

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, penalties will be waived if a return and payment is postmarked by the due date identified in the upper right-hand portion of the use tax letter from the department.

If you file and pay use tax after the 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 that varies by calendar year. The formula is: Interest = Late or 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 website. A summary of interest is available on REV-1611, Notice of Interest Calculations.

Is use tax a new tax?

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 use tax liabilities have obligations to file and pay the tax in a timely manner. Credit is granted for sales tax paid to other states.

If you or your business buy items subject to sales tax and do not pay the seller sales tax for these items, you are responsible for remitting use tax directly to the PA Department of Revenue on the full purchase price.

If I do not register for use tax will I be fined?

No. However, businesses that fail to timely remit use tax incur interest and penalty on their use tax liabilities. Businesses that incur use tax liabilities on a regular basis are encouraged to register for use tax accounts by completing the PA Enterprise Registration Form (PA-100). Non-recurring use tax liabilities should be reported on the Use Tax Return (PA-1). Businesses already registered for sales tax may report use tax liabilities on their sales tax returns.

Does an organization with a sales tax exemption number beginning with "75" have to respond to the use tax letter?

Yes. These organizations incur use tax on taxable items used in an unrelated trade or business; certain construction materials; and tools and equipment, such as lawn mowers. An organization with no use tax liability should file the return showing zero tax due.

Will I be audited if I do not reply to the use tax letter?

The department can identify those who owe use tax by methods including routine audits, complaints, investigations and purchase lists provided by vendors and other states. The department can also identify businesses that under-report use tax. Failure to respond to the department's letter may subject a business to an audit of financial records.

**Additional questions and answers can be found on the department's website,
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 tax-exempt business activities.

The following examples of tangible personal property are 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.

Computers

- Desktops
- Laptops
- Printers
- Scanners
- Cables
- Canned software & maintenance agreements
- Monitors
- Other peripheral equipment

Office Equipment

- Photocopiers
- Fax machines
- Calculators
- File cabinets
- Humidifiers & dehumidifiers
- Video equipment
- Air purifiers
- Telephone systems

Printed Matter

- Desk calendars
- Business cards
- Manuals, training books
- Directories
- Posters

Furniture

- Desks
- Chairs
- Tables
- Lamps
- Cords
- Televisions
- CD/DVD players

Administrative Supplies

- Checks
- Photocopies
- Paper
- Envelopes
- Folders
- Schedule books
- Staplers
- Tape, tape dispensers

Cleaning Supplies

- Mops & brooms
- Sponges
- Buckets
- Cleansers
- Paper towels
- Disposable gloves

Examples of Services Subject to Sales and Use Tax:

- Building cleaning & maintenance services
- Lawn care services
- Disinfecting or pest control services
- Help supply services
- Secretarial and editing services
- Premium cable services
- Employment agency services
- Lobbying services
- Credit reporting services
- Adjustment and collection services
- Telecommunications services
- Self storage services