

http://lancasteronline.com/news/pennsylvania/tax-facts-things-to-know-about-the-new-digital-tax/article_b26fdd6c-5808-11e6-9fd3-17eaa31e3584.html

Tax facts: 5 things to know about the new digital tax in Pennsylvania

Aug 1, 2016

Starting August 1, 2016 digital streaming services are subject to a six percent sales tax in Pennsylvania, including Netflix.

The digital industry of buying and selling has evaded the traditional definition of a taxable product in Pennsylvania — until now.

A new budget passed by state lawmakers in July includes for the first time a sales tax on digital products.

Monday was the first day digital products purchased by Pennsylvania residents are subject to the state's 6-percent sales and use tax.

So how does this new tax work? The Department of Revenue published a fact sheet to explain the details.

Here are five things to know:

1. It's time to tax songs, apps — and Netflix, too.

The tax applies to any product transferred electronically by downloading or streaming.

So, any product downloaded online qualifies, including:

- E-books (Amazon Kindle, Barnes & Noble's Nook Press, Scribd)
- Subscriptions to streamed video services (Netflix, Hulu)
- Audio (iTunes, Google Play, Spotify, Audible, ringtones, satellite radio)
- Apps and games (and add-ons)
- Photographs
- E-greeting cards

2. Look for the familiar 6 percent.

The digital tax is the same as the standard sales and use tax: 6 percent of the purchase price.

For example, a premium monthly subscription to Netflix costs \$11.99 per month. With the digital tax, the price tag increases by \$0.72 to \$12.71.

3. Good news for students: There still isn't a textbook tax.

There are a few exemptions to the tax.

Under current state tax laws, textbooks sales are tax-exempt. That same exemption applies for digital textbooks purchased from or through accredited schools.

Purchases made by charitable organizations, volunteer fire companies, religious organizations and nonprofit education institutions won't need to pay the sales tax, either.

And newspaper and magazine subscriptions sales are tax-free, too.

4. Your billing address gives you away.

Traditional sales tax works off the location of the seller. The digital download tax works off the location of the buyer.

The billing address connected with your payment triggers the tax.

So even if you're on vacation in Delaware — a state without any sales tax — the song you download from iTunes will still be taxed 6 percent.

5. If the business doesn't collect the tax, it's up to you to report it.

Businesses are responsible for collecting the tax and giving it to the Department of Revenue.

If they don't, the tax collection is up to you.

The state Department of Revenue asks consumers to report the 6 percent tax as use tax on their Pennsylvania personal income tax return the next year.

http://www.pennlive.com/news/2016/07/taxes_on_digital_download_arri.html

Taxes on 'digital downloads' arrive in Pa.: What is that going to cost you?

Updated on July 16, 2016 at 2:45 PM Posted on July 16, 2016 at 11:00 AM



Tina Bizaca, left, and Sarah Boutwell play the augmented-reality smartphone game Pokemon Go at the Capitol in Austin, Texas, Monday July 11, 2016. It's the type of digital download that will be hit with the 6 percent sales tax in Pennsylvania next month. (Jay Janner/Austin American-Statesman via AP)

451 shares

BY **CHARLES THOMPSON**
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It stands to reason that Pennsylvania, rarely the league leader in "hip" or "modern," wouldn't be among the first states to tax items bought on-line known as digital downloads.

But, baby, we've arrived now.

Among the tax changes signed by Gov. Tom Wolf this week, the state's 6 percent sales tax will be extended to the purchase of the next big Beyonce hit, a Pokemon Go app, or rights to watch Season Five of Netflix's "House of Cards."

The change takes effect Aug. 1, and from a policy standpoint it is probably one of the easier tax expansions the Legislature has voted in some time.

Here's a few reasons why:

- There is an argument for level playing fields here. If I go to the book store and buy Jo Jo Moyes' book "Me Before You," I pay sales tax. If you order it from your e-book device, you don't. So that's an arbitrary market disadvantage both for the traditional merchant and his or her customers.
- From a purely political calculation, the new tax should land lightest on the older Pennsylvanians that, in conventional political seasons anyway, have been the most regular voters.

- With 23 states and the District of Columbia already having done this for up to a decade, the tax is a tried-and-true money-maker that many online content providers don't really even fight anymore.

Karen Coates, chief of staff to Speaker of the House Mike Turzai, R-Allegheny County, said she saw very little interest group activity on the digital download issue, one way or the other.

In Pennsylvania, this tax expansion is expected to be worth about \$47 million in 2016-17, according to Wolf Administration estimates - all paid by the consumer in a surcharge that, in most cases, is counted in cents as opposed to dollars.

Plus, some experts believe, it's where the money is going to be for the foreseeable future.

In 2015, for example, the Recording Industry Association of America reports that of \$7 billion national market for music sales last year, just \$2 billion was spent CDs or vinyl - that's down from \$4.3 billion in 2009.

Digital sales, meanwhile, hit \$4.8 billion, just the latest in a string of new highs.

E-books, while appearing to have hit a plateau in recent years, account for about 17 percent of all book sales, according to the Association of American Publishers.

"Taxing digital downloads is about as close to a no-brainer in tax policy as there can be," said Michael Mazerov, a senior fellow with the Center on Budget and Policy Priorities' State Fiscal Project.

"It's a fairness issue for consumers who like traditional products that are already taxed. It's a level playing field issue for retailers," Mazerov said.

"And as more consumers move away from buying things in physical formats, if you don't expand the sales tax to digital goods it means that sales tax revenue is going to erode and it will be harder to pay for the schools, health care and all the other services it funds."

So, what is a digital download, exactly?

Examples of items that will be on Pennsylvania's list include: purchases of music and video (think an iTunes purchase); streaming of movies or music (such as Netflix or other fee-based streaming services); satellite radio; e-greeting cards; digital books, often called e-books; apps - including in-app purchases; and online games.

The rationale is that when you buy these items at a store, you pay the sales tax now. Now, when you take possession of them through your electronic device, you'll be taxed on the e-version, too.

As such, tax exempt products like the Bible, or magazine and newspaper subscriptions, still won't be taxed.

The tax will be triggered when the shopper makes a purchase that sends content through an account with a billing address in Pennsylvania.

It's a pretty routine process at this point, explained Mazerov. "Apple has been charging sales tax in states for a decade and there's no indication that there's been any problems with it."

PennLive reached out to Apple on Friday to get its reaction to Pennsylvania's move, but received no response for this report.

<http://www.wgal.com/article/pa-budget-comes-with-new-tax-on-digital-downloads-1/6242842>

HARRISBURG, Pa. —

Pennsylvania's new budget includes some new taxes, including an extension of the state's sales tax to digital downloads.

If you buy music, books, apps or subscribe to streaming services like Netflix, you'll now have to pay a 6 percent state sales tax. Previously the state sales tax did not apply to these items.

Democratic Gov. Tom Wolf signed a \$1.3 billion revenue package into law, just hours after the legislation became public and passed both the Pennsylvania House and Senate on Wednesday.

The Republican-controlled Senate voted 28-22, minutes after the House voted 116-75 on the tax bill negotiated between Wolf and top lawmakers, and adjourned until September.

Budget negotiators say the election-year tax increase is necessary to balance the state's deficit-riddled budget and a 5 percent increase in spending.

The package is split between tax increases and one-time infusions of money, including a \$200 million loan from a state medical malpractice insurance fund.

The new budget also includes a \$1 per-pack tax increase on cigarettes, to \$2.60 per pack.

It also counts on \$100 million from pending legislation to make Pennsylvania the fourth state to legalize online gambling.

Governor Wolf released the following statement on the completion of the 2016-2017 budget:

"Over the last several months, I have worked together with Republicans and Democrats to achieve major progress on issues including the legalization of medical marijuana, the passage of historic liquor reform, and the enactment of a fair funding formula that ensures basic education funding is distributed to schools based on a district's unique needs.

“Recently, we also came together to pass a budget that included historic investment in education at all levels and much-needed funding to combat Pennsylvania’s heroin crisis. Today’s passage of a revenue package means that we avoid another lengthy impasse, our budget is balanced this year, and we have greatly reduced the commonwealth’s structural budget deficit. I will sign this revenue package.

“This package is an important step forward and includes sustainable, recurring revenue that makes significant progress toward reducing our structural deficit. When I took office, I inherited a deficit of more than \$2 billion and schools that were devastated from drastic funding cuts.

“I have fought hard to turn things around and move the commonwealth forward. We have made progress – our schools have seen historic funding increases and the deficit has been significantly reduced. We still have much work to do in next year’s budget, and I look forward to continuing to work with legislative leaders on important issues facing Pennsylvania.

“Now that this year’s budget is complete, it is imperative that we all continue working together to focus on our greatest public health crisis – Pennsylvania’s opioid abuse and heroin use epidemic. While the budget allows us to expand treatment for individuals suffering from addiction, we can and should do more to address this matter that is plaguing all of our communities. My administration will keep its focus on this issue and I will continue preparing for the upcoming special session.”

<http://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/Pages/Sales%20Use%20and%20Hotel%20Occupancy%20Tax/Digital-Products.aspx#.WWT7eWbD-Uk>

DIGITAL PRODUCTS

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 THE TRANSFER OF A DIGITAL PRODUCT 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 from Amazon Kindle, Barnes & Noble's Nook Press and other retailers or a subscription to download e-books, such as Scribd.

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, add-ons 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 6 percent tax on the purchase as use tax 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.

Textbooks purchased from or through accredited schools.

Newspaper and magazine subscriptions.

The resale of a digital product.

<http://www.yorkdispatch.com/story/money/business/2016/07/13/proposed-pa-sales-tax-digital-downloads/87040514/>

New Pa. sales tax aimed at digital downloads

[David Weissman](#), 505-5431/@DispatchDavid Published 3:15 p.m. ET July 13, 2016 | Updated 12:36 p.m. ET July 14, 2016

As Pokemon Go continues to climb in popularity, Pennsylvania lawmakers moved to pass a sales tax that could impact residents' purchases within the app.

Legislators met Wednesday in Harrisburg to discuss options for balancing the state's deficit-riddled budget, and one of the methods approved included an extension of the state's 6 percent sales tax to digital downloads of music, videos, books and apps, according to The Associated Press.

Rep. Seth Grove, R-Dover, said the tax includes video, streaming video, photos, books, apps, games, music, satellite radio and any taxable personal property.

Grove, who said he's against imposing any additional taxes on residents, is calling it the "millennial tax," because those are products typically purchased by that generation.

Grove was unsure whether any other states currently imposed a similar tax, and he said he's interested to see how the Department of Revenue will collect it.

The department will need to answer questions regarding collecting from companies without a presence in Pennsylvania, he said.

The state Department of Revenue and Gov. Tom Wolf could not immediately be reached for comment.

The tax is expected to generate \$46.9 million, according to a memo Grove received, but he said he thinks it could be larger.

Local authors: Cara Sue Achterberg, a Shrewsbury Township author, said she didn't realize e-books weren't already being taxed.

About half of her books' sales come from online downloads, but Achterberg said she didn't think it would affect her much.

"I don't make that much money (from book sales) anyway," she said. "It will probably (affect) my teenage children more."

Glen Rock author Demi Stevens, who helps other authors get published on the Kindle platform, said she didn't have a good handle on how the tax might impact online sales.

Stevens did say she downloads two or three books online each day, and the new sales tax wouldn't prevent her from continuing to do that.

"The price point for these books is around 99 cents to \$1.29, so a (few extra) cents isn't going to change my mind," she said.

— Reach David Weissman at dweissman@yorkdispatch.com or on Twitter at [@DispatchDavid](https://twitter.com/DispatchDavid).

<https://www.sellwithwp.com/digital-products-sales-tax-guide-woocommerce-users/>



Should I charge my customers sales tax on digital goods I sell through my [WooCommerce store](#)? It's a common question for online sellers, and it's important to know the answer in order to get sales tax right.

However, the right answer for you can vary quite a bit, depending on the state and the product. As with anything related to sales tax, every state has its own set of definitions and rules and it's ultimately up to you to make sure you are within compliance. But here are some guidelines to sales tax on digital goods to help get you on the right track.

Digital Products Sales Tax: Defining digital goods

For the purposes of this blog post, we are talking about sales tax on products that are delivered electronically such as digital audio files (music, ringtones and podcasts), visual files such as photographs, video files such as television shows and movies and digital publications such as digital books or newspapers. This may also include digital codes that allow access to digital goods.

Software, data processing or cloud services are often treated differently in sales tax terms, so in this post, we are leaving those out of the equation.

Digital Products Sales Tax: Streamlined Sales Tax definitions

The [Streamlined Sales and Use Tax Agreement \(SSUTA or SST\)](#) is an agreement among 24 states that aims to simplify state sales tax administration. The SST created definitions for many commonly taxed or exempt products, including digital goods. A requirement to be a member of the SST is to publicly affirm how the state treats all defined products. That doesn't mean that all SST states have adopted those definitions, or that the taxation of digital goods is uniform among SST states. It means that it is easy to know how SST states tax digital goods.

However, it is much more difficult to know in non-SST states, which may have different definitions for digital goods or no definitions at all.

The SST has defined digital goods for its member states as:

- **Digital audio-visual works**, which include products such as videos, movies or television series that are delivered electronically.
- **Digital audio works**, which include music, podcasts and ringtones that are delivered electronically.
- **Digital books**, which are books that are delivered electronically

Digital Products Sales Tax: What to watch out for

Because sales tax laws were developed with tangible goods in mind, digital products can be problematic in terms of sales tax definition and rules.

- While some states define digital goods and clearly state their sales tax status, others don't.
- Keep in mind, however, that digital goods may still be taxable in a state even if they are not explicitly defined as such. Many states treat digital goods the same way they do similar "tangible personal property" without specifically announcing that the rules also apply to digital goods.
- On the other hand, some states treat tangible and digital versions of the same product differently.
- Digital products that are purchased for permanent use may be treated differently than products that are merely accessed for nonpermanent use. For example, a movie that is downloaded for permanent use may be taxed, while a movie that is rented online for a limited amount of time may not be taxable.

Digital Products Sales Tax: State-by-state approaches to sales tax on digital goods

Below are general guidelines on how each state treats digital goods. Again, it's imperative to verify the details for your particular situation.

Alabama

Digital goods are **taxable in Alabama**. The state does not specifically define digital goods for sales tax purposes, but they are treated as taxable tangible property.

Arizona

Digital goods are **taxable in Arizona**. Although digital goods are not specifically defined for sales tax purposes, they are considered tangible personal property and are subject to gross receipts tax (Arizona's sales tax equivalent).

Arkansas

Digital goods are **exempt from sales tax in Arkansas**, whether they are purchased for permanent or nonpermanent use.

California

Digital goods are exempt from sales tax in California when they are transmitted electronically. However, if “you provide your customer with a printed copy of the electronically transferred information or a backup data copy on a physical storage medium such as a CD-ROM, your entire sale is usually taxable.”

Digital goods are taxable in Colorado, as they meet the state’s definition of taxable “corporeal personal property.” Electronic versions of newspapers that are classified as “legal publications” are exempt from tax, since the printed versions of those types of newspapers are also exempt from tax.

Connecticut

Digital goods are taxable in Connecticut at a rate of 1%, “as long as no tangible personal property is provided in the transaction.” If tangible personal property is provided as part of the sale, the regular sales tax rate applies.

Florida

Digital goods are not taxable in Florida.

Georgia

Digital goods are exempt from sales tax in Georgia. Computer software “sold in intangible form” has been explicitly defined as non-taxable and this applies to other goods delivered electronically.

Hawaii

Digital goods are subject to Hawaii’s general excise tax, although the state has not specifically defined the status of digital products.

Idaho

Digital goods are subject to sales tax in Idaho if the purchase includes permanent right to use. If the digital product is merely accessed for lease or rental (including digital subscriptions), the transaction is not taxable.

Illinois

Digital goods that are “downloaded electronically” are exempt from sales tax in Illinois.

Indiana

Digital goods that are sold “with rights for permanent use” are taxable in Indiana. However, digital goods that are sold “with rights of use less than permanent use” are exempt.

Iowa

Goods that are “delivered to the purchaser electronically or digitally” are exempt from sales tax in Iowa.

Kansas

Digital goods are exempt from sales tax in Kansas. However, “when the same digital product is sold and delivered on a tangible medium such as a CD, DVD, or paper, the transaction is taxable.”

Kentucky

Digital goods that are “stored, used, or consumed in the state of Kentucky” are subject to sales tax.

Louisiana

The “sale or use” of digital goods is taxable in Louisiana.

Maine

Digital goods “sent electronically” are taxable in Maine.

Maryland

Digital goods are not taxed in Maryland, although the state does not explicitly define digital goods or their taxability status.

Massachusetts

“Digital products delivered electronically” are exempt from sales tax in Massachusetts.

Michigan

Digital goods are exempt from sales tax in Michigan.

Minnesota

Digital goods are classified as tangible personal property and are taxable in Minnesota. However, textbooks and instructional materials in both tangible and digital form are exempt.

Mississippi

Digital goods are taxable in Mississippi, whether the sale includes “right of permanent or less than permanent use.”

Missouri

Digital goods are not subject to sales tax in Missouri.

Nebraska

Digital goods, including the sales of digital codes that allow access to digital goods, are taxable in Nebraska “when delivered electronically if the products are taxable when delivered on tangible storage media.”

Nevada

Digital goods “delivered electronically” are exempt from sales tax in Nevada.

New Jersey

Digital goods are taxable in New Jersey. They are defined as “electronically transferred digital audio-visual work, digital audio work, or digital book.” The sale of a digital code that gives the purchaser the right to obtain a digital product is also taxable.

New Mexico

Digital goods are subject to New Mexico’s gross receipts tax (the state’s equivalent to sales tax).

New York

Digital goods are exempt from sales tax in New York. Digital books must meet specific requirements in order to qualify for exempt status.

North Carolina

Digital goods that are “delivered or accessed electronically” are taxable in North Carolina.

North Dakota

Digital goods, defined as digital audio-visual works, digital audio works and ebooks, are taxable in North Dakota.

Ohio

Some digital goods, specified as “audiovisual products (such as movies), audio products (such as songs), and books delivered electronically” are taxable in Ohio.

Oklahoma

Digital goods, defined as “products delivered electronically, including but not limited to, software, music video, reading materials or ring tones,” are exempt from sales tax in Oklahoma.

Pennsylvania

Digital goods, defined as “any product transferred electronically to a customer by download, streaming, or through other electronic means,” are taxable in Pennsylvania. Exemptions that apply to tangible property also apply to digital counterparts, including textbooks purchased through or from accredited schools, newspaper and magazine subscriptions and the resale of digital products.

Rhode Island

Digital goods, “such as digital audio visual works, digital audio works, digital books, movies, music downloads, and ringtones which are delivered electronically,” are exempt from sales tax in Rhode Island.

South Carolina

Digital goods are exempt from sales tax in South Carolina. Products delivered electronically are not considered tangible personal property.

South Dakota

Digital goods, including digital codes used to access products, are subject to sales tax in South Dakota, whether the purchaser has temporary or permanent use.

Tennessee

Some digital goods are taxable in Tennessee, including digital audio-visual works, digital audio works and digital books. Excluded are video or audio greeting cards sent by email, newspapers, magazines, periodicals, blogs, video or electronic games and “individual digital photographs that do not impart an impression of motion when viewed successively.”

Texas

Digital goods are taxable in Texas: “The sale or use of a taxable item in electronic form instead of on physical media does not alter the item’s tax status.”

Utah

Digital goods, defined as “audio, video and data that are not delivered on physical storage media,” are taxable in Utah.

Vermont

“Specified digital products transferred electronically” are taxable in Vermont whether purchased for permanent or nonpermanent use.

Virginia

Digital goods, defined as “digital products that are delivered electronically, such as software, downloaded music, ring tones, and reading materials,” are exempt from sales tax in Virginia.

Washington

Digital goods are taxable in Washington, whether accessed for “permanent or nonpermanent right of use.”

West Virginia

Digital goods are exempt from tax in West Virginia, whether purchased for permanent or nonpermanent use.

Wisconsin

Digital goods, defined as “any product that is transferred electronically to the purchaser,” are taxable in Wisconsin, although newspapers delivered in digital format are exempt from sales tax.

Wyoming

Digital goods are taxable in Wyoming, including digital audio works, audio visual works and books, when purchased for permanent or nonpermanent use.

Digital Products Sales Tax: Get sales tax right in all 50 states

Keeping track of the taxability of digital goods in every single state can be a time-consuming chore. Automation, such as Avalara’s [AvaTax for WooCommerce](#), can provide a solution. AvaTax integrates seamlessly into WooCommerce and automatically applies the correct sales tax rate to every transaction in every state. Avalara’s powerful database is constantly updated for results that are guaranteed 100% accurate. And special plans for small businesses make it a very affordable solution.