

MEMO# 3391

December 30, 1991

PENNSYLVANIA REPEALS SALES TAX ON CERTAIN COMPUTER SERVICES

December 30, 1991 TO: TAX COMMITTEE NO. 40-91 UNIT INVESTMENT TRUST COMMITTEE NO. 47-91 PENNSYLVANIA MEMBERS RE: PENNSYLVANIA REPEALS SALES TAX ON CERTAIN COMPUTER SERVICES _____ As we previously informed you, Pennsylvania enacted legislation, effective October 1, 1991, which expanded the state sales and use tax to cover, among other things, certain computer services. (See Institute Memorandum to Unit Investment Trust Committee No. 35-91, Tax Committee No. 32-91 and Pennsylvania Members, dated October 8, 1991.) After the legislation was enacted, several of the Institute's Pennsylvania members sought clarification that the expanded sales and use tax on computer services did not apply to services provided to investment companies or to entities that provide such services to investment companies. Recently, Pennsylvania amended its sales and use tax, adopting the attached provision suggested by the Pennsylvania members. As amended, the statute provides that taxable computer services shall not include, at a minimum, services that are part of electronic fund transfers, electronic financial transactions or services, banking or trust services; or management or administrative services, including transfer agency, shareholder, custodial and portfolio accounting services, provided directly to a regulated investment company ("RIC") or a real estate investment trust ("REIT") or to an entity that provides such services to a RIC or REIT. The amendment is effective January 1, 1992. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment