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Pennsylvania Department of Revenue Update for 2015 Tax Year Planning

STATE AND LOCAL TAX

BY SCHNEIDER DOWNS PROFESSIONAL

Taxpayers conducting business in the Commonwealth of Pennsylvania should be aware of recent actions taken by the Pennsylvania Department of Revenue ("Department") as they prepare to file their 2014 income tax returns and plan for the 2015 tax year.

First, to assist taxpayers with the transition to market-based sourcing for sales of services, the Department issued [Information Notice Corporation Taxes 2014-01 \("Notice"\)](#). Previously, the Department required sales of services to be sourced based on the cost of performance methodology, but this changed when Governor Tom Corbett signed into law [House Bill 465](#) in July 2013.

The Notice discusses the statutory rules set forth under the new law and further details the Department's position as to how the rules are to be applied. The Notice also provides a reference chart for common scenarios where revenue is earned through the performance of services, as well as more detailed examples covering a wide variety of services and industries.

The other recent change is that effective November 2014, Pennsylvania joined the Multistate Tax Commission ("MTC") Joint Audit Program for corporate net income and capital stock/foreign franchise taxes. What this means for taxpayers is that in selected cases, the MTC's audit staff will act as representatives of the Department and of other MTC-member states and conduct audits on the their behalf.

If you have any questions concerning how these changes will affect your business, please contact a member of our [State and Local Tax \(SALT\) team](#).

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