

**Pennsylvania's State System of Higher Education
Tax Procedures for University Operations**

**Tax Procedure 2015-2
State, Local, and Excise Taxes**

Approved by:  _____ **Date:** _____ November 2, 2015
Vice Chancellor for Administration and Finance

History:

Revised:

Additional History:

Related Policies, Procedures, or Standards: [Board of Governors' Policy 1986-07-A: Travel Expense Regulations](#); Commonwealth of Pennsylvania Standard Contract Terms and Conditions for Services; [Pennsylvania Exemption Certificate REV-1220](#) (copy attached); [Commonwealth of Pennsylvania Manual 230.1, Amended, Commonwealth Travel Procedures Manual](#) (provided for reference only)

Internal Revenue Service (IRS) References: N/A

All references to "university" or "universities" in this document apply to the 14 State System universities, all branch campuses, and the Office of the Chancellor.

I. Background and Summary

The Commonwealth of Pennsylvania, including the State System, is exempt from state and local sales and use tax, public transportation assistance taxes and fees, vehicle rental tax, hotel occupancy and sales taxes imposed by local or county governments, and most excise taxes imposed by the Internal Revenue Service. These taxes sometimes are charged to universities or to State System employees traveling on official State System business.

II. Definitions

- A. **Hotel Occupancy Taxes.** Taxes imposed on hotel room rentals.
- B. **Sales Tax.** Taxes placed on the sale or lease of goods and services.
- C. **Vehicle Rental Tax.** Taxes placed on a motor vehicle designed to transport 15 or fewer passengers that is rented without a driver.
- D. **Public Transportation Assistance Taxes and Fees.** The tire fee, motor vehicle rental fee, and motor vehicle lease tax imposed by the Pennsylvania Department of Revenue and dedicated to funding mass transportation.
- E. **Excise Tax.** Federal tax paid when purchases are made on specific goods such as motor fuels, or services such as long-distance telephone services, that often are included in the price of the product.
- F. **REV-1220.** The Pennsylvania tax-exemption certificate.

III. Commonwealth of Pennsylvania Directives and Tax Code

(Note: Commonwealth Manual 230.1 is cited only to provide a reference to tax laws. State System employees follow [Board of Governors' Policy 1986-07-A: Travel Expense Regulations](#) and are not subject to Commonwealth Manual 230.1.)

- A. An excise tax of 6% of the rent is imposed upon every occupancy by an occupant of a room in a hotel in this Commonwealth. The tax shall be collected by the operator of the hotel from the occupant at the time the rent is due, whether on a daily, weekly or biweekly rental period basis. ([Pennsylvania Tax Code ¶138.1.\(a\).](#))
- B. A school, college, university, convent, monastery or other educational or religious institution, which provides sleeping accommodations for the use of persons who are participating in its educational or religious activities, is not a hotel. For example, where a university provides sleeping accommodations to persons who are attending a conference or convention sponsored by the institution, or to parents of students of the institution, it is not a hotel. A public summer camp conducted by an organization enumerated above, where the activity of such organization is carried on as an integral part of the camp life, is not a hotel. ([Pennsylvania Tax Code ¶138.3, Example 6.](#))
- C. The Commonwealth is not subject to hotel occupancy or sales taxes imposed by local or county governments. ([Commonwealth Manual 230.1.](#))
- D. The Commonwealth is subject only to **state** hotel occupancy tax of 6%. ([Commonwealth Manual 230.1.](#))
- E. Commonwealth travelers must present the completed REV-1220 for local or county occupancy tax exemption to a Pennsylvania hotel upon check-in. ([Commonwealth Manual 230.1.](#))
- F. The tax provisions in sections III.C.–D., above, apply only to lodging in Pennsylvania. Lodging outside of Pennsylvania is not tax exempt, and all taxes paid by employees are reimbursable. ([Commonwealth Manual 230.1.](#))
- G. The Commonwealth is exempt from Pennsylvania state sales tax, public transportation assistance taxes and fees, and vehicle rental tax. (Commonwealth Standard Contract Terms and Conditions for Services, Section 9.)
- H. The Commonwealth is exempt under Registration No. 23740001-K from most excise taxes imposed by the Internal Revenue Service. With the exception of purchases of the following items, no exemption certificates are required and none will be issued: undyed diesel fuel, tires, trucks, gas guzzler emergency vehicles, and sports fishing equipment. (Commonwealth Standard Contract Terms and Conditions for Services, Section 9.)
- I. The Commonwealth is subject to the Patient-Centered Outcomes Research Institute (PCORI) excise tax imposed by the Internal Revenue Service, under the Affordable Care Act, on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans to help fund the Patient-Centered Outcomes Research Institute.

IV. State System Procedures

- A. Universities are exempt from collecting occupancy tax on residential housing, including housing provided to parents of students, participants in summer camps, and persons who are attending a conference or convention sponsored by the university.
- B. Completing the REV-1220:
 1. Each university should complete separate templates of REV-1220, *Pennsylvania Exemption Certificate* (copy attached):
 - a. to give to vendors to show exemption from Pennsylvania state or local sales and use tax, public transportation assistance taxes and fees, and vehicle rental tax.
 - b. for use by university employees traveling on official State System business to show exemption from Pennsylvania local hotel occupancy tax.
 2. At the top of the form, under "Check One:" check the appropriate box for the exemption being claimed.
 3. In the second space labeled "Check One:" check the box "Pennsylvania Tax Blanket Exemption Certificate (Use for Multiple Transactions)."
 4. Check box 2., "Purchaser is a/an:" and type or write "*Instrumentality of the Commonwealth of Pennsylvania.*"
 5. Type or write the university's name under "Name of Purchaser or Lessee" and complete the address information. Enter the university's EIN under "EIN."
 6. The form should be signed and dated by a university employee with fiscal authority, such as the fiscal and administrative vice president or designee.
- C. Hotel Occupancy Tax
 1. State System travelers must notify the hotel in which they are lodging that their university is tax exempt and therefore they should not be charged **local or county** occupancy or sales taxes. If required by the hotel, the traveler must present a completed REV-1220 to the hotel upon check-in. This exemption applies only to Pennsylvania hotels.
 2. If the traveler notifies the hotel as required in C.1. above, but the hotel refuses to honor the completed REV-1220, the employee will not be held responsible for the taxes charged by the hotel in error.
 3. If the traveler fails to notify the hotel as required in C.1. above, they will not be reimbursed for any local or county occupancy or sales taxes that are assessed.
 4. State System travelers will be charged for, and will be reimbursed for, **state occupancy tax** (6%).
- D. Sales and Use Tax, Public Transportation Assistance Taxes and Fees, and Vehicle Rental Tax
 1. Any employee who purchases goods or services must notify the vendor that the State System is exempt from Pennsylvania sales and use tax, public transportation

assistance taxes and fees, and vehicle rental tax, as applicable. If required by the vendor, the employee must give the vendor a copy of the respective REV-1220.

2. If the vendor charges any of the taxes listed in D.1., above, the taxes should not be paid, and the vendor should be notified again that the State System is exempt from the taxes.

E. Federal Excise Taxes

1. Federal excise taxes charged by a vendor should not be paid.
2. Vendors should be notified that the university is exempt from federal excise taxes under Commonwealth of Pennsylvania Registration No. 23740001-K.
3. The Office of System Human Resources will annually pay (from State System health care reserves) the PCORI excise tax imposed under the Affordable Care Act and file the associated IRS Form 720, *Quarterly Federal Excise Tax Return*.



**BUREAU OF
BUSINESS TRUST FUND TAXES**
PO BOX 280901
HARRISBURG, PA 17128-0901

PENNSYLVANIA EXEMPTION CERTIFICATE

CHECK ONE:

- STATE OR LOCAL SALES AND USE TAX
- STATE OR LOCAL HOTEL OCCUPANCY TAX
- PUBLIC TRANSPORTATION ASSISTANCE TAXES AND FEES (PTA)
- VEHICLE RENTAL TAX (VRT)

(Please Print or Type)

This form cannot be used to obtain a Sales Tax Account ID, PTA Account ID or Exempt Status.

**Read Instructions
On Reverse Carefully**

THIS FORM MAY BE PHOTOCOPIED – VOID UNLESS COMPLETE INFORMATION IS SUPPLIED

- CHECK ONE:** PENNSYLVANIA TAX UNIT EXEMPTION CERTIFICATE (USE FOR ONE TRANSACTION)
 PENNSYLVANIA TAX BLANKET EXEMPTION CERTIFICATE (USE FOR MULTIPLE TRANSACTIONS)

Name of Seller, Vendor or Lessor

Street	City	State	ZIP Code
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NOTE: Do not use this form for claiming an exemption on the registration of a vehicle. To claim an exemption from tax for a motor vehicle, trailer, semi-trailer or tractor with the PA Department of Transportation, Bureau of Motor Vehicles, use one of the following forms:

- FORM MV-1, Application for Certificate of Title (first-time registrations)
- FORM MV-4ST, Vehicle Sales and Use Tax Return/Application for Registration (other registrations)

Property and services purchased or leased using this certificate **are exempt** from tax because: (Select the appropriate paragraph from the back of this form, check the corresponding block below and insert information requested.)

- 1. Property or services will be used directly and predominately by purchaser in performing purchaser's operation of: _____
- 2. Purchaser is a/an: _____
- 3. Property will be resold under Account ID _____. (If purchaser does not have a PA Sales Tax Account ID, include a statement under Number 7 explaining why a number is not required.)
- 4. Purchaser is a/an: _____ holding Exemption Account ID _____
- 5. Property or services will be used directly and predominately by purchaser performing a public utility service.
 PA Public Utility Commission PUC Number _____ and/or U.S. Department of Transportation MC/MX _____
- 6. Exempt wrapping supplies, Account ID _____. (If purchaser does not have a PA Sales Tax Account ID, include a statement under Number 7 explaining why a number is not required.)
- 7. Other _____
 (Explain in detail. Additional space on reverse side.)

I am authorized to execute this certificate and claim this exemption. Misuse of this certificate by seller, lessor, buyer, lessee or their representative is punishable by fine and imprisonment.

Name of Purchaser or Lessee	Signature	EIN	Date
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Street	City	State	ZIP Code
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1. ACCEPTANCE AND VALIDITY:

For this certificate to be valid, the seller/lessor shall exercise good faith in accepting this certificate, which includes: (1) the certificate shall be completed properly; (2) the certificate shall be in the seller/lessor's possession within 60 days from the date of sale/lease; (3) the certificate does not contain information which is knowingly false; and (4) the property or service is consistent with the exemption to which the customer is entitled. For more information, refer to Exemption Certificates, Title 61 PA Code §32.2. An invalid certificate may subject the seller/lessor to the tax.

2. REPRODUCTION OF FORM:

This form may be reproduced but shall contain the same information as appears on this form.

3. RETENTION:

The seller or lessor must retain this certificate for at least four years from the date of the exempt sale to which the certificate applies.

DO NOT RETURN THIS FORM TO THE PA DEPARTMENT OF REVENUE.

4. EXEMPT ORGANIZATIONS:

This form may be used in conjunction with form REV-1715, Exempt Organization Declaration of Sales Tax Exemption, when a purchase of \$200 or more is made by an organization which is registered with the PA Department of Revenue as an exempt organization. These organizations are assigned an exemption number, beginning with the two digits 75 (example: 75-00000-0).

GENERAL INSTRUCTIONS

Those purchasers set forth below may use this form in connection with the claim for exemption for the following taxes:

- a. State and local sales and use tax;
- b. PTA rental fee or tax on leases of motor vehicles;
- c. Hotel occupancy tax if referenced with the symbol (●);
- d. PTA fee on the purchase of tires if referenced with the symbol (+);
- e. Vehicle rental tax (VRT)

EXEMPTION REASONS

1.) Property and/or services will be used directly and predominately by purchaser in performing purchaser's operation of:

- A. Manufacturing B. Mining C. Dairying D. Processing E. Farming F. Shipbuilding

This exemption is not valid for property or services used in: (a) constructing, repairing or remodeling of real property, other than real property used directly in exempt operations; or (b) maintenance, managerial, administrative, supervisory, sales, delivery, warehousing or other nonoperational activities. Effective October 1, 1991, this exemption does not apply to certain services and PTA tire fee.

2.) Purchaser is a/an:

- + A. Instrumentality of the commonwealth.
- + B. Political subdivision of the commonwealth.
- + ● C. Municipal authority created under the Municipality Authorities Acts.
- + ● D. Electric cooperative corporations created under the Electric Cooperative Law of 1990.
- E. Cooperative agricultural associations required to pay corporate net income tax under the Cooperative Agricultural Association Corporate Net Income Tax Act (exemption not valid for registered vehicles).
- + ● F. Credit unions organized under Federal Credit Union Act or commonwealth Credit Union Act.
- + ● G. U.S. government, its agencies and instrumentalities.
- H. Federal employee on official business (exemption limited to hotel occupancy tax only. A copy of orders or statement from supervisor must be attached to this certificate.)
- I. School bus operator (This exemption certificate is limited to the purchase of parts, repairs or maintenance services upon vehicles licensed as school buses by the PA Department of Transportation.)

3.) Property and/or services will be resold or rented in the ordinary course of purchaser's business. If purchaser does not have a PA Sales Tax Account ID, complete Number 7 explaining why such number is not required. This exemption is valid for property or services to be resold: (1) in original form; or (2) as an ingredient or component of other property.

4.) **Renewable Entities beginning with "75":**

- A. Religious Organization
- B. Volunteer Firemen's Organization
- C. Nonprofit Educational Institution
- D. Charitable Organization

Permanent Exemptions beginning with the two numbers "76":

- E. School District

Special Exemptions:

- F. Direct Pay Permit Holder
- + ● G. Individual Holding Diplomatic ID
- H. Keystone Opportunity Zone
- I. Tourist Promotion Agency

Exemption limited to purchase of tangible personal property or services for use and not for sale. The exemption shall not be used by a contractor performing services to real property. An exempt organization or institution shall have an Account ID assigned by the PA Department of Revenue and diplomats shall have an identification card assigned by the federal government. The exemption for categories A, B, C and D are not valid for property used for the following: (1) construction, improvement, repair or maintenance of any real property, except supplies and materials used for routine repair or maintenance of the real property; (2) any unrelated activities or operation of a public trade or business; or (3) equipment used to maintain real property.

5.) Property or services will be used directly and predominately by purchaser in the production, delivery or rendition of public utility services as defined by the PA Utility Code.

This exemption is not valid for property or services used for the following: (1) construction, improvement, repair or maintenance of real property, other than real property used directly in rendering the public utility services; or (2) managerial, administrative, supervisor, sales or other nonoperational activities; or (3) tools and equipment used but not installed in maintenance of facilities or direct use equipment. Tools and equipment used to repair "direct use" property are exempt from tax.

6.) Vendor/seller purchasing wrapping supplies and nonreturnable containers used to wrap property which is sold to others.

7.) Other (Attach a separate sheet of paper if more space is required.)
