



This Week in State Tax (TWIST)

16th January, 2024



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Pennsylvania: Guidance Issued on Sourcing “Other” Sales

In a recently issued bulletin, the Pennsylvania Department of Revenue addresses the sourcing rules that first apply for tax years beginning on or after December 31, 2022. Under prior law, specific sourcing rules applied to receipts from sales of services and receipts from sales of tangible personal property. All other receipts were sourced under the statutory income producing activity test. In 2022, legislation (House Bill 1342) was enacted that adopted comprehensive customer-based sourcing rules for a number of “other” types of receipts, including gross receipts from the lease or license of intangible property; gross receipts from sales of intangibles; gross receipts from the sale, redemption, maturity or exchange of securities held by a taxpayer primarily for sale to customers; gross receipts related to certain types of lending activities involving real property and tangible personal property; gross receipts received from interest, fees and penalties from credit card holders; and gross receipts received from interest not otherwise addressed in the revised law. Gross receipts received from intangible property not specifically addressed by statute are excluded from the numerator and the denominator of the sales factor. The eight-page bulletin defines key terms used in the statute and provides guidance and examples for each category of receipts enumerated in the statute. Please contact Mark Achord with questions on Corporation Tax Bulletin 2024-01.

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