This Week in State Tax (TWIST)

August 31, 2026

Pennsylvania: Legislature alters local sales tax sourcing retroactively; compliance expected by October 1

The Pennsylvania Department of Revenue recently issued guidance regarding newly enacted legislation changing the sourcing of sales under the sales tax rules in Philadelphia and Allegheny Counties. Under the new law, vendors currently required to collect the 6 percent Commonwealth sales tax must also collect and remit the 2 percent Philadelphia local sales tax and the 1 percent Allegheny County local sales tax on taxable sales delivered to customers in those jurisdictions. The legislation was enacted on July 12, 2026, with a retroactive effective date for tax years after December 31, 2025. Recognizing that vendors need time to adjust, the Department has stated that it will not begin enforcing the new rules until October 1, 2026.

Previously, Philadelphia and Allegheny County local sales taxes were generally based on the point of sale, which was deemed to occur at the place of business of the retailer making the sale, regardless of the location of the customer. Under the new law, local sales tax is now based on the point of destination, i.e., where the product or service is delivered to the customer. This shift aligns the administration of local sales tax with the sourcing rules already used for Pennsylvania state sales tax, meaning vendors will apply a single, consistent, destination-based approach across both the state and local components.

The new law leaves other aspects of Pennsylvania's sales and use tax regime unchanged. State sales tax rules remain the same, and state sales tax must continue to be collected whenever a vendor sells taxable items or services. State and local use tax rules are also unaffected: when sales tax is not collected at the time of purchase, purchasers still owe use tax when taxable items or services are used in Philadelphia or Allegheny Counties.

For more information on Pennsylvania's local sales tax changes, please contact Justin Mikol or Robert Weyman.