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## TAX UPDATE 2019

### Your Guide To Compliance and Benefits

Your business or farm may be impacted by new tax laws passed by Pennsylvania and other states.

To make it quick and easy for you to learn about these changes, we've outlined the essential information here in this newsletter. You should be familiar with these new laws to make sure your operation is maintaining compliance with state law and taking advantage of any tax benefits available to you. If you have questions about your tax situation, please contact your tax advisor.

#### New Rules For Pennsylvania Sales Tax

- **Internet Sales:** Out-of-state sellers with no physical presence in Pennsylvania may be required to collect sales tax. Beginning July 1, 2019, vendors whose gross sales in Pennsylvania, including direct and internet sales, exceed \$100,000 in the previous year must register to collect and remit sales tax.
- **Animal Housing Facility:** Building materials and supplies used for the construction or repair of an animal housing facility (livestock and poultry) are exempt from sales and use tax, beginning on January 1, 2020.
- **Sales Tax Absorption:** Sellers are permitted to include sales tax in the retail price of an item, beginning July 1, 2019. When including the tax in the retail price, sellers must list the sales tax paid on behalf of the purchaser on any receipt or sales documentation.



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## Additional Sales Tax Reforms For All States

As a result of a Supreme Court case, many companies may have sales tax obligations in additional states. Many states have revised or added to their sales tax laws because of the court case in June of 2018, known as South Dakota vs. Wayfair.

A company may be required to collect sales tax with as few as 200 transactions or \$100,000 of sales into a state in a year's time. If sales tax was not paid upon purchase of a taxable item, most states require payment of use tax.

### Any of These Activities May Create a Sales or Income Tax Obligation in a State:

- Ownership of real property
  - ✓ Stores, warehouses, offices, etc.
- Ownership of personal property
  - ✓ Machinery, equipment, etc.
- Leasing of real property
  - ✓ Stores, warehouses, offices, etc.
- Leasing personal property into a state
  - ✓ Machinery, equipment, etc.
- Maintaining an inventory, whether consigned, stored, or carried by sales representatives
- Travel of employees into a state to conduct sales, training, deliveries, installations, repairs, etc.
- Use of independent sales or manufacturer's representatives, even if not exclusive
- Use of subcontractors for repairs, maintenance, installations, etc.
- Delivery of property in seller-owned vehicles
- Allowing employees to telecommute or use a home office

## Beginning Farmers

By passing some new laws, Pennsylvania is providing incentives for those who help the next generation of farmers get started in the industry. These laws relate specifically to "Beginning Farmers," as defined below. Please consult with your tax advisor for complete details.

### Tax Benefits Available


- **Exemption from Realty Transfer Tax (RTT):** Beginning July 1, 2019, any transfer of real estate that is subject to an agricultural conservation easement to a qualified beginning farmer is exempt from realty transfer tax (RTT).
- **Tax Credit for Selling or Renting to Beginning Farmers:** An owner of agricultural assets may receive a tax credit for selling or renting to a beginning farmer, if certain conditions are met.

(Agricultural assets are defined as agricultural land, livestock, facilities, buildings, and machinery used for farming.)

- ✓ **Sale of Agricultural Assets:** The owner may take a tax credit for the sale of agricultural assets to a beginning farmer, equal to 5% of the lesser of the sale price or fair market value, up to a maximum credit of \$32,000. The tax credit may be applied only against tax due.
- ✓ **Rental of Agricultural Assets:** The owner may take a tax credit equal to 10% of the gross rental income in each of the first, second, and third years of a rental agreement, up to a maximum of \$7,000 per year.
- ✓ **Limitation on Amount:** The PA Department of Revenue will allocate tax credits on a first-come, first-served basis. No more than \$5 million will be allocated for the taxable year beginning after December 31, 2019, and no more than \$6 million for the taxable years beginning after December 31, 2020.
- ✓ **To Receive the Tax Credit:** The owner of the agricultural assets must apply to the PA Department of Revenue for approval of a tax credit.

### **What Is a Beginning Farmer?** It's an individual who:

- Has demonstrated experience in the agriculture industry or related field, or has transferable skills as determined by the PA Department of Revenue.
- Has not received federal gross income from agricultural production for more than the 10 most recent taxable years.
- Intends to engage in agricultural production within the borders of Pennsylvania and to provide the majority of the labor and management for that agricultural production.
- Has obtained written certification from the PA Department of Revenue confirming beginning farmer status.
- Is not, and whose spouse is not, a partner, member, shareholder, or trustee of the owner of agricultural assets from whom the individual seeks to purchase or rent agricultural assets.



**Now is the time to schedule  
your tax planning consultation.**

Contact **Gehman** Accounting  
to minimize your taxes and plan ahead.

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