pennsylvania
DEPARTMENT OF REVENUE

CORPORATION TAX BULLETIN 2011-02

Issued: July 20, 2011

Gross Receipts Tax Accounting Method

The gross receipts tax is imposed under the authority of Article XI of the Act of March 4, 1971 (P.L. 6, No. 2). Effective for tax years beginning on or after January 1, 2011, taxpayers subject to the gross receipts tax shall file their Pennsylvania gross receipts tax report using the same method of accounting used by the taxpayer to file their reports with the Federal Energy Regulatory Commission ("FERC") or the Federal Communications Commission ("FCC"). If the taxpayer has no regulatory reporting requirement to the FERC or the FCC, the taxpayer shall file their Pennsylvania gross receipts tax report using the same method of accounting used by the taxpayer to file their reports with the Pennsylvania Public Utility Commission ("PUC"). If the taxpayer has no regulatory reporting requirement to the FERC, the FCC or the PUC, the taxpayer shall file their Pennsylvania gross receipts tax report using the same method of accounting used by the taxpayer to file their Federal income tax reports with the United States Internal Revenue Service.

If this bulletin requires a taxpayer to change the accounting method for reporting its Pennsylvania gross receipts tax, the following rules shall apply for the transition year:

1. If the taxpayer is changing from the cash method of accounting to the accrual method of accounting, then the taxpayer shall include all receipts previously accrued that have not been previously reported on its Pennsylvania gross receipts tax reports.

2. If the taxpayer is changing from the accrual method of accounting to the cash method of accounting, then the taxpayer shall reduce its receipts by that amount equal to the receipts previously accrued but not received until the transition year.

If a taxpayer uses the accrual method of accounting to report its gross receipts, then the taxable gross receipts shall be calculated as follows:

	Billed revenues on an accrual basis (no reserves for bad debts)
Less:	Accounts actually written off for previously taxed Pennsylvania bad debts
Plus:	Collections of previously written off Pennsylvania taxable bad debts
	Taxable Gross Receipts

Example.	Billed accrued revenues –	$1,000,000	
	Written off taxed PA bad debts –	($ 50,000)	$950,000
	Collected written off PA bad debts –		$ 20,000
	Total Taxable PA Gross Receipts –		$970,000

Taxpayers claiming a deduction for bad debts must maintain and provide upon request all of the following documentation:

(1) The type and amount of receipts being written off;

(2) The location of the customer; and

(3) The tax period during which the receipts were reported as taxable to Pennsylvania.