



AVOIDING SALES TAX OR POSTPONING A HEADACHE?

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Buying from outside of your State or through the Internet to avoid payment of Sales Tax? Not paying much attention to your State's Sales and Use Tax Laws?

State Revenue Departments are well aware of these practices. With the increased need of States to collect funds, enforcement is greater than ever before.

Generally, the retail sale, consumption, rental or use of tangible personal property is subject to Pennsylvania Sales and Use Tax. Certain services are also subject to the Tax.

In Pennsylvania, exempt items include food (but not ready-to-eat), candy and gum, most clothing, textbooks, pharmaceutical drugs and residential heating fuels (oil, gas, coal, electricity, firewood). Items sold for resale and for use in manufacturing are also exempt.

Sales Tax is collected by the seller. If the item is taxable, but Tax wasn't paid to the vendor, then the consumer is obligated to pay Use Tax at the same tax rate directly to the State.

The rules can be complicated. Items may appear to be part of real property and exempt from Tax. In fact, those same items may be considered tangible personal property and therefore could be taxable. On the other hand, as an example, locks purchased "over the counter" are subject to PA Sales Tax. That same item purchased as installed is not taxable. Carpeting purchased uninstalled is taxable but it won't be taxed in PA if purchased installed. Manufacturers need to be careful. Items purchased for non-manufacturing purposes may be subject to Pennsylvania Sales and Use Tax.

The Pennsylvania Tax Rate is 6%. Purchases made in Philadelphia are subject to an additional 2% Rate. In Allegheny County, the additional Rate is 1%.

Your State's web site (in PA: www.revenue.state.pa.us) and your tax professional can be great resources for guidance in this complicated area of tax law. By taking this area seriously, you could actually save money.

Provisions Included In the Latest Tax Legislation Signed by President Obama on December 17, 2010.

- 1) Individual income tax rates will remain the same for 2011 and 2012.
- 2) OASDI social security tax withheld from payroll checks will be lower for 2011. The tax rate will go from 6.2% to 4.2%. The intent is to give you higher take-home pay.
- 3) Qualified dividends and capital gains will continue to be taxed at a maximum rate of 15% for 2011 and 2012. The 0% tax rate will also continue for 2011 and 2012 for certain taxpayers. Tax planning may be essential to take advantage of the 0% tax rate.
- 4) As with 2010, itemized deductions and personal exemptions will not be phased-down for higher income individual taxpayers for 2011 and 2012.
- 5) Marriage penalty relief is extended for 2011 and 2012.
- 6) Child tax credit provisions are extended for 2011 and 2012.
- 7) Enhanced earned income tax credit provisions are extended for 2011 and 2012.
- 8) Student loan interest deduction enhancements remain for 2011 and 2012.
- 9) The higher education tuition deduction and the teachers' classroom expense deduction will remain for 2010 and 2011. The American Opportunity Tax Credit is extended for 2011 and 2012.
- 10) The tax credit to reward homeowners who make energy efficient improvements to their residences is extended to 2011, but scaled-back.
- 11) From September 9, 2010 until December 31, 2011, there are even more opportunities to fully expense qualified business expenditures that would otherwise have to be written-off over a longer time period. In limited cases, this tax break also applies to 2012.
- 12) Federal grants to businesses, instead of tax credits, to acquire certain energy property, will continue to be available for 2011.