

## Sales/Use/Indirect:

### Pennsylvania DOR Addresses Taxability of Canned Computer Software, Digital Goods, and Related Services

*Taxability of Canned Computer Software, Digital Goods, and Related Services*, Pa. Dept. of Rev. (10/24). The Pennsylvania Department of Revenue (Department) posted lengthy guidance addressing the Pennsylvania sales and use taxability of canned computer software, digital goods, and related services – including various examples applying “the principles and concepts explained” such as the taxation of underlying costs of labor and limitations of the custom software exclusion. The guidance states that canned computer software “by definition and long-standing case law” is tangible personal property, and “the taxable portion of purchase price includes the total paid in complete performance of the sale at retail.” In this respect, “a vendor is not allowed to exclude the cost of labor or service from the purchase price of a sale at retail of tangible personal property.” The guidance also explains that because Pennsylvania law taxes repairing, altering, mending, pressing, fitting, dyeing, laundering, drycleaning or cleaning tangible personal property, “any charges for modifying or configuring canned computer software is taxable as the alteration of tangible personal property regardless of whether such modification or configuration is performed in conjunction with the sale of canned computer software or not.” Regarding custom software, the Department states that the sale of custom software and any related services to custom software is *not* subject to Pennsylvania sales tax – noting that custom software is designed, created and developed for and to the specifications of an “original purchaser,” where the original purchaser is “the first person for whom the custom software was designed, created, and developed, and to whom it was transferred in a sale at retail.” Please contact us with any questions.

**URL:** <https://www.revenue.pa.gov/TaxTypes/SUT/Pages/Canned-Computer-Software,-Digital-Goods.aspx>

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