

2002 COLLECTION, REPORTING, AND PAYMENT OF PENNSYLVANIA SALES AND USE TAX

Effective: December 1986
Revised: June 2006
Last Reviewed: May 2017
Responsible Office: Comptroller
Approval: VP-Finance and Treasurer

PURPOSE:

The purpose of this policy is to ensure proper collection, reporting and payment of Pennsylvania State and Local Sales Tax.

General

Sales of Goods and Services

Sales of goods and services, unless specifically exempted (e.g. tuition and fees, professional services including legal and accounting) are generally subject to sales tax collection at a rate of 6% for Pennsylvania, 2% for Philadelphia sales, 1% for Philadelphia hotel occupancy and 1% for Allegheny County.

If sales tax is not collected, the selling organization must have available for review by the Department of Revenue one of the following:

1. Evidence that the sale did not involve tangible personal property or taxable services;
2. Documentary evidence that the sale was to the federal or state government;
3. Documentary evidence that it was required to and did deliver the property to an out-of-state destination; or
4. A properly executed exemption certificate..

The sales tax applies to delivery or shipping charges made in conjunction with a taxable transaction. Delivery or shipping charges made in conjunction with nontaxable transactions are not subject to tax.

Purchases made for a special function at the University are exempt from the sales tax provided that it is a University function and it is charged to a University account number supported by a budget for such purpose.

If sales tax is included in the sales price written notification to the purchaser is required. An invoice must be provided to the customer that clearly lists the sales price and associated sales tax.

POLICY AND PROCEDURES:

Centers must report their monthly sales activity to the Tax Office using the worksheets provided in Appendix 1 to 4 briefly described below:

- a) Gross sales and taxable sales must be summarized on a weekly basis, and entered in the “Monthly Sales Tax Calculations Worksheet” (Appendix 1) Non- taxable sales and tax collected are calculated automatically.
- b) Sales and tax collections reported in Appendix 1 must be reconciled to the general ledger using the “Monthly Sales – Reconciliation to Ledger Worksheet” (Appendix 2)
 - i. It is important that centers ensure that object codes are properly utilized to capture all reportable sales and tax collections.
 - ii. Tax collected will be calculated automatically once gross sales and taxable sales are entered. ***It is important to ensure that the calculated sales tax is reconciled to the tax reported in the object code- 2111, Sales Tax Collected, for the month reported.*** Any differences must be fully investigated to ensure that all taxes due are paid even if inadvertently not collected from purchasers. Any necessary adjustments must be recorded in object code 2111 and Appendix 2 as noted below:
 - (a) Adjustments for prior month refunds or returns
 - (b) Any reclasses for improperly booked sales tax
 - (c) Accrual of sales tax not collected from customer
- c) The “Monthly Sales Tax Remittance Worksheet” (Appendix 3) is automatically completed based on the data provided from Appendix 1 and 2 and is the underlying support for filed tax returns.
- d) Centers must collaborate with the Tax Office regarding the taxability of any additional products or services as soon as possible but no later than two weeks before the sales of the new item. The new activity must be documented using the “New Product/Service Notification Worksheet” (Appendix 4), and must contain the following information:
 - i. A description of the product or service
 - ii. The date the product or service was introduced
 - iii. Expected purchasers of the product, and
 - iv. The 26-digit account number for reporting the new revenue stream

The sales tax liability accrual for a month must be posted to the general ledger by the end of that month. For example, April’s liability must be posted by April 30th. The Worksheets provided in Appendix 1 to 3

must be forwarded to the Tax Office on or before the 5th day of each month for the prior months reporting. For example, April's monthly sales and corresponding sales tax collected must be reported to the Tax Office by May 5th.

Centers selling to exempt organizations must secure and file the purchasing organization's Sales Tax Exemption Certificate. All exemptions from Pennsylvania Sales Tax must conform to the Commonwealth of Pennsylvania's laws and regulations.

TAXABILITY DETERMINATION MATRIX

A taxability determination matrix is provided on the Comptroller's website; Corporate Tax, Documents/Forms, PA matrices: <http://www.finance.upenn.edu/comptroller/tax/>

All Centers must use this matrix to evaluate whether sales tax collection is required for any tangible personal property or goods sold by that Center.

RESPONSIBILITY

Each Center engaged in sales and service activities has the primary responsibility for collecting state and local sales tax on all applicable sales at the prevailing rate and accurately reporting this information to the Tax Office and in the general ledger on a monthly basis as outlined in the procedures above.

The Tax Office is responsible for filing the respective tax returns on behalf of the respective Centers and collaborating with Center personnel to ensure that the centers are complying with state and local laws and regulations regarding the collection, reporting and payment of sales tax.

Upon audit, each center will be responsible for providing the auditor with supporting documentation such as invoices. Each center will be responsible for audit deficiencies assessed.