
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2556 Session of
2018

INTRODUCED BY SANKEY, C. QUINN, BENNINGHOFF, CAUSER, CUTLER,
DIAMOND, DUNBAR, GREINER, GROVE, IRVIN, JAMES, LAWRENCE,
MCGINNIS, OBERLANDER, PICKETT, RADER, ROTHMAN, RYAN, SAYLOR,
TOPPER, TURZAI, WARD AND ZIMMERMAN, JULY 10, 2018

REFERRED TO COMMITTEE ON FINANCE, JULY 10, 2018

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," in sales and use tax, further providing for
11 definitions and for exclusions from tax.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 201 of the act of March 4, 1971 (P.L.6,
15 No.2), known as the Tax Reform Code of 1971, is amended by
16 adding definitions to read:

17 Section 201. Definitions.--The following words, terms and
18 phrases when used in this Article II shall have the meaning
19 ascribed to them in this section, except where the context
20 clearly indicates a different meaning:

21 * * *

1 (ddd) "Financial institution." A bank, bank and trust
2 company, trust company, savings bank, mutual banking
3 association, savings and loan association, finance company,
4 credit union or other similar institution.

5 (eee) "Canned software." Computer software that is not
6 custom software.

7 (fff) "Custom software." Computer software that is:

8 (1) designed, created or developed for and to the
9 specifications of an original purchaser, or substantially
10 modified for and to the specifications of the original or a
11 subsequent purchaser; or

12 (2) designed, created or developed for sale to the general
13 public and substantially modified for and to the specifications
14 of a particular purchaser.

15 Section 2. Section 204 of the act is amended by adding
16 clauses to read:

17 Section 204. Exclusions from Tax.--The tax imposed by
18 section 202 shall not be imposed upon any of the following:

19 * * *

20 (71) The sale at retail or use of canned software, or the
21 maintenance, support or updating of canned software, acquired
22 incident to the purchase at retail of computer programming,
23 computer integrated systems design, data preparation or
24 processing, computer facilities management, information
25 retrieval and other computer or data processing services,
26 including computer services that are part of electronic fund
27 transfers, electronic financial transactions or services,
28 banking or trust services or management or administrative
29 services, including transfer agency, shareholder, custodial and
30 portfolio accounting services, unless the predominant purpose of

1 a transaction is to purchase or use canned software.

2 (72) As follows:

3 (i) The sale at retail or use of systems, devices and
4 equipment, and their components, installed in a building and
5 utilized by a financial institution for its protection or
6 convenience in conducting financial transactions, provided the
7 systems, devices, equipment or components:

8 (A) are installed by a contractor or the contractor's
9 designee;

10 (B) after installation are repaired, altered or maintained
11 on-site by a contractor; or

12 (C) are removed from the installation site by a contractor
13 for repair or maintenance and returned to the installation site
14 by the contractor.

15 (ii) A contractor engaged in the installation, repair or
16 maintenance of systems, devices, equipment or components that is
17 subject to the exclusion under this paragraph shall be deemed to
18 be a construction contractor pursuant to a construction contract
19 engaged in the use of tangible personal property or services
20 under section 201(o)(17) regardless of the method, or
21 permanence, of attachment of the systems, devices, equipment or
22 components, to real property.

23 (73) Fees charged by a financial institution for a financial
24 service, regardless of whether tangible personal property is
25 provided to a customer incidental to the provision of the
26 financial service, unless the predominant purpose of a
27 transaction is to purchase or use tangible personal property.

28 Section 3. This act shall take effect immediately.