

WHAT'S NEW

Act 84 of 2016, specifically applies the commonwealth's 6 percent sales and use tax to the purchase of digital products delivered to a customer electronically, digitally or by streaming.

WHAT ARE DIGITAL PRODUCTS?

Digital products include any product transferred electronically to a customer by download, streaming, or through other electronic means.

Common examples of digital products include video, music, books, apps, games, and canned software.

"Transferred electronically" means the product is accessed or obtained in a way other than a USB drive, DVD disk or other physical storage.

EXAMPLES OF ELECTRONICALLY TRANSFERRING A PRODUCT INCLUDE:

- Downloading a product from the internet.
- Viewing a product that is streamed over the internet.
- Receiving a product by email from the retailer.

WHEN IS A TRANSFER OF DIGITAL MEDIA TAXABLE?

The sales and use tax applies to any transfer of a digital product where the purchaser pays a consideration, unless that transfer is otherwise exempt.

Common purchases of digital products that are taxable include, but are not limited to:

- **E-books** or a subscription to download e-books.
- **Digital video** that is downloaded or streamed or a subscription to a streaming service, such as Netflix or Hulu.
- **Digital audio** that is downloaded or streamed including songs, ringtones, and audio books from iTunes, Google Play and other services, as well as subscriptions to satellite radio and other streaming services.

- **Apps and games** that are downloaded, additions to an app or game, and subscriptions to online games.
- **Photographs**
- **e-greeting cards**

WHAT IS THE AMOUNT OF TAX DUE?

The sales and use tax is 6 percent of the purchase price. If a ringtone is \$1, the tax is \$.06.

HOW DO I PAY THE TAX?

Businesses with operations in Pennsylvania are responsible for collecting the tax and remitting it to the department.

WHAT IF THE BUSINESS DOESN'T COLLECT THE TAX?

The customer should report the purchase on their Pennsylvania personal income tax return the following year.

HOW IS THE LOCATION OF THE SALE DETERMINED?

For state tax purposes, the location of the sale is the customer's billing address which the seller has on file. Pennsylvania sales tax does not apply to items a seller delivers to customers outside the state, whether transferred electronically or by other means.

ARE THERE EXEMPTIONS?

The same exemptions that apply to tangible property apply to digital products. Examples include:

- Purchases by qualified charitable organizations, volunteer fire companies, religious organizations and nonprofit educational institutions unless used in an unrelated trade or business.
- Newspaper and magazine subscriptions.
- The resale of a digital product.