

MEMO# 3199

October 16, 1991

PENNSYLVANIA SALES TAX ON COMPUTER SERVICES

October 16, 1991 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 35-91 RE: PENNSYLVANIA
SALES TAX ON COMPUTER SERVICES

_____ Pennsylvania recently enacted the attached legislation, effective October 1, 1991, which expands the state sales and use tax to cover, among other things, certain computer services. Flexible computer services include "computer processing, data preparing or processing services", which are defined to include services such as "providing processing and preparation of reports from data supplied by the customer or a specialized service, such as data entry; making data processing equipment available on an hourly, time-sharing or other basis; computer time-sharing and leasing or rental computer time; computer tabulating and calculating services; data entry, processing or verification services; key-punch services; or optical scanning data services." In the attached Sales Tax Bulletin, the Pennsylvania Department of Revenue interprets the computer services tax to apply to "management and maintenance of financial information using computerized record keeping operations, such as stock and bond ownership, mutual fund shareholder accounting and ownership; and investment portfolio transaction information." The Institute's Tax Committee will discuss what actions should be taken regarding this tax at its upcoming October 10 meeting. If you will be unable to attend the meeting or would like to provide us with your views by telephone, please call Keith Lawson (at 202/955-3585) or David Mangefrida (at 202/955- 3521). We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachments KDL:bmb

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