



This Week in State Tax (TWIST)

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Pennsylvania: New Sales Tax Guidance on Treatment of Software and Related Products and Services Released

The Pennsylvania Department of Revenue (Department) has released guidance on the taxability of software, digital goods, and related services. Pennsylvania clarifies that canned software is considered tangible personal property and that the taxable portion of the purchase price includes the total paid for the sale at retail, including labor or service costs necessary for the software to function. Charges for modifying or configuring canned computer software are taxable as alterations of tangible personal property, regardless of whether these modifications are performed in conjunction with the sale of the software. Conversely, custom software, designed, created, and developed for an original purchaser and transferred in a sale at retail, and related services are not subject to sales tax.

The Department provided examples to illustrate the taxability of canned and custom software when provided via different mediums, as well as related services provided in connection with the canned or custom software. Generally, the examples reinforce the Department's conclusion software includes remotely accessed software and access to data bases. In addition, they stress that services involving canned software, including modification, configuration, consulting, repair and installation are considered taxable services, regardless of whether the charge for the service is separately stated. The Department emphasized it will consider the details of a transaction to evaluate the taxable purchase price for each separately stated item in a sale at retail. For questions regarding Pennsylvania's [guidance](#), please contact [Mark Achord](#).

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