

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 994

PRINTER NO. 2909

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

March 28, 2017

PRIME SPONSOR

Representative Grove

DESCRIPTION AND PURPOSE OF BILL

House Bill 994 amends the act of March 4, 1971 (P.L.6 No.2), known as the Tax Reform Code of 1971, to clarify the imposition of the gross receipts tax (GRT) on telephone, telegraph and mobile telecommunications companies.

The legislation adds language to sections 1101(a)(2) and (3) of the Tax Reform Code of 1971 clarifying that the sales of telephones, telephone handsets, modems, tablets and related accessories, including cases, chargers, holsters, clips, hands-free devices, screen protectors and batteries are not subject to the gross receipts tax.

In 2015, the Supreme Court of Pennsylvania decided that charges for the installation of private phone lines, charges for directory assistance services, and certain nonrecurring charges were subject to the GRT. The court’s decision relied on a past case dating to 1943 whereby the term “telephone messages transmitted” (i.e. the GRT tax base) was interpreted to include equipment and services that render the transmission of telephone messages more effective or make telephone communication more satisfactory. In light of the court’s decision, House Bill 994 clarifies current policy of the Department of Revenue to ensure that the sale or purchase of the devices and accessories enumerated in the legislation are not subject to the gross receipts tax.

The act shall take effect immediately.

FISCAL IMPACT:

Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds. The language added to sections 1101(a)(2) and (3) regarding the non-taxability of certain telecommunications devices and accessories codifies the current policy of the Department of Revenue into statute.