March 25, 2015

The Honorable William F. Adolph Jr.
Pennsylvania House of Representatives
Majority Chairman
Appropriations Committee
P.O. Box 202165
Harrisburg, PA 17120-2165

Re: Proposed Sales Tax on Services

Dear Chairman Adolph,

On behalf of the Pennsylvania Institute of Certified Public Accountants (PICPA), we are writing to you regarding the PICPA’s opposition to imposing a sales tax on accounting and related professional services. Founded in 1897, the PICPA is the second oldest and fourth largest CPA organization in the nation. Our nearly 22,000 members include practitioners in public accounting who advise clients on federal, state, and international tax matters and prepare income and other tax returns for thousands of Pennsylvanians. It is in this context that we offer input and rationale for our opposition.

A tax on accounting, tax preparation, and related professional services, even one that exempts business-to-business transactions, is an unfair taxation on the very services necessary to comply with state tax laws. Individuals depend on accounting services to comply with both state and federal tax laws – taxing compliance with these laws compounds the tax burden borne by individuals. This could lead to many individuals preparing their own returns, a “do-it-yourself” approach that can lead to costly mistakes and noncompliance. Without professional guidance on tax matters, the potential for lower accuracy and revenues will lead to a higher cost of compliance borne by the state. Note, too, that this could be perceived as double taxation by many consumers.

In addition, a sales tax on accounting and related professional services brings with it tremendous enforcement and compliance issues, significant cost of compliance, and numerous administrative burdens. It creates a different set of requirements for states that are not accustomed to normal retail “point of sale” collection procedures. It entails added difficulties because of the dramatically increased number of new vendors that must be registered and monitored and the complexities of collection of use by out-of-state vendors.
Finally, only Hawaii, New Mexico and South Dakota each have a broad-based gross receipts tax on services, for which the tax burden is borne by business, not the consumer. Four states have enacted a sales tax of professional services in the past—Florida, Massachusetts, Michigan and Maryland. All four were quickly repealed before or shortly after they went into effect because of concerns of an unfair impact on in-state providers versus out-of-state providers in addition to taxpayer backlash.

We look forward to working with you regarding this issue. Thank you and please do not hesitate to contact us with questions.

Sincerely,

Peter N. Calacara, CAE
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