residents on employee compensation that is subject to employer withholding. These agreements apply to employee compensation only.

Any out-of-state sole proprietorship or partnership must allocate its earnings in Pennsylvania, and the owner or partners must file a PA Personal Income Tax return if its business activities are systematically and regularly carried on in Pennsylvania.

Pennsylvania has a flat Personal Income Tax rate. The current rate is 3.07 percent.

Visit or call one of our district offices across the state.



For more information:

Online Customer Service Center
www.revenue.state.pa.us

Collections & Taxpayer Services
Vendor Enforcement Program
(717) 787-6793



PENNSYLVANIA

TAX OBLIGATIONS FOR OUT-OF-STATE VENDORS



This brochure is for out-of-state vendors at trade shows, exhibitions, flea markets, conventions, arts and craft shows, etc.

- **Sales Tax**
- **Corporation Tax**
- **Personal Income Tax**



SALES TAX

Any entity making taxable sales or performing taxable services in Pennsylvania must be licensed to collect and remit the appropriate Sales Tax.

Pennsylvania's Sales and Use Tax rate is 6 percent. An additional 1 percent local Sales and Use Tax is applied to sales made by vendors in Philadelphia and Allegheny Counties.

With the exception of florists, no tax is due if the delivery made by the vendor or a common carrier is out-of-state. However, deliveries made within Pennsylvania are subject to sales tax.

Out-of-state vendors, with the exception of artists and craft persons with no permanent location in Pennsylvania, are required to obtain a transient vendor's Sales Tax license, which is renewable on a yearly basis. Failure to remain current in filing tax returns and payments may result in the imposition of a \$500 security deposit/bond before the license is renewed.

All other vendors, including out-of-state artists and craft persons, are issued a Sales Tax license valid for five years.

The Sales Tax license must be prominently displayed at all events. These licenses will be renewed as long as all state taxes are filed and paid.

It is illegal to advertise that the price includes Sales Tax. The tax must either be separately stated or indicated as "plus tax".

If a transient vendor conducting business within the Commonwealth fails to exhibit a valid license upon demand by authorized employees of the PA Department of Revenue, the Department has the authority to seize, without warrant, the tangible personal property and the automobile, truck or other means of transportation used to transport or carry that property.

CORPORATION TAXES

Generally, an out-of-state corporation, including a business trust, limited liability company, or any other type of entity which is taxed for federal income tax purposes as a corporation, is subject to the state Corporate Net Income Tax and the Capital Stock/Franchise Tax if it does any of the following in Pennsylvania, either in its own name or through another person, association, business trust, corporation, joint venture, limited liability company, limited partnership, partnership or other entity:

- Does business
- Carries on activities
- Owns property
- Employs capital or property

Whether a taxpayer or entity is subject to tax is based upon the type of activities conducted in Pennsylvania.

Common activities which create taxability include: installation; making repairs or performing maintenance; investigating or resolving complaints; accepting or approving orders; picking up or replacing damaged or returned property; maintaining an office or warehouse; collecting accounts.

The Department recently published de minimis standards in the Corporate Tax Bulletin 2004-01 that do not require corporate tax returns to be filed if the following activities are conducted on no more than seven days per year in Pennsylvania, and produce total annual Pennsylvania sales from all sources of \$10,000 or less: installation; repair; maintenance and service; technical assistance or service; training incident to sales; attendance at trade shows to exhibit goods and to make sales from those goods. The full text of the bulletin is available on the Department's Web site.

Solicitation activities conducted directly or through an agent or independent contractor subject the company to the Capital Stock/Franchise Tax. The company may also be subject to Corporate Net Income Tax if the activity goes beyond solicitation.