Regulatory Analysis Form (Completed by Promulgating Agency) **(All Comments submitted on this regulation will appear on IRRC's website)**	***INDEPENDENT REGULATORY REVIEW COMMISSION*** RECEIVED Independent Regulatory Review Commission July 13, 2026 IRRC Number: 3494
(1) Agency Revenue	
(2) Agency Number: 15- Identification Number: 464	

(3) PA Code Cite: 61 Pa. Code §§153.26 and 153.26a

(4) Short Title:

Sales Factor sourcing sales of tangible personal property and Sales factor sourcing sales of services.

(5) Agency Contacts (List Telephone Number and Email Address):

Primary Contact: Maria L. Miller (717) 783-7524
Secondary Contact: Jack A. Frehafer, Esq. (717) 346-4637

(6) Type of Rulemaking (check applicable box):

- ☒ Proposed Regulation
- ☐ Final Regulation
- ☐ Final Omitted Regulation
- ☐ Emergency Certification Regulation;
- ☐ Certification by the Governor
- ☐ Certification by the Attorney General

(7) Briefly explain the regulation in clear and nontechnical language. (100 words or less)

A provision of the Tax Reform Code of 1971 ("Tax Reform Code") (72 P.S. § 7401(3)2.(a)(16.1)(C)) requires a corporation to allocate its sales of services between Pennsylvania and other states for purposes of calculating the corporation's income that is taxable in Pennsylvania. The purpose of this proposed rulemaking is to codify existing guidance in light of a 2023 Pennsylvania Supreme Court decision upholding the Department's apportionment methodology for sourcing revenue from sales of service. This rulemaking proposes to revise the title of § 153.26, to limit its application to sourcing sales of tangible personal property, and to add new § 153.26a to address the methodology for sourcing revenue from sales of services.

(8) State the statutory authority for the regulation. Include specific statutory citation.

Statutory authority for the regulation is contained in sections 6 and 201of the Fiscal Code (72 P.S. §§ 6 and 201) and sections 401 and 408 of the Tax Reform Code of 1971 (72 P.S. §§ 7401 and 7408).

Section 6 of The Fiscal Code (72 P.S. § 6), pertaining to rules and regulations, states that "[e]very department, board, commission and officer of the State government, upon which or upon whom powers are conferred or duties imposed by this act, shall have the power to make and promulgate such rules and regulations as may be reasonably necessary for the exercise of such powers and the performance of such duties. "Section 201 of The Fiscal Code (72 P.S. § 201) provides that "the Department of Revenue shall exercise the powers and perform the duties…in the settlement of taxes, and the collection of taxes, license fees, and other moneys due the Commonwealth."

Section 401of the Tax Reform Code of 1971, specifically the definition of "taxable income" at 72 P.S. § 7401(3)2.(a)(16.1)(C) pertains to sourcing revenue from sales of services in the computation of corporate net income tax. Section 408 of the Tax Reform Code of 1971 (72 P.S. § 7408) provides that the "department is…authorized and empowered to prescribe, adopt, promulgate, and enforce rules and regulations, not inconsistent with this article, relating to any matter or thing pertaining to the administration and enforcement of the provisions of this article, and the collection of taxes, penalties, and interest imposed by this article."
(9) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there any relevant state or federal court decisions? If yes, cite the specific law, case or regulation as well as, any deadlines for action. No, the proposed regulation is not mandated by any federal or state law or court order, or federal regulation. Yes, there is a relevant court decision (See *Synthes HQ, Inc. v. Commonwealth,* 289 A.3d 846 (Pa. 2023)). Historically, Act 52 of 2013 enacted a revised methodology for sourcing revenue from sales of services in the computation of corporate net income tax, and on December 12, 2014, the Department published "Information Notice Corporation Taxes 2014-01" on the Department's website to provide taxpayers with guidance addressing this topic. More recently, in *Synthes USA HQ, Inc. v. Commonwealth*, 289 A.3d 846, 878 (Pa. 2023), the Supreme Court upheld the benefits-received method utilized by the Department. This rulemaking proposes to codify definitions, rules and examples clarifying how corporations must source their sales of services. For consistency, the Department bases this regulatory language on both the November 30, 2015 version of the Multistate Tax Commission's (MTC) Regulation IV.17 (regarding Allocation and Apportionment Regulations) and the proposed February 24, 2017 amendments.
(10) State why the regulation is needed. Explain the compelling public interest that justifies the regulation. Describe who will benefit from the regulation. Quantify the benefits as completely as possible and approximate the number of people who will benefit. For the past several years, the regulated community has been requesting uniform guidance in the form of a regulation. The proposed regulation is needed to clarify how taxpayers should source their income to Pennsylvania under the statute. Act 52 of 2013 (72 P.S. § 7401(3)) added language for the apportionment of income regarding the sales of services. *See* 72 P.S. § 7401(3)2.(a)(16.1)(C). The Department is promulgating this regulation to provide guidance on how the sales of services are to be sourced in computing Pennsylvania Corporate Net Income Tax. The proposed regulation ensures that all taxpayers are using uniform methods for sourcing their sales of services to this Commonwealth. Uniform reporting preserves the Commonwealth's tax revenue from corporations and provides a consistent and clear framework upon which taxpayers can rely. In tax year 2021, the most recent available year, there were 97,349 CNIT filers. Generally, only corporations with sales outside of Pennsylvania are affected by this regulation; corporations with all of their sales within Pennsylvania are not affected. In tax year 2021, there were 58,309 CNIT filers that apportioned their income.
(11) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulations.

No provisions are more stringent than federal standards. The majority of the language in this proposed regulation mirrors both the November 30, 2015 version of the Multistate Tax Commission's (MTC) Regulation IV.17 (regarding Allocation and Apportionment Regulations) and the proposed February 24, 2017 amendments.

(12) How does this regulation compare with those of the other states? How will this affect Pennsylvania's ability to compete with other states?

The Pennsylvania regulation is similar to tax regulations in the District of Columbia, Alabama, Massachusetts and Tennessee, as they have similar statutes. The majority of the proposed language mirrors both the November 30, 2015 version of the Multistate Tax Commission's (MTC) Regulation IV.17 (regarding Allocation and Apportionment Regulations) and the proposed February 24, 2017 amendments. The regulation will not put Pennsylvania at a competitive disadvantage with other states.

(13) Will the regulation affect any other regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

This regulation does not affect any other existing or proposed regulations of the Department or any other state agency.

(14) Describe the communications with and solicitation of input from the public, any advisory council/group, small businesses and groups representing small businesses in the development and drafting of the regulation. List the specific persons and/or groups who were involved. ("Small business" is defined in Section 3 of the Regulatory Review Act, Act 76 of 2012.)

On December 12, 2014, the Department published "Information Notice Corporation Taxes 2014-01" on the Department's website to provide taxpayers with guidance on sourcing the sales of services to this Commonwealth with the enactment of Act 52 of 2013. The Department is now promulgating this proposed rulemaking to codify the rules.

In conducting informal public outreach, a copy of the proposed regulation was forwarded to the following organizations: Pennsylvania Bar Association (PBA), Philadelphia Bar Association (Phila. Bar), Pennsylvania Institute of Certified Public Accountants (PICPA), Pennsylvania Society of Public Accountants, Pennsylvania Chamber of Business and Industry (PA Chamber), National Federation of Independent Business (NFIB) and the SMC Business Councils. Of these organizations, the Department received informal comments from the following commentators that were part of the official distribution list: (1) NFIB, (2) Pa. Chamber, (3) Phila. Bar and (4) PICPA. The Department also accepted unsolicited comments from the (5) Counsel On State Taxation (COST) and the (6) PA Bankers Association.

The Department reviewed and considered each of the submitted comments from six different organizations as noted above. While the Department appreciated and understood the many comments received, many of the suggestions for change to the regulation proposed alterations to the regulation that were based upon alternative interpretations of the statute with which the Department did not agree, and which were not consistent with the MTC draft regulations. In other instances, however, the Department did agree with suggested changes to the draft regulation. The following list summarizes several suggestions made by the commentators and incorporated by the Department in this proposed regulation:

- **(c)(1)(iv)(C) Rules for determining delivery location – Services delivered to or on behalf of a customer by physical means – Examples of services delivered by physical means regardless of**

whether the services are performed by an employee of the taxpayer or by a third party acting on the taxpayer's behalf:
   - **Example 3:** Commentators requested more clarity or expanded examples. We responded by editing some of the subparagraphs for clarity.
   - **Example 4 and old Example 5:** Commentators suggested there were inconsistencies between Example 4 and the prior version's Example 5. We deleted one of the examples to avoid the appearance of conflicting results.
- **(c)(2)(ii) Rules for determining delivery location – Electronic delivery of services – Examples of electronic delivery:** To address any commentators' concerns about this section, examples were reorganized and/or reworked to clarify intent and logical organization of sections.
- **(d)(17) Sourcing rules for certain industries, markets or business models – Other professional services, and (h) Definitions - Professional services:** Commentators expressed the opinion that this area was loosely defined and needed more clarification as to what types of services are included in this section. We repositioned and made edits designed to address some of these concerns. Additionally, we redefined this area as "Other professional Services" to make it clear that specifically defined professional services would take priority over the general case.
- **(e) Rules of Reasonable Approximation:** Multiple commentators noted the value of the Reasonable Approximation rules. In some cases, the commentators asked for more clarity, examples, or further guidance on what constituted sufficient supporting data. Accordingly, the Department revised or enhanced certain subparagraphs of this section to improve clarity.
- **(h) Definitions: Affiliated entity** – Commentators suggested we add this definition, and we did.
- **Prior version's last section of regulation addressing "Licensing of Intangible property where substance of the transaction resembles a sale of goods or services"** – Commentators expressed concern about this paragraph. Ultimately, we decided to delete the paragraph, reasoning it contained rules that were outside the scope of this regulation. We also deleted the paragraph on embedded intangibles.

Comments received but not implemented included:

- **(c) and (d) Implied use of a look-through rule –** A few commentators were concerned that the Department's regulations implied the use of a non-permitted look-through rule in certain situations. Upon careful review of these claims, the Department concluded there was no improper use of a look-through rule.
- **(d) Contract Research Organizations** – A few commentators expressed a desire to include special sourcing guidance for contract research organizations. While the suggestion to provide special sourcing guidance for this business model was understandable, we reasoned that providing special sourcing rules for this business model may have led to inconsistencies with how other similarly-situated industries sourced their services.
- **(d)(17) Other Professional Services** – A few commentators expressed concern that inclusion of this section promotes non-uniform treatment of taxpayers, and suggested deletion of the section. However, the Department included this section because there is merit to drawing this distinction from other professional services. In addition, it was part of the Massachusetts and MTC model regulation and, since this section impacts corporations with sales in other states as well as Pennsylvania, the Department is striving to be consistent with the model regulations where possible.
- **(e) Reasonable Approximation –** Several commentators believed this section was not provided for in the statutes, suggesting it should not be included. However, others stressed the need to include such a paragraph to give taxpayers reasonable ways to source the sales of their services where detailed data was either not available or too costly to obtain. The Department's decision to maintain this section is

supported by statutory authority and case law that has upheld the Department's apportionment methodology. In addition, the concept of reasonable approximation is used in the model MTC regulation, making it more likely that the Department's rules will be consistent with other states.

- **(h) Definitions** – Several commentators proposed the addition of multiple definitions of certain terms. With one or two exceptions, the Department did not adopt these suggestions because (a) some of the suggested terms involved concepts that need to be statutorily defined (*e.g.,* it was suggested the term "services" be defined), (b) some of the terms suggested would have been unnecessarily restrictive in their application.

The regulation is listed in the Quarterly Regulatory Report published on Revenue's website (www.revenue.pa.gov) and will be forwarded to interested parties upon request.

(15) Identify the types and number of persons, businesses, small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012) and organizations which will be affected by the regulation. How are they affected?

Only corporations with sales outside of Pennsylvania are affected by this regulation; corporations with all of their sales within Pennsylvania are not affected. In tax year 2021, there were 58,309 CNIT filers that apportioned their income. Of these firms, approximately 41,000 qualify as a small business under Federal Small Business Administration guidelines. This estimate was derived from actual CNIT returns and NAICS codes (i.e. industry codes) assembled by the Department's Bureau of Research.

There is no fiscal impact from this regulation, as it clarifies existing law.

(16) List the persons, groups or entities, including small businesses, that will be required to comply with the regulation. Approximate the number that will be required to comply.

Generally, all CNIT filers that apportion their income will be required to comply with the regulation, amounting to approximately 58,309 filers in tax year 2021.

Approximately 41,000 of these corporations may be considered small businesses (as defined by the U.S. Small Business Administration).

(17) Identify the financial, economic and social impact of the regulation on individuals, small businesses, businesses and labor communities and other public and private organizations. Evaluate the benefits expected as a result of the regulation.

There is no fiscal impact on private sector entities due to this regulation, as it clarifies existing law.

(18) Explain how the benefits of the regulation outweigh any cost and adverse effects.

The regulation clarifies existing law; therefore, there are no aggregate costs and adverse effect to compare. The benefits are that the rules provide a uniform way for corporations to determine which sales are apportioned to Pennsylvania or not. This provides increased clarity and certainty for businesses.

(19) Provide a specific estimate of the costs and/or savings to the **regulated community** associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived.

There is no fiscal impact on the regulated community from this regulation, as it clarifies existing law and is also consistent with Information Notice Corporation Taxes 2014-01.

(20) Provide a specific estimate of the costs and/or savings to the **local governments** associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived.

There are no costs or savings to local governments associated with complying with this regulation. There are no legal, accounting or consulting procedures required of local governments related to this regulation.

(21) Provide a specific estimate of the costs and/or savings to the **state government** associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required. Explain how the dollar estimates were derived.

The proposed regulation has no fiscal impact on state government.

(22) For each of the groups and entities identified in items (19)-(21) above, submit a statement of legal, accounting or consulting procedures and additional reporting, recordkeeping or other paperwork, including copies of forms or reports, which will be required for implementation of the regulation and an explanation of measures which have been taken to minimize these requirements.

No legal, accounting, consulting procedures, additional reporting, recordkeeping or other paperwork are required by this regulation. As the regulations provide the rules for determining how to source the sales of services to this Commonwealth, no changes are necessary for reporting or recordkeeping processes.

(22a) Are forms required for implementation of the regulation?

No new forms are required for implementation of this regulation.

(22b) If forms are required for implementation of the regulation, **attach copies of the forms here.** If your agency uses electronic forms, provide links to each form or a detailed description of the information required to be reported. **Failure to attach forms, provide links, or provide a detailed description of the information to be reported will constitute a faulty delivery of the regulation.**

N/A. See answer to (22a).

(23) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

This regulation is a clarification of existing law therefore it has no fiscal impact on state or local government, or the regulated community.

	Current FY Year	**FY +1 Year**	**FY +2 Year**	**FY +3 Year**	**FY +4 Year**	**FY +5 Year**
SAVINGS:						

Regulated Community						
Local Government						
State Government						
Total Savings	$0	$0	$0	$0	$0	$0
COSTS:						
Regulated Community						
Local Government						
State Government						
Total Costs	$0	$0	$0	$0	$0	$0
REVENUE LOSSES:						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses	$0	$0	$0	$0	$0	$0

(23a) Provide the past three-year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
There is no government program for the public on this matter.				

(24) For any regulation that may have an adverse impact on small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012), provide an economic impact statement that includes the following:

(a) An identification and estimate of the number of small businesses subject to the regulation.

Approximately 41,000 small businesses will be subject to the regulation.

(b) The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record.

There are no significant projected reporting, recordkeeping and other administrative costs required for compliance with the proposed regulation.

(c) A statement of probable effect on impacted small businesses.

The regulation does not impact small businesses, as it is a clarification of existing law.

(d) A description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

There are no alternative methods of achieving the purpose of the proposed regulation. For the past several years, the regulated community has been requesting uniform guidance in the form of a regulation.

(25) List any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, the elderly, small businesses, and farmers.

No special groups are affected by the proposed regulation.

(26) Include a description of any alternative regulatory provisions which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.

There are no alternative regulatory provisions associated with the proposed regulation.

(27) In conducting a regulatory flexibility analysis, explain whether regulatory methods were considered that will minimize any adverse impact on small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012), including:

a) The establishment of less stringent compliance or reporting requirements for small businesses;
b) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
c) The consolidation or simplification of compliance or reporting requirements for small businesses;
d) The establishment of performance standards for small businesses to replace design or operational standards required in the regulation; and
e) The exemption of small businesses from all or any part of the requirements contained in the regulation.

As stated in (24)(c), there is no fiscal impact on small businesses required to file CNIT returns. Therefore, a regulatory flexibility analysis was not conducted.

(28) If data is the basis for this regulation, please provide a description of the data, explain in detail how the data was obtained, and how it meets the acceptability standard for empirical, replicable and testable data that is supported by documentation, statistics, reports, studies or research. Please submit data or supporting materials with the regulatory package. If the material exceeds 50 pages, please provide it in a searchable electronic format or provide a list of citations and internet links that, where possible, can be accessed in a searchable format in lieu of the actual material. If other data was considered but not used, please explain why that data was determined not to be acceptable. No scientific data, studies or references are used to justify this regulation.
(29) Include a schedule for review of the regulation including: A. The length of the public comment period: 30 days B. The date or dates on which any public meetings or hearings will be held: NA C. The expected date of delivery of the final-form regulation: Fall 2026 D. The expected effective date of the final-form regulation: Upon final publication E. The expected date by which compliance with the final-form regulation will be required: Upon final publication F. The expected date by which required permits, licenses or other approvals must be obtained: NA
(30) Describe the plan developed for evaluating the continuing effectiveness of the regulations after its implementation. This regulation is scheduled for review within five years of final publication. No sunset date had been assigned.

CDL-1

FACE SHEET
FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE BUREAU

(Pursuant to Commonwealth Documents Law)

RECEIVED

Independent Regulatory
Review Commission

July 13, 2026

DO NOT WRITE IN THIS SPACE

Copy below is hereby approved as to form and legality. Attorney General **By:** Amy M. Elliott **(Deputy Attorney General)** 6/11/2026 **DATE OF APPROVAL** **☐ Check if applicable** **Copy not approved. Objections attached.**	**Copy below is hereby certified to be true and correct copy of a document issued, prescribed or promulgated by:** **PA Department of Revenue** **(AGENCY)** **DOCUMENT/FISCAL NOTE NO. 15-464** **DATE OF ADOPTION 9/26/2025** **BY** Patrick M. Browne **Patrick M. Browne** **TITLE Secretary of Revenue** **(~~Executive Officer, Chairman or~~ Secretary)**	**Copy below is hereby approved as to form and legality. Executive or Independent Agencies** **BY** [signature] 1/2/2026 **DATE OF APPROVAL** **(Deputy General Counsel)** **(Chief Counsel-Independent Agency)** **(Strike inapplicable title)** **☐ Check if applicable. No Attorney General Approval or objection within 30 days after submission.**

NOTICE OF PROPOSED RULEMAKING

DEPARTMENT OF REVENUE

Corporate Net Income Tax

61 Pa. Code, §§ 153.26 and 153.26a

Sales factor sourcing sales of tangible personal property

and

Sales factor sourcing sales of services

PREAMBLE

The Department of Revenue (Department), under authority contained in sections 6 and 201 of the Fiscal Code (72 P.S. §§ 6 and 201) and sections 401 and 408 of the Tax Reform Code of 1971 (72 P.S. §§ 7401(3) and 7408), proposes amendments to the title of § 153.26 (relating to sales factor) to limit its scope to tangible personal property and the addition of § 153.26a (relating to sales factor sourcing sales of services) to read as set forth in Annex A.

Background and Purpose of Proposed Rulemaking

The sales factor is the ratio of a corporation's Pennsylvania sales to its total sales everywhere. It is used to determine what portion of a corporation's income is taxable in Pennsylvania. Act 52 of 2013 enacted a revised methodology for sourcing revenue from the sales of services in the computation of corporate net income tax. 72 P.S. § 7401(3)2(a)(16.1)(C). Furthermore, beginning January 1, 2014, sales of services are no longer subject to the income producing activity and cost of performance rules found in 72 P.S. § 7401(3)2.(a)(17). The purpose of this proposed rulemaking is to establish the processes for sourcing service income and the apportionment of taxpayers' business income to this Commonwealth. This proposed rulemaking also ensures that all taxpayers implement uniform methods for sourcing their sales of services to this Commonwealth. For the past several years, the regulated community has been requesting uniform guidance in the form of a regulation.

On December 12, 2014, the Department published Corporation Tax Information Notice 2014-01 on the Department's website to provide taxpayers guidance on sourcing the sales of services to this Commonwealth with the enactment of Act 52 of 2013. This proposed rulemaking reflects the direction taken by the Department on this matter and more clearly establishes rules for corporate taxpayers with regard to how corporations should source their sales of services. Section 6 of The

Fiscal Code (72 P.S. § 6) (relating to rules and regulations) states that "every department, board, commission and officer of the State government, upon which or upon whom powers are conferred or duties imposed by this act, shall have the power to make and promulgate such rules and regulations as may be reasonably necessary for the exercise of such powers and the performance of such duties."

For consistency in its use of regulatory language within this proposed rulemaking, the Department relies on the general structure of the Multistate Tax Commission's Model General Allocation and Apportionment Regulations.

As described on its website: "The Multistate Tax Commission is an intergovernmental state tax agency working on behalf of states and taxpayers to facilitate the equitable and efficient administration of state tax laws that apply to multistate and multinational enterprises. Created by the Multistate Tax Compact, the Commission is charged by this law with:

- Facilitating the proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases and settlement of apportionment disputes;
- Promoting uniformity or compatibility in significant components of tax systems;
- Facilitating taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration;
- Avoiding duplicative taxation.

The Commission was created in 1967 as an effort by states to protect their tax authority in the face of previous proposals to transfer the writing of key features of state tax laws from the state legislature. For that reason, the Commission has been a voice for preserving the authority of states to determine their own tax policy within the limits of the U.S. Constitution." This proposed regulation contains numerous examples to illustrate and provide clarity to the application of these rules.

Description of Proposed Amendments

The following paragraphs provide a brief description for each specific section of this proposed rulemaking:

The Department proposes to amend the title of Section 153.26 to "Sales factor sourcing sales of tangible personal property" to clarify that this section is limited to addressing only the sourcing of sales of tangible personal property and does not include sourcing for sales of either services or intangibles. The Department proposes adding § 153.26a to explain the Sales Factor Apportionment process for determining whether a corporation's receipts for sales of services should be sourced to this Commonwealth. In essence, if receipts for sales of services are delivered to locations in this Commonwealth, then the resulting income is subject to Pennsylvania Corporate Net Income Tax. Section 153.26a provides taxpayers with both general rules for determining whether a service is delivered in this Commonwealth, as well as special rules for certain industries, markets or business models where determining the location of service delivery may be more difficult to ascertain. Additionally, section 153.26a provides taxpayers with basic rules for reasonably approximating the amount of service receipts that are delivered in this Commonwealth.

There is a need for additional guidance in this area as it impacts all corporate taxpayers which earn receipts for sales of services inside the Commonwealth or both inside and outside this Commonwealth. In preparing annual tax returns, these taxpayers must determine if their sales of services are delivered either wholly or partially to locations within this Commonwealth. If the taxpayer's sales of services are either wholly or partially delivered within this Commonwealth, then those receipts may be subject to this Commonwealth's Corporate Net Income Tax imposed under the Tax Reform Code.

Proposed subsection 153.26a(b), regarding the priority of rules for sourcing sales of services, establishes the hierarchy of rules for sourcing the sales of services under both subsections 153.26a(b)(1) and 153.26a(b)(2) regarding primary and secondary sourcing rules, respectively.

Proposed subsection 153.26a(c), regarding rules for determining delivery location, sets forth the process for sourcing sales of services if the services are delivered to or on behalf of a customer by either physical or electronic means and whether the service is delivered to an individual or business customer. The subsection also provides guidance for instances where it cannot be reasonably determined whether the customer is an individual or a business.

Proposed subsection 153.26a(d), regarding sourcing rules for certain industries, markets or business models, contains special rules for addressing industries where the general rules of § 153.26a(c) do not apply. These special rules would apply to certain digital services, computer software, architectural and engineering services, warranties and extended warranties, brokerage services, subscription services, advertising, card networks, service fees, services involving a customer's employees, railroad, truck, bus, airline companies or qualified air freight forwarding companies, pipeline or natural gas companies, water transportation companies, satellite television service providers, telecommunications, and other transportation and delivery services. This subsection also provides special rules for the delivery of professional services that are not otherwise specifically provided for in this subsection.

Proposed subsection 153.26a(e), regarding rules of reasonable approximation, contains apportionment rules to further supplement §§ 153.26a(c) and 153.26a(d) when it is difficult to accurately apportion the taxpayer's sales by state. Under this proposed subsection, taxpayers would reasonably approximate the delivery location of a service by using guidelines that are listed in order of preference. This subsection also provides for the presumption of geographic location of a taxpayer, as well as for the use of alternative apportionment by the Department when a taxpayer has overinflated its sales factor denominator.

Proposed subsection § 153.26a(f), regarding recordkeeping and documentary evidence, sets forth the recordkeeping and evidentiary standards to support a taxpayer's method of sourcing and apportioning its sales of services, which must be consistent with the following principles: retention of supporting records; use of data to make accurate assessment; inadequate records and supporting data; and state-to-state consistency. This subsection also provides that the Department may use alternative apportionment to determine a taxpayer's sales factor if the taxpayer fails to provide proper supporting records.

Proposed subsection § 153.26a(g), regarding changes in sourcing methodology, addresses both the Department's and the taxpayer's authority to adjust the taxpayer's sourcing methodology. This proposed subsection cites the Department's authority to adjust the taxpayer's sourcing methodology when any of the following occur: the taxpayer fails to follow the sourcing rules, uses unreasonable methods, applies methods inconsistently, fails to provide substantiating evidence or improperly uses a billing address for purposes of avoiding tax. In addition, the proposed subsection addresses the taxpayer's authority to change a method of assignment when filing its original return if the change improves the accuracy of the taxpayer's apportionment. Under the proposed subsection, taxpayers changing their sourcing methodology may do so only for the purpose of improving accuracy and, further, must provide documentation and an explanation supporting their change or changes. Finally, if the taxpayer fails to disclose changes or to retain and provide records upon request, this subsection allows the Department to disregard the taxpayer's changes and to substitute an appropriate method of assigning sales.

Proposed subsection 153.26a(h), regarding definitions, includes the following definitions of key terms that are used in this proposed rulemaking for clarity and consistency: affiliated entity; card network business; credit card; debit card; documentary evidence; professional services; regular course of operations; and target market or target audience.

Affected Parties

Corporate taxpayers and tax practitioners within this Commonwealth will be affected by this proposed rulemaking in a positive way as it will promote uniform tax compliance.

Fiscal Impact

This proposed rulemaking will have no fiscal impact on the Commonwealth as it is a clarification of Commonwealth law.

Paperwork Requirements

This proposed rulemaking will not generate substantial paperwork for the public or the Commonwealth.

Effective Date

This proposed rulemaking will become effective upon notice or publication of the final-form rulemaking in the *Pennsylvania Bulletin*.

Sunset Date

This proposed rulemaking is scheduled for review within five years of final-form publication. A sunset date has not been assigned.

Public Comments and Contact Person

Interested persons are invited to submit in writing any comments, suggestions or objections regarding this proposed rulemaking to Maria L. Miller, Office of Chief Counsel, PA Department of Revenue, P.O. Box 281061, Harrisburg, Pennsylvania 17128-1061, within 30 days after the date of the publication of this proposed rulemaking in the *Pennsylvania Bulletin*. Comments should be identified as pertaining to Regulation #15-464.

Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P.S. § 745.5(a)), on July 13, 2026, the Department submitted a copy of this proposed rulemaking and a copy of a Regulatory Review Form to the Independent Regulatory Review Commission (IRRC) and to the chairperson of the Committee on Finance of the Senate and chairperson of the Committee on Finance of the House of Representatives. A copy of this material is available to the public upon request.

Under Section 5(g) of the Regulatory Review Act, IRRC may convey comments, recommendations or objections to the proposed rulemaking within 30 days of the close of the public comment period. The comments, recommendations or objections must specify the regulatory review criteria in section 5.2 of the Regulatory Review Act (71 P.S. 745.5b) which have not been met. The Regulatory Review Act specifies detailed procedures for review prior to final publication of the rulemaking by the Department, the General Assembly and the Governor.

PATRICK M. BROWNE
SECRETARY OF REVENUE

Department of Revenue – Notice of Proposed Rulemaking

61 Pa. Code §§ 153.26 and 153.26a

Sales Factor Sourcing Sales of Tangible Personal Property and
Sales Factor Sourcing Sales of Services

15-464

FORM AND LEGALITY

I certify that I have reviewed this regulation for form and legality, that I have discussed any legal and policy issues with the attorneys responsible for this regulation, that I have made all appropriate revisions, and that all information contained in the Preamble and Annex A is current and accurate.

Thomas J. Gohsler
Chief Counsel

OCC#79006

Department of Revenue – Notice of Proposed Rulemaking

61 Pa. Code §§ 153.26 and 153.26a

Sales Factor Sourcing Sales of Tangible Personal Property and
Sales Factor Sourcing Sales of Services

15-464

SECRETARY'S CERTIFICATION

I, Patrick M. Browne, do hereby certify that I have reviewed this Proposed Rulemaking and determined that the Proposed Rulemaking is consistent with the principles outlined in Executive Order 1996-1.

Patrick M. Browne

Patrick M. Browne
Secretary of Revenue

OCC#79006

ANNEX A

Title 61. Revenue

Part I. Department of Revenue

Subchapter B. General Fund Revenues

Article VI. Corporation Taxes

Chapter 153. Corporate Net Income Tax

ALLOCATIONS AND APPORTIONMENTS

§ 153.26. Sales factor <u>sourcing sales of tangible personal property</u>.

* * * * *

{Editor's note: The text in § 153.26a is new and is not underlined for ease of reading.}

§ 153.26a. Sales factor sourcing sales of services.

(a) This section establishes the process for sourcing service income for purposes of sales factor apportionment.

(b) *Priority of rules for sourcing sales of services.* The following apply:

(1) *Primary sourcing rules.* The receipts from the sale of a service are in this Commonwealth if the service is delivered to a location in this Commonwealth. If the service is delivered both to a location in and outside this Commonwealth, the amount of the sale of that service receipt in this Commonwealth is based upon the percentage of total value of the service delivered to a location in this Commonwealth.

(i) The taxpayer shall follow the requirements provided in subsection (d) (relating to sourcing rules for certain industries, markets or business models) if the taxpayer's service is described in that subsection.

(ii) Unless the taxpayer's service is described in subsection (d), the taxpayer shall follow the requirements provided in subsection (c) (relating to rules for determining delivery location) to the extent possible.

(2) *Secondary sourcing rules.* If the delivery location of a service cannot be determined as provided in paragraph (1), then the receipts shall be sourced using one of the following secondary rules:

(i) *Services sold to individuals.* A service sold to an individual, other than a sole proprietor, is deemed to be delivered to the individual's billing address.

(ii) *Services sold to others.* Where subparagraph (i) does not apply, services sold to customers are deemed to be delivered at the location from which the services were ordered in the customer's regular course of operations. If the location from which the services were ordered in the customer's regular course of operations cannot be determined, then the service is deemed to be delivered at the customer's billing address.

(c) *Rules for determining delivery location.* The following apply:

(1) *Services delivered to or on behalf of a customer by physical means.* When a service provided by the taxpayer is delivered to or on behalf of the customer, other than being delivered electronically through the customer, the sale is located in this Commonwealth if and to the extent that the service is delivered in this Commonwealth.

(i) *Delivery to a customer.* Services delivered to a customer are services in which the customer and not a third party is the recipient of the service.

(ii) *Delivery on behalf of a customer.* Services delivered on behalf of a customer are services in which a customer contracts with the taxpayer for a service, but one or more third parties, rather than the customer, receives the service.

(iii) *Delivery by physical means.* Services provided by physical means are provided in-person by the taxpayer, where the customer or the customer's real or tangible property upon which the services are performed is in the same location as the service provider at the time the services are performed. This includes situations where the services are provided on behalf of the taxpayer by a third party. Locations to which in-person services are delivered include the following:

(A) *Physical person.* Where the service is performed with respect to the body of an individual customer in this Commonwealth, for example, hair cutting or x-ray services, or in the physical presence of a customer in this Commonwealth such as for live entertainment or athletic performances, the service is delivered in this Commonwealth.

(B) *Real estate or real property.* Where the service is performed with respect to real estate or real property that is located entirely in this Commonwealth, then the service is sourced to this Commonwealth. If the service relates to real estate or real property that is in this Commonwealth and in one or more other states, the service is delivered to this Commonwealth to the extent that the real estate or real property is in this Commonwealth.

(C) *Tangible personal property – fixed location.* Where the service is performed with respect to the customer's tangible personal property at the customer's residence or in the customer's possession in this Commonwealth, the service is delivered in this Commonwealth.

(D) *Tangible personal property – shipped or delivered.* Where the service is performed to the customer's tangible personal property and the tangible personal property is to be shipped or delivered to the customer, whether the service is performed in or outside this Commonwealth, the service is delivered in this Commonwealth if the tangible personal property is shipped or delivered to the customer in this Commonwealth.

(iv) Examples of services delivered by physical means regardless of whether the services are performed by an employee of the taxpayer or by a third party acting on the taxpayer's behalf:

(A) *Example 1.* Salon Corporation has retail locations in this Commonwealth and in other states where it provides hair-cutting services to individuals. The receipts from sales of services provided at Salon Corporation's in-state locations are delivered in this Commonwealth. The receipts from sales of services provided at Salon Corporation's locations outside this Commonwealth, even when provided to residents of this Commonwealth, are not delivered in this Commonwealth.

(B) *Example 2.* Landscape Corporation provides landscaping and gardening services in this Commonwealth and in neighboring states. Landscape Corporation provides landscaping services at the in-state vacation home of an individual who is a resident of another state and who is located outside this Commonwealth at the time the services are performed. Because the real estate is located in this Commonwealth, the sales of services provided by Landscape Corporation at an in-state location are delivered in this Commonwealth.

(C) *Example 3.* Camera Corp. provides camera repair services at both its in-state and out-of-state retail stores to walk-in individual and business customers.

Occasionally, Camera Corp. sends cameras from its Pennsylvania store to its New Jersey store for repair. Additionally, customers may mail their cameras directly to either the Pennsylvania or New Jersey stores for repair:

(I) *Example 3.a.* A customer, who is based in this Commonwealth, takes a camera to Camera Corp's. Pennsylvania store, who repairs the camera. The customer picks up the repaired camera at the Pennsylvania store. This repair service is delivered in this Commonwealth.

(II) *Example 3.b.* A customer, who is based in this Commonwealth, takes a camera to Camera Corp's. Pennsylvania store, who then sends the camera to its New Jersey store for repairs. The New Jersey store repairs the camera and returns it to the Pennsylvania store, where the customer picks up the camera. This repair service is delivered in this Commonwealth.

(III) *Example 3.c.* A customer, who is located in this Commonwealth, takes a camera to Camera Corp's. Pennsylvania store, who then sends the camera to its New Jersey store for repairs. The New Jersey store repairs the camera. The customer picks up the repaired camera at the New Jersey store and brings the camera back to Pennsylvania. Because the customer is bringing the serviced product back to Pennsylvania, it is deemed delivered to the location of the customer, which is in Pennsylvania. This repair service is delivered in this Commonwealth.

(IV) *Example 3.d.* A customer, who is located in this Commonwealth, directly mails a camera to Taxpayer's New Jersey location for repairs.

The repaired camera is returned by mail from the New Jersey store to the customer. This repair service is delivered in this Commonwealth.

(V) *Example 3.e.* A customer, who is located in this Commonwealth, directly mails a camera to Taxpayer's New Jersey location for repairs. The customer picks up the repaired camera at the New Jersey store and brings the camera back to Pennsylvania. Because the customer is bringing the serviced product back to Pennsylvania, it is deemed delivered to the location of the customer, which is in Pennsylvania. This repair service is delivered in this Commonwealth.

(D) *Example 4.* Teaching Corporation provides seminars in this Commonwealth to individual and business customers. The seminars and the materials used in connection with the seminars are prepared outside this Commonwealth, the teachers who teach the seminars include teachers that are residents outside this Commonwealth and the students who attend the seminars include students who are residents outside this Commonwealth. Because the seminars are taught in this Commonwealth, the services are delivered in this Commonwealth.

(E) *Example 5.* Document Distribution Services Corporation, (DDS), a corporation that is based outside this Commonwealth, provides document distribution services to its customer, Business Corporation. Business Corporation transacts with DDS Corporation to deliver updated owner warranty booklets and related information fliers to a list of customers that is provided to DDS Corporation by Business Corporation. Business Corporation's customers are partly located in and outside this Commonwealth. DDS Corporation will use the United States Postal Service

(USPS) to deliver all booklets and fliers to Business Corporation's customers. DDS Corporation's services to Business Corporation are delivered in this Commonwealth to the extent that the booklets and fliers are delivered on behalf of Business Corporation to Business Corporation's customers in this Commonwealth.

(F) *Example 6.* Fulfillment Corporation, a corporation that is based outside this Commonwealth, provides product delivery fulfillment services in and outside this Commonwealth to Sales Corporation, a corporation located outside this Commonwealth that sells tangible personal property through a mail order catalog and over the Internet to customers. In some cases, when a customer purchases tangible personal property from Sales Corporation to be delivered in this Commonwealth, Fulfillment Corporation will, under its contract with Sales Corporation, deliver that property from its fulfillment warehouse located outside this Commonwealth. Fulfillment Corporation's services provided to Sales Corporation are delivered in this Commonwealth to the extent that Fulfillment Corporation's deliveries on behalf of Sales Corporation are to recipients in this Commonwealth.

(2) *Electronic delivery of services.* Services delivered by electronic transmission include services that are transmitted through wire, lines, cable, fiber optics, electronic signals, satellite transmission, audio or radio waves, or other similar means, whether or not the service provider owns, leases or otherwise controls the transmission equipment.

(i) *Where delivery of a service is by electronic transmission.* The delivery of a service by electronic transmission to an electronic address that includes email addresses, FTP accounts and IP addresses is delivered in this Commonwealth if the location of delivery is the location of a customer in this Commonwealth. If the user of the electronically delivered service is located in this Commonwealth and within at least one or more other states, the service shall be sourced among the states in a reasonable and proportionate manner consistent with subsection (e) (relating to rules of reasonable approximation).

(A) *Electronic delivery directly to an individual customer.* The delivery of a service to an individual customer by electronic transmission is delivered in this Commonwealth if and to the extent that the taxpayer's customer receives the service in this Commonwealth.

(B) *Electronic delivery directly to a business customer.* The delivery of a service to a business customer by electronic transmission is delivered in this Commonwealth if and to the extent that the taxpayer's customer receives the service in this Commonwealth, provided that the state or states where the service is delivered reflects the location at which the service is directly received by the employees or designees of the customer.

(C) *Services delivered electronically through or on behalf of an individual or business customer.* A service delivered electronically to end users or other third-party recipients through or on behalf of the taxpayer's customer is delivered in this Commonwealth if and to the extent that the end users or other third-party recipients are located in this Commonwealth.

(I) A service delivered electronically through an individual or business customer to third-party recipients also includes a service delivered electronically to a customer that has no material independent use of the service, other than forwarding it to end users or other third-party recipients, and who forwards that service to end users or other third-party recipients in identical or substantially identical form. These services shall be sourced to the location of the end users or other third-party recipients if the taxpayer knows or can reasonably approximate those locations.

(II) A service delivered electronically on behalf of an individual or business customer is one in which a customer contracts for a service to be delivered electronically but one or more third parties, rather than the customer, is the recipient of the service. These services shall be sourced to the location of the end users or other third-party recipients if the taxpayer knows or can reasonably approximate those locations.

(III) If the taxpayer cannot determine the location of delivery using subclauses (I) or (II) above, then the service is delivered to the location where the contract of sale entered into by the taxpayer is principally managed by the customer and where an employee or representative of the customer serves as the primary contact person for the taxpayer with respect to the day-to-day execution and performance of the contract.

(ii) Examples of electronic delivery.

(A) *Example 1.* Support Corporation, based outside this Commonwealth, provides software support and diagnostic services to individual and business customers that have previously purchased certain software from third-party vendors. These individual and business customers are located within this Commonwealth and other states. Support Corporation supplies its services on a case-by-case basis when directly contacted by its customer. Support Corporation generally provides these services through the Internet but sometimes provides these services by phone. In all cases, Support Corporation verifies the customer's account information before providing any service. Using the information that Support Corporation verifies before performing a service, Support Corporation can determine where its services are received and therefore, must assign its receipts to these locations. The receipts from sales made to Support Corporation's individual and business customers are delivered in this Commonwealth to the extent that Support Corporation's services are received in this Commonwealth.

(B) *Example 2.* Info Corp., a corporation based in New Jersey, develops an internet-based information database located on its servers in New Jersey. Info Corp. enters into a contract with Access Corp. whereby Access Corp. will market and sell access to this database to end users as a service. When an end user purchases access to Info Corp.'s database from Access Corp., Access Corp. in turn compensates Info Corp. in connection with that transaction. Accordingly, Info Corp.'s electronic services are being delivered through Access Corp. to the end user. Info Corp.'s receipts from Access Corp. should be sourced to the location of the end user.

(C) *Example 3.* Retail Corporation, based outside this Commonwealth, sells tangible property through its retail stores located in this Commonwealth and other states and through a mail order catalog, AnswerCo, a corporation that operates call centers in multiple states, contracts with Retail Corporation to answer telephone calls from individuals placing orders for products found in Retail Corporation's catalogs. In this case, the phone answering services of AnswerCo are delivered to Retail Corporation's customers and prospective customers. Therefore, AnswerCo is delivering a service electronically to Retail Corporation's customers or prospective customers on behalf of Retail Corporation and must assign the proceeds from this service to the state or states from which the phone calls are placed by the customers or prospective customers.

(D) *Example 4.* TPP Corporation, based outside this Commonwealth, sells tangible property to customers via its Internet website. Design Corporation designed and maintains TPP Corporation's website, including making changes to the site based on customer feedback received through the site. Design Corporation's services are delivered to TPP Corporation, the proceeds from which are assigned pursuant to this subsection. The fact that TPP Corporation's customers and prospective customers incidentally benefit from Design Corporation's services and may even interact with Design Corporation in the course of providing feedback, does not transform the service into one delivered on behalf of TPP Corporation to TPP Corporation's customers and prospective customers.

(E) *Example 5.* Net Corp., a corporation based outside this Commonwealth, provides web-based services to a business customer, Business Corp., a company with offices in this Commonwealth and two neighboring states. Particular employees of Business Corp. access the services from computers in each Business Corp. office. Net Corp. determines that Business Corp. employees in this Commonwealth were responsible for 75% of Business Corp.'s use of Net Corp.'s services, and Business Corp. employees in other states were responsible for 25% of Business Corp.'s use of Net Corp.'s services. In this case, 75% of the sales are received in this Commonwealth, therefore 75% of the sale is in this Commonwealth.

(F) *Example 6.* Shipper Corp., based in this Commonwealth, plans to ship widgets from Cincinnati, OH to Phoenix, AZ, Shipper Corp. hires Freight Broker Corp. to assist in finding a qualified and low-cost carrier to transport the widgets to Phoenix. Freight Broker Corp. brokers a deal with Interstate Carrier Corp. to actually move the freight from Cincinnati to Phoenix. Freight Broker Corp.'s receipts for services provided to Shipper Corp. are sourced to this Commonwealth.

(d) *Sourcing rules for certain industries, markets or business models.* The following apply:

(1) *Certain digital services.*

(i) *Data services.* Data processing, information services, streaming audio or video services and database services are delivered to the location of a subscriber or customer who specifically requested the service.

(ii) *Internet access.*

(A) Receipts from providing Internet access services to a subscriber or customer who is an individual that is not a sole proprietor are sourced to this Commonwealth to the extent the subscriber's or customer's place of primary use is in this Commonwealth. The subscriber's or customer's place of primary use is presumed to be the billing address of the subscriber or customer.

(B) Receipts from providing Internet access services to a subscriber or customer who is other than an individual are sourced to this Commonwealth to the extent the access service is used by the subscriber or customer in this Commonwealth.

(C) If the taxpayer cannot determine the location of delivery using clauses (A) or (B) above, the taxpayer should follow the rules of subsection (e), pertaining to rules of reasonable approximation.

(iii) *Digital downloads.* Digital downloads in which the subscriber or customer gains permanent possession of the digital content or gains temporary possession of the digital content through a licensing or other agreement shall be sourced as the sale of tangible personal property according to 72 P.S. § 7401(3)2.(a)(16) and the rules of § 153.26 (relating to sales factor sourcing sales of tangible personal property).

(iv) *Use of Internet Protocol (IP) addresses.* If the users of stored data are third parties, such as public website users whose physical addresses are unknown to the cloud storage company, receipts shall be sourced using IP addresses or other network data.

(2) *Computer software.*

(i) *Pre-written software.* The sale of pre-written, canned, computer software will be sourced as tangible personal property.

(ii) *Custom software.* The development of computer software for a customer is considered a service, if the customer provides specifications that result in creating software that is unique to the customer. The service is delivered to a location in this Commonwealth if the customer and/or its agents use the software in this Commonwealth, regardless of whether the software resides on an Internet or e-mail server, hard medium such as a DVD, flash drive, or other physical device or on the cloud and is located outside this Commonwealth. If the service is used both in this Commonwealth and within another state, the software is delivered in this Commonwealth to the extent it is used in this Commonwealth relative to its use in other states.

(3) *Architectural and engineering services.* Architectural and engineering services, with respect to real or tangible personal property, are considered professional services.

(i) The sale of an architectural service is assigned to a state or states if and to the extent that the services are with respect to real estate improvements located, or expected to be located, in such state or states; and

(ii) The sale of an engineering service is assigned to a state or states if and to the extent that the services are with respect to tangible or real property located in such state or states, including real estate improvements located in, or expected to be in, such state or states.

(4) *Warranties; extended warranties.* Receipts for warranties and extended warranties are sourced as services to tangible personal property. Accordingly, at the time of sale of a warranty, the service is delivered to the location of the customer.

(5) *Brokerage services.* The service is delivered to this Commonwealth if the home address of an individual purchasing the service is in this Commonwealth. The service is delivered to this Commonwealth if the principal business address of a business purchasing the service is located in this Commonwealth. If the broker deals primarily with a company location other than the principal business location, then the service is delivered to the location of the customer or office with whom the broker has dealt.

(6) *Subscription services.* A subscription service is delivered to a location in this Commonwealth if the subscription customer is in this Commonwealth.

(7) *Advertising.* The distribution and delivery of the advertisement to a target audience is considered a service. Delivery of an advertisement to a target audience is complete only upon reaching its intended target audience. The location to which advertising services are delivered depends on whether delivery is made by physical means or by electronic means.

(i) *Delivery by physical means.*

(A) *Audience in this Commonwealth.* To the extent that an advertisement specifically targets audiences located in this Commonwealth, the advertisement service is considered delivered in this Commonwealth.

(B) *Audience in another state.* To the extent that an advertisement specifically targets audiences located in another state, the advertisement service is not delivered in this Commonwealth.

(ii) *Delivery by electronic transmission.* If a taxpayer's service is the direct or indirect electronic delivery of advertising on behalf of its customer to the customer's intended target audience, and if the taxpayer lacks complete or reasonably accurate information regarding the location of the intended target audience from which it can accurately determine or reasonably approximate that location, the taxpayer shall reasonably approximate the audience location by first attempting to use the following rules of reasonable approximation in clauses (A) and (B) before turning to the other general rules of reasonable approximation contained in subsection (e) pertaining to rules of reasonable approximation:

(A) *Known customer or subscriber list.* If a taxpayer delivers advertising directly or indirectly to a known list of customers or subscribers, the taxpayer shall reasonably approximate the location of the target market for advertising in a state, using a percentage that reflects the ratio of the state's customers or subscribers in the specific geographic area where the advertising is delivered relative to the total number of customers or subscribers in that area. The states included in the target market area should be states in which either the target audience resides, or the person conducts business.

(B) *Lack of customer or subscriber information.* For a taxpayer with less information about its audience, the taxpayer shall reasonably approximate the audience in a state using the rules of reasonable approximation percentage under subsection (e), pertaining to rules of reasonable approximation, that reflects the ratio of the state's population in the specific geographic area in which the advertising is delivered relative to the total population in that area.

(8) *Card network businesses.* All of the taxpayer's receipts are sourced to the locations of the cardholders at the time the card is used, except for receipts that are both received from a member of the card network and wholly unrelated, directly or indirectly, to cardholder transaction volume occurring on the card network. If the taxpayer cannot ascertain the location of the cardholder at the time the card is used, the taxpayer shall source the receipt to the cardholder's billing address. If the taxpayer cannot ascertain either the location of the cardholder at the time the card was used or the cardholder's billing address, the taxpayer may use the rules of reasonable approximation provided in subsection (e). Services that are received from a member of the card network that are wholly unrelated, directly or indirectly, to cardholder transaction volume occurring on the card network should be sourced under the general rules of subsection (c).

(9) *Service fees.* Fees related to services provided by a franchisor to a franchisee are delivered to the locations where the franchisee uses the services.

(i) Service fees shall be valued at a fair market price.

(ii) If a receipt for services also includes franchise fees, the services portion of the receipt should be sourced according to 72 P.S. § 7401(3)2.(a)(16.1)(C) and the franchise fee portion should be sourced according to 72 P.S. § 7401(3)2.(a)(17). If the components of the receipt cannot be sourced separately, then all of the receipts should be sourced according to 72 P.S. § 7401(3)2.(a)(16.1)(C).

(10) *Services involving a customer's employees.*

(i) *General rule.* Services provided to a customer's employees are delivered to the location of the customer, following the rules of subsection (c), pertaining to rules for determining delivery location, unless subparagraph (ii) applies.

(ii) *Exception.* Where a taxpayer's service is designed and intended for a customer's employees' personal use and benefit, and where the customer's employees either interact directly with the taxpayer or can affect the amount taxpayer's service provided on an individual basis, then the service is delivered in this Commonwealth to the extent that the customer's employees located in this Commonwealth receive or use the services in this Commonwealth.

(11) *Railroad, truck, bus, airline companies or qualified air freight forwarding companies.* All business income of railroad, truck, bus or airline companies shall continue to be apportioned under the rules of 72 P.S. § 7401 (3)2.(b).

(12) *Pipeline or natural gas companies.* Pipeline or natural gas companies shall continue to apportion income under the rules of 72 P.S. § 7401 (3)2.(c).

(13) *Water transportation companies.* Water transportation companies shall continue to apportion income under the rules of 72 P.S. § 7401 (3)2.(d).

(14) *Satellite television service providers.* Satellite television service providers shall continue to apportion income under the rules of 72 P.S. § 7401 (3)2.(e).

(15) *Telecommunications.*

(i) Companies with receipts subject to the Federal Mobile Telecommunications Sourcing Act (MTSA) (P. L. No. 106-252, 114 Stat. 626 (2000)) shall source those receipts in accordance with MTSA rules that source the receipts to the place of primary use, which is often the billing address of the customer.

(ii) Telecommunications companies' receipts not subject to the Federal MTSA and cable television companies (CATV) are sourced as follows:

(A) The service is delivered to a location in this Commonwealth if the service address of the account is in this Commonwealth.

(B) If the service is delivered to an individual or business with service accounts in this Commonwealth and at least one other state, the service is delivered in this Commonwealth based on the proportion of service locations in this Commonwealth, as compared to service locations in other states.

(C) In the event the service provider cannot determine the customer's actual location or locations, that is, state or states to which the service is delivered, the service provider shall reasonably approximate the state or states where the service is delivered using the rules of reasonable approximation in subsection (e).

(16) *Other transportation and delivery services.* Except as provided in paragraph (11) and in accordance with 72 P.S. § 7401(3)2.(b), transportation and delivery services involving the physical transportation of people or tangible personal property from one destination to another are in-person services. Receipts from a delivery service are sourced to this Commonwealth by a delivery service or courier when the package is delivered to an address in this Commonwealth unless the taxpayer is otherwise subject to the special apportionment rules of 72 P.S. § 7401 (3)2.(b). Application of this paragraph is appropriate whether the transportation and delivery services are provided directly by the taxpayer or indirectly by an affiliated entity.

(17) *Other professional services.*

(i) *General rule.* Receipts from sales of professional services other than any professional services described in paragraphs (1) – (16) above are sourced according to this paragraph.

(ii) *Professional services delivered to individual customers.* Receipts from professional services in which the taxpayer's customer is an individual customer are sourced to the customer's state of primary residence, or, if the taxpayer cannot reasonably identify the customer's state of primary residence, to the state of the customer's billing address.

(iii) *Professional services delivered to business customers.* Except as otherwise provided in subsection (d), professional services delivered to a business customer are sourced as follows:

(A) To the state where the contract of sale is principally managed by the customer and where an employee or representative of the customer serves as the primary contact person for the taxpayer with respect to the day-to-day execution and performance of the contract.

(B) If the place of customer management is not known and cannot be reasonably approximated, then to the customer's place of order.

(C) If the customer place of order is not known and cannot be reasonably approximated, then to the customer's billing address.

(iv) *Professional services including the transmission of one or more documents or other communications by mail or by electronic means.* Professional services including communications between the service provider and the service recipient by mail or electronic means are sourced according to this paragraph unless one of the following exceptions apply, resulting in the service being sourced to the location of the third party:

(A) The taxpayer's professional service is delivered through the business customer to a third party if both of the following apply:

(I) The taxpayer knows or can reasonably approximate the location of the third party.

(II) The service is delivered to the business customer that acts as the taxpayer's intermediary in forwarding that service to the third party in identical or substantially identical form as originally sent by the taxpayer.

(B) The taxpayer's professional service is delivered on behalf of the taxpayer's business customer directly to a third-party recipient, provided the taxpayer knows or can reasonably approximate the location of the third-party recipient.

(v) *Taxpayer's customer.* For purposes of sourcing the receipts from a sale of a professional service, a taxpayer's customer is the person that contracts for the service, irrespective of whether another person pays for or also benefits from the taxpayer's services.

(vi) *Overlap with other categories of services.* Professional services that are physically provided in person by the taxpayer where the customer or the customer's real or tangible property upon which the services are provided is in the same location as the service provider at the time the services are performed, such as carpentry, medical and dental services or child care services, are "in-person services" and are sourced under subsection (c)(1), notwithstanding that they may also be considered to be "professional services." However, professional services where the service is of an intellectual or intangible nature, such as legal, accounting, financial and consulting services, are assigned as professional services under this paragraph, notwithstanding the fact that these services may involve some amount of in-person contact.

(vii) *Affiliated entity transactions.* In any instance where the professional service is sold to an affiliated entity other than an individual person, rather than applying the rule for professional services delivered to business customers in subparagraph (iii), the state or states to which the service is delivered is the location where the affiliated entity received the service. If it is necessary to reasonably approximate the location of receipt by the affiliated entity, the following apply:

(A) If the service primarily relates to specific operations or activities of an affiliated entity conducted in one or more locations, then the service is delivered to the state or states in which those operations or activities are conducted in proportion to the affiliated entity's payroll at the locations to which the service relates in the state or states.

(B) If the service does not relate primarily to operations or activities of an affiliated entity conducted in particular locations, but instead relates to the operations of the affiliated entity generally, then the service is delivered to the state or states in which an affiliated entity has employees, in proportion to the affiliated entity's payroll in those states.

(viii) *Treatment as a business customer.* If the delivery location depends on whether the customer is an individual or a business customer, and the taxpayer acting in good faith cannot reasonably determine whether the customer is an individual or business customer under the rules set forth in this paragraph, the taxpayer shall treat the customer as a business customer.

(ix) *Examples of delivery of professional services.*

(A) *Example 1.* Advisor Corp., a corporation that provides investment advisory services, provides these advisory services to Investment Co. Investment Co. is a multistate business client of Advisor Corp. that uses Advisor Corp.'s services in connection with investment accounts that it manages for individual clients who are the beneficiaries of Advisor Corp.'s services. Investment Co.'s individual clients are persons that are resident in numerous states, which may or may not include this Commonwealth. Assuming that Advisor Corp. knows that its agreement with Investment Co. is principally managed by Investment Co. in this Commonwealth, the sale of Advisor Corp.'s services shall be assigned to this Commonwealth. It is not relevant for purposes of the analysis that the beneficiaries of Advisor Corp.'s services may be Investment Co.'s clients, who are residents of numerous states.

(B) *Example 2.* Mutual Fund Service Provider Corp. provides certain investor services through or on behalf of Mutual Fund Co., a Regulated Investment Company (RIC) with shareholders that are resident in numerous states, including this Commonwealth. To the extent Mutual Fund Service Provider Corp.'s services are delivered in identical or substantially identical form to individual investors of Mutual Fund Co., and assuming the taxpayer knows or can reasonably approximate the locations of individual investors, these services are delivered in this Commonwealth to the extent of the services received by individual investors located in this Commonwealth.

(e) *Rules of reasonable approximation.* The following apply:

(1) *Approximation methods.* Except as specifically provided for by statute or if a paragraph in subsections (c) or (d) suggests a specific priority rule of approximation that should be applied first, the taxpayer shall reasonably approximate the delivery location by applying, in order, one or more of the following rules in subparagraphs (i) through (vi):

(i) *Approximation based on known sales.* If a taxpayer can ascertain the state or states of assignment for the majority of its sales of substantially similar services, but not all of these sales, and the taxpayer reasonably believes based on all available information about the taxpayer's customers, that the geographic distribution of some or all of the remainder of these sales generally tracks that of customers whose locations are known, it shall include those sales which it believes tracks the geographic distribution of the known customer locations in its sales factor in the same proportion as the known locations.

(ii) *Approximation based on usage.* If the taxpayer's known customer locations do not provide a reasonable approximation of delivery location, then the state or states of customer location may be based on relative usage of the service. Factors including usage of the service in each state, the number of recipients in each state or the value of the service consumed in each state may be considered in making this approximation.

(iii) *Approximation based on website or Internet traffic.* A taxpayer may approximate the customer location based on website or Internet advertisement traffic, provided there is a reasonable relationship between the taxpayer's website traffic and the taxpayer's sales receipts. For example, the taxpayer may employ third-party analytics to reasonably approximate the location of customers or potential customers based on the IP addresses that were identified as visiting the taxpayer's website. However, website traffic may be used to approximate customer location only to the extent the taxpayer's sales receipts are related to the traffic occurring in specific states or geographic areas. Traffic that is not representative of the target market for a service should be disregarded.

(iv) *Approximation based on target market-segment or industry data.* A taxpayer may approximate the location of delivery using industry or target-market data, provided the taxpayer's business activities closely mirror the typical business activities of a specific market or business.

(v) *Approximation based on GDP.* If none of the sourcing methods described in subparagraphs (i)—(iv) above can be used to reasonably approximate the location of delivery for a taxpayer's services, the taxpayer may choose to approximate the proportion of sales sourced to the relevant geographic target market areas using the appropriate national, regional or state GDP statistics for the tax year at issue.

(vi) *Approximation based on population demographics.* If none of the sourcing methods described in subparagraphs (i)—(v) above can be used to reasonably approximate the location of delivery for a taxpayer's services, the taxpayer may choose to approximate the value of its services delivered to this Commonwealth based on the relative proportion of population in this Commonwealth compared to the total population of taxpayer's geographic service area.

(2) *Presumption of geographic location.* When using any reasonable approximation method, the relevant specific geographic area of delivery includes only the areas where the service was substantially and materially delivered or resold. Unless the taxpayer demonstrates the contrary, it will be presumed that the area where the service was substantially and materially delivered or resold does not include areas outside the United States.

(3) *Overinflation of sales factor denominator.* When sourcing sales based on a particular geography, the sales factor denominator should include only the target-market segment for the service. The target-market segment should not include the entire population of a state, province or nation if the target-market is not in that state, province or nation. The Department may invoke the alternative apportionment rules of 72 P.S. § 7401(3)2.(18) if it is determined the target market used by a taxpayer is overinflated and not representative of the true market for a service.

(A) *Example 1.* Web Corp., a corporation that is based outside this Commonwealth, provides Internet content to viewers in Massachusetts and other states. Web Corp. sells advertising space to business customers pursuant to which the customers' advertisements will appear in connection with Web Corp.'s Internet content. Web Corp. receives a fee for running the advertisements that is determined by reference to the number of times the advertisement is viewed or clicked upon by the viewers of its website. Web Corp.'s target-market for this advertising includes only the Philadelphia and South Jersey areas. Web Corp.'s sale of advertising space to its business customers is assigned to this Commonwealth to the extent that the viewers of the Internet content are in this Commonwealth, as measured by viewings or clicks.

(B) *Example 2.* If Web Corp. is unable to determine the actual location of its viewers, and lacks sufficient information regarding the location of its viewers to reasonably approximate such location, Web Corp. must approximate the amount of its sales in this Commonwealth by multiplying the amount of such sales by a percentage that reflects the Pennsylvania population in the specific geographic area in which the content containing the advertising is delivered relative to the total population in such area. In this case, Web Corp.'s Pennsylvania sales would be determined as follows: (Total sales) x (Philadelphia area population) / (Philadelphia area + South New Jersey area populations).

(f) *Recordkeeping and documentary evidence.* The following apply:

(1) *Documentary principles.* Documentary evidence to support a taxpayer's method of sourcing and apportioning its sales of services must be consistent with the following principles:

(i) *Retention of supporting records.* A taxpayer shall retain contemporaneous records that support the determination and application of its method of assigning its sales, including its underlying assumptions and shall provide these records to the Department upon request, in accordance with 61 Pa. Code § 153.71 (relating to inquisitorial powers of the department) and 72 P.S. § 7409.

(ii) *Use of data to make accurate assessment.* A taxpayer's method of assigning its sales, including the use of a method of approximation, where applicable, must reflect an attempt to obtain the most accurate assignment of sales. Reasonable approximations, as well, must be supported by verifiable data.

(2) *Inadequate records and supporting data.* If a taxpayer fails to provide sufficient contemporaneous records or reasonable approximations based on supporting data and evidence, the Department may apportion up to 100% of the taxpayer's sales in this Commonwealth.

(3) *State to state consistency.* When the service in question is being provided to a Pennsylvania customer, but the taxpayer takes the position that the service is being delivered to a location outside of this Commonwealth, whether the taxpayer reported those receipts as sales to the other state or states of alleged delivery is a relevant factor. If the returns filed by a taxpayer for all states to which the taxpayer claims the service in question was delivered are not uniform in treatment of the delivery location, the taxpayer shall disclose in its report the nature and extent of the variance. In such instances the Secretary of Revenue may require alternative apportionment under 72 P.S. § 7401(3)2.(a)(18) which enables the Department to employ any other method to

effectuate an equitable allocation and apportionment of the taxpayer's income. In determining the fairness of any allocation or apportionment, the Secretary of Revenue may consider the taxpayer's previous reporting and its consistency with the requested relief.

(g) *Changes in sourcing methodology.* The following shall apply:

(1) *Department's authority to adjust taxpayers' sourcing methodology.* The Department may review and adjust a taxpayer's assignment for sourcing sales of services on a return to more accurately assign these sales consistent with the rules or standards of this section including, but not limited to, each of the following potential actions:

(i) *Failure to follow rules.* If a taxpayer fails to properly assign a sale in accordance with the rules set forth in this section, including the failure to properly prioritize the sourcing rules described in subsection (b) (relating to priority of rules for sourcing sales of services), the Department may adjust the assignment of these sales and shall notify the taxpayer of the associated changes or corrections.

(ii) *Unreasonable method used.* If a taxpayer uses a method of approximation to assign its sales and the Department determines that, after evaluating the facts and circumstances of the taxpayer's situation the taxpayer's method is unreasonable, the Department may substitute one of the specific methods prescribed for approximating delivery location according to subsection (e)(1).

(iii) *Method applied inconsistently.* If the Department determines that a taxpayer's method of approximation is reasonable but has not been applied in a consistent manner with respect to similar transactions or year-to-year, the Department may require that the taxpayer apply its method of approximation in a consistent manner.

(iv) *Failure to provide substantiating evidence.* If a taxpayer fails to retain contemporaneous records that explain the determination and application of the method for assigning its sales, including its underlying assumptions or fails to provide these records to the Department upon request, the Department may treat the taxpayer's assignment of sales as unsubstantiated and may adjust the assignment of sales.

(v) *Improper use of billing address; tax avoidance.* If the Department concludes that a taxpayer's customer's billing address was changed or otherwise manipulated to avoid subjectivity to Pennsylvania Corporate Net Income Taxes, the Department may adjust the assignment of sales to the customer.

(2) *Taxpayer's authority to change a method of assignment on a prospective basis.* In filing its original return for a tax year, a taxpayer may change the method of assigning its sales under this section from the means used in the preceding year, including changing its method of approximation from that used on previous returns, according to the following limitations:

(i) *Improving accuracy.* A taxpayer may only make this change for purposes of improving the accuracy of assigning its sales including, for example, to address the circumstance where there is a change in the relevant information that is available to the taxpayer for purposes of complying with these rules.

(ii) *Disclosure and explanation.* A taxpayer seeking to change the method of assigning its sales must disclose, in the original return filed for the year of the change, the fact that it has made the change. Further, the taxpayer must retain and provide to the Department, upon request, documents that explain the nature and extent of the change and the specific reason for making the change.

(iii) *Failure to disclose.* If a taxpayer fails to adequately disclose the change or to retain and provide its records upon request, the Department may disregard the taxpayer's change and may substitute an assignment method that the Department determines is appropriate.

(h) *Definitions.* The following words and terms, when used in this section, have the following meanings, unless the context clearly indicates otherwise:

Affiliated entity – as defined by 72 P.S § 7401(10).

Card network business – a business involved in the overall operation, management and administration of a network ensuring credit card transactions, debit card transactions, or both, can be conducted over electronic payment networks. Card network businesses include:

(a) Issuing banks, which are financial institutions that extend credit lines and provide credit cards, debit cards, or both, to consumers.

(b) Acquiring banks, which work with merchants to process credit card transactions, debit card transactions, or both.

(c) Payment networks, which include companies that operate a portion of or operate all of a local or a global financial network through which they facilitate electronic funds transfers (EFTs) using credit cards, debit cards, or both, and may act as intermediaries between financial institutions and businesses, supporting payment processing by authorizing, clearing and settling transactions.

(d) Payment processors, which manage the technical aspects of credit card transactions, debit card transactions, or both, ensuring payments are securely processed.

Credit card – A card, or other means of providing information, that entitles the holder to charge the cost of purchases or a cash advance, against a line of credit.

Debit card – A card, or other means of providing information, that enables the holder to charge the cost of purchases or cash withdrawal against the holder's bank account or a remaining balance on the card.

Documentary evidence – Contemporaneous journals, books of account, invoices, expense reports or other records that are maintained by the taxpayer in its regular course of operations. This term does not include an affidavit or other document prepared in anticipation of, or in connection with, a tax audit, examination or litigation.

Professional services – These services include management services, investment and brokerage services, fiduciary services, tax preparation services, payroll and accounting services, lending services, card network business services, data processing services, legal services, consulting services, video production services, graphic and other design services, engineering services and architectural services.

Regular course of operations – The usual manner and range of a business, especially considered in relation to the amount, circumstances and validity of a particular business transfer.

Target market or target audience – The location or locations of the intended recipients of a service. States or geographic areas in which a service may be received by persons who are coincidental recipients and who are not intended customers for the service should be excluded from any target market or target audience calculations.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE

July 13, 2026

Honorable Keith J. Greiner, Republican Chair
House Finance Committee
Pennsylvania House of Representatives
49 East Wing
P.O. Box 202043
Harrisburg, PA 17120-2043

Dear Representative Greiner:

Enclosed is a copy of a proposed regulation for review by your committee.

In addition to submitting the regulation, the Department is providing a copy of a detailed Regulatory Analysis Form in compliance with Executive order 1996-1, "Regulatory Review and Promulgation."

The Department of Revenue will provide your committee with any assistance you require to facilitate a thorough review of this proposed regulation.

Sincerely,

Patrick M. Browne

Honorable Patrick M. Browne
Secretary of Revenue

Enclosure

EXECUTIVE OFFICE
327 Walnut Street | 11th FL Strawberry Square | Harrisburg, PA 17128-1100 | 717.783.3680 | Fax 717.787.3990 | www.revenue.pa.gov

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE

July 13, 2026

Honorable Steve Samuelson, Chair
House Finance Committee
Pennsylvania House of Representatives
208-209 Irvis Office Building
P.O. Box 202135
Harrisburg, PA 17120-2135

Dear Representative Samuelson:

Enclosed is a copy of a proposed regulation for review by your committee.

In addition to submitting the regulation, the Department is providing a copy of a detailed Regulatory Analysis Form in compliance with Executive order 1996-1, "Regulatory Review and Promulgation."

The Department of Revenue will provide your committee with any assistance you require to facilitate a thorough review of this proposed regulation.

Sincerely,

Patrick M. Browne

Honorable Patrick M. Browne
Secretary of Revenue

Enclosure

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE

July 13, 2026

Honorable Scott E. Hutchinson, Chair
Senate Finance Committee
Pennsylvania State Senate
337 Main Capitol Building
Senate Box 203021
Harrisburg, PA 17120-3021

Dear Senator Hutchinson:

Enclosed is a copy of a proposed regulation for review by your committee.

In addition to submitting the regulation, the Department is providing a copy of a detailed Regulatory Analysis Form in compliance with Executive order 1996-1, "Regulatory Review and Promulgation."

The Department of Revenue will provide your committee with any assistance you require to facilitate a thorough review of this proposed regulation.

Sincerely,

Patrick M. Browne

Honorable Patrick M. Browne
Secretary of Revenue

Enclosure

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE

July 13, 2026

Honorable Nick Pisciottano, Minority Chair
Senate Finance Committee
Pennsylvania State Senate
460 Main Capitol Building
Senate Box 203045
Harrisburg, PA 17120-3045

Dear Senator Pisciottano:

Enclosed is a copy of a proposed regulation for review by your committee.

In addition to submitting the regulation, the Department is providing a copy of a detailed Regulatory Analysis Form in compliance with Executive order 1996-1, "Regulatory Review and Promulgation."

The Department of Revenue will provide your committee with any assistance you require to facilitate a thorough review of this proposed regulation.

Sincerely,

Patrick M. Browne

Honorable Patrick M. Browne
Secretary of Revenue

Enclosure

EXECUTIVE OFFICE
327 Walnut Street | 11th FL Strawberry Square | Harrisburg, PA 17128-1100 | 717.783.3680 | Fax 717.787.3990 | www.revenue.pa.gov

RECEIVED

Independent Regulatory
Review Commission

From:	Bulletin
To:	Miller, Maria (REV)
Cc:	Gohsler, Thomas; Vadner, Michael; Frehafer, Jack; Stoner, Lisa
Subject:	[External] RE: #15-464 - Publication - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Date:	Monday, July 13, 2026 9:27:49 AM
Attachments:	image001.gif image002.png image003.png

ATTENTION: *This email message is from an external sender. Do not open attachments or click links from unknown senders. To report suspicious email, use the Report Phish button in Outlook.*

Hi Maria,

Thank you for submitting this proposed rulemaking. Per your request, it has been scheduled for publication in the July 25, 2026, issue of the *Pennsylvania Bulletin*.

Have a great day!

Alyssa Burns | Legal Assistant
aburns@palrb.us | 717.783.1531
Legislative Reference Bureau
Pennsylvania Code & Bulletin Office
647 Main Capitol Building
Harrisburg, PA 17120

From: Miller, Maria (REV) <mariamil@pa.gov>
Sent: Monday, July 13, 2026 8:05 AM
To: Bulletin <bulletin@palrb.us>
Cc: Gohsler, Thomas <tgohsler@pa.gov>; Vadner, Michael <mvadner@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>; Stoner, Lisa <listoner@pa.gov>
Subject: #15-464 - Publication - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Importance: High

Kindly provide acknowledgement for receipt of this message by email reply to: mariamil@pa.gov.

RE: Department of Revenue – Proposed Regulation
61 Pa. Code §§ 153.26 and 153.26a –
Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services

---

Good morning:

Attached is the Department of Revenue's Proposed Regulation (#15-464) at 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services.

As instructed by the Office of General Counsel (“OGC”)—*See* below thread—we are providing you with *MSWord* versions of the following documents for publication in the Saturday, July 25, 2026, edition of the *Pennsylvania Bulletin*:

- Preamble
- Annex

We are also including, for your records, a merged PDF file of the “OAG approved” regulatory package, including the signed face sheet and RAF, per OGCs instructions (*See,* attachment 3).

RECEIVED

Independent Regulatory
Review Commission

July 13, 2026

Please contact me if you have any questions.

Thank you,

Maria L. Miller | Regulatory Coordinator
Governor’s Office of General Counsel
PA Department of Revenue | Office of Chief Counsel
1061 Strawberry Square | Harrisburg PA 17128-1061
Phone: 717.783.7524 | Fax: 717.772.1459
www.revenue.pa.gov

From: Montgomery, Cynthia <cymontgome@pa.gov>
Sent: Thursday, June 11, 2026 9:43 AM
To: Miller, Maria (REV) <mariamil@pa.gov>
Cc: Gohsler, Thomas <tgohsler@pa.gov>; Vadner, Michael <mvadner@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>; Stoner, Lisa <listoner@pa.gov>; GC, Regulations <RA-GCREGULATIONS@pa.gov>; Boyd, Talia (GC) <talboyd@pa.gov>
Subject: FW: 15-464 - Department of Revenue Response to Tolling Memo

Maria –

The OAG has now approved your proposed rulemaking 15-464 and a signed face sheet is attached for you to use in delivering the proposed rulemaking. I have also attached delivery instructions for proposed regulations for your information and use. You may now deliver this proposed rulemaking at your convenience.

Let me know if you need anything else from OGC.

Cyndi

Cynthia Montgomery | Deputy General Counsel
Governor’s Office of General Counsel
30 North Third Street, Suite 200, Harrisburg, PA 17101

From:	Cassondra Haldeman
To:	Miller, Maria (REV)
Subject:	RE: [EXTERNAL]: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Date:	Monday, July 13, 2026 8:59:48 AM
Attachments:	image001.gif image002.png
Sensitivity:	Confidential

RECEIVED
Independent Regulatory Review Commission
July 13, 2026

Hi, Maria.

This has been received.
Thank you and have a wonderful day and week.

Sincerely,
Cassondra Haldeman

Administrative Assistant
Representative Keith J. Greiner, CPA
Finance Committee
49 EW – PA House of Representatives
43rd Legislative District
P.O. Box 202043
Harrisburg, PA 17120-2043
717-783-6422

From: Miller, Maria (REV) <mariamil@pa.gov>
Sent: Monday, July 13, 2026 8:03 AM
To: Cassondra Haldeman <Chaldema@pahousegop.com>
Cc: Gohsler, Thomas <tgohsler@pa.gov>; Vadner, Michael <mvadner@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>; Stoner, Lisa <listoner@pa.gov>
Subject: [EXTERNAL]: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Importance: High
Sensitivity: Confidential

SENT VIA ELECTRONIC MAIL ONLY, ON BEHALF OF JACK FREHAFER, COUNSEL:

Kindly provide acknowledgement for receipt of this message ASAP *today* by email reply to: mariamil@pa.gov.

TO: Honorable Keith J. Greiner, Republican Chair
House Finance Committee

RE: 61 Pa. Code §§ 153.26 and 153.26a – Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services (#15-464)

Attached is a cover letter, accompanied by the following documents for your review and comment regarding the Department's proposed regulation at 61 Pa. Code §§ 153.26 and 153.26a:

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Independent Regulatory
Review Commission

July 13, 2026

- Signed Face Sheet
- Preamble
- Annex A
- RAF
- Form and Legality
- Secretary's Certification

The deadline for public comment is August 24, 2026.

If you have any questions, please contact me or attorney Frehafer at:

Jack Frehafer| Counsel
717.346.4637
jfrehafer@pa.gov

Warmest regards,

Maria L. Miller | Regulatory Coordinator
Governor's Office of General Counsel
PA Department of Revenue | Office of Chief Counsel
1061 Strawberry Square | Harrisburg PA 17128-1061
Phone: 717.783.7524 | Fax: 717.772.1459
www.revenue.pa.gov

From:	Foreman, Mark
To:	Miller, Maria (REV)
Subject:	RE: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Date:	Monday, July 13, 2026 8:11:33 AM
Attachments:	image001.gif image002.png
Sensitivity:	Confidential

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Independent Regulatory
Review Commission

July 13, 2026

Received, thanks.

Mark Foreman, Senior Committee Executive Director
Majority Chair Steve Samuelson
House Finance Committee (D)
Pennsylvania House of Representatives
209 Irvis Office Building
mforeman@pahouse.net

From: Miller, Maria (REV) <mariamil@pa.gov>
Sent: Monday, July 13, 2026 8:03 AM
To: Foreman, Mark <MForeman@pahouse.net>
Cc: Gohsler, Thomas <tgohsler@pa.gov>; Vadner, Michael <mvadner@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>; Stoner, Lisa <listoner@pa.gov>
Subject: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Importance: High
Sensitivity: Confidential

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TO: Honorable Steve Samuelson, Chair
House Finance Committee

RE: 61 Pa. Code §§ 153.26 and 153.26a – Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services (#15-464)

Attached is a cover letter, accompanied by the following documents for your review and comment regarding the Department's proposed regulation at 61 Pa. Code §§ 153.26 and 153.26a:

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Review Commission

July 13, 2026

The deadline for public comment is August 24, 2026.

If you have any questions, please contact me or attorney Frehafer at:

Jack Frehafer| Counsel
717.346.4637
jfrehafer@pa.gov

Warmest regards,

Maria L. Miller | Regulatory Coordinator
Governor's Office of General Counsel
PA Department of Revenue | Office of Chief Counsel
1061 Strawberry Square | Harrisburg PA 17128-1061
Phone: 717.783.7524 | Fax: 717.772.1459
www.revenue.pa.gov

From:	Leventry, Justin
To:	Miller, Maria (REV)
Cc:	Stoner, Lisa; Cooper, Tyler; Frehafer, Jack
Subject:	RE: URGENT - FW: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Date:	Monday, July 13, 2026 12:20:08 PM
Attachments:	image002.png image001.gif
Sensitivity:	Confidential

RECEIVED

Independent Regulatory
Review Commission

July 13, 2026

Hi Maria,

Received. Thanks.

Have a nice day.

Justin

From: Miller, Maria (REV) <mariamil@pa.gov>
Sent: Monday, July 13, 2026 11:43 AM
To: Leventry, Justin <jleventry@pasen.gov>
Cc: Stoner, Lisa <listoner@pa.gov>; Cooper, Tyler <tycooper@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>
Subject: URGENT - FW: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Importance: High
Sensitivity: Confidential

Good morning, Justin:

I hope that you are doing well during this busy season!

This is a *gentle* reminder that we are looking for your emailed confirmation of receipt for delivery of the Department's proposed regulation #15-464 pursuant to the requirements of the Regulatory Review Act (*See,* below original message).

We kindly need to receive this confirmation from you **today** on behalf of Senator Hutchinson to prevent a faulty regulation delivery.

Thank you in advance for your kind cooperation.

Have a great day,

Maria L. Miller | Regulatory Coordinator
Governor's Office of General Counsel
PA Department of Revenue | Office of Chief Counsel

1061 Strawberry Square | Harrisburg PA 17128-1061
Phone: 717.783.7524 | Fax: 717.772.1459
www.revenue.pa.gov

RECEIVED
Independent Regulatory
Review Commission
July 13, 2026

From: Miller, Maria (REV)
Sent: Monday, July 13, 2026 8:03 AM
To: Leventry, Justin <jleventry@pasen.gov>
Cc: Gohsler, Thomas <tgohsler@pa.gov>; Vadner, Michael <mvadner@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>; Stoner, Lisa <listoner@pa.gov>
Subject: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Importance: High
Sensitivity: Confidential

SENT VIA ELECTRONIC MAIL ONLY, ON BEHALF OF JACK FREHAFER, COUNSEL:

Kindly provide acknowledgement for receipt of this message ASAP *today* by email reply to: mariamil@pa.gov.

TO: Honorable Scott E. Hutchinson, Chair
Senate Finance Committee

RE: 61 Pa. Code §§ 153.26 and 153.26a – Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services (#15-464)

Attached is a cover letter, accompanied by the following documents for your review and comment regarding the Department's proposed regulation at 61 Pa. Code §§ 153.26 and 153.26a:

- Signed Face Sheet
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- Secretary's Certification

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July 13, 2026

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If you have any questions, please contact me or attorney Frehafer at:

Jack Frehafer| Counsel
717.346.4637
jfrehafer@pa.gov

Warmest regards,

RECEIVED

Independent Regulatory
Review Commission

July 13, 2026

Maria L. Miller | Regulatory Coordinator
Governor's Office of General Counsel
PA Department of Revenue | Office of Chief Counsel
1061 Strawberry Square | Harrisburg PA 17128-1061
Phone: 717.783.7524 | Fax: 717.772.1459
www.revenue.pa.gov

From:	Salera, Haley
To:	Miller, Maria (REV)
Cc:	Gohsler, Thomas; Vadner, Michael; Frehafer, Jack; Stoner, Lisa
Subject:	Re: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services
Date:	Monday, July 13, 2026 8:17:07 AM
Attachments:	image002.png
Sensitivity:	Confidential

RECEVED
Independent Regulatory Review Commission
July 13, 2026

Received, thank you!

From: Miller, Maria (REV) <mariamil@pa.gov>
Sent: Monday, July 13, 2026 8:04 AM
To: Salera, Haley <haley.salera@pasenate.com>
Cc: Gohsler, Thomas <tgohsler@pa.gov>; Vadner, Michael <mvadner@pa.gov>; Frehafer, Jack <jfrehafer@pa.gov>; Stoner, Lisa <listoner@pa.gov>
Subject: #15-464 - Dept of Revenue - Proposed Regulation - 61 Pa. Code §§ 153.26 and 153.26a - Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services

¦ EXTERNAL EMAIL ¦

SENT VIA ELECTRONIC MAIL ONLY, ON BEHALF OF JACK FREHAFER, COUNSEL:

Kindly provide acknowledgement for receipt of this message ASAP *today* by email reply to: mariamil@pa.gov.

TO: Honorable Nick Pisciottano, Minority Chair
Senate Finance Committee

RE: 61 Pa. Code §§ 153.26 and 153.26a – Sales factor sourcing sales of tangible personal property and Sales factor sourcing sales of services (#15-464)

Attached is a cover letter, accompanied by the following documents for your review and comment regarding the Department's proposed regulation at 61 Pa. Code §§ 153.26 and 153.26a:

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Review Commission

July 13, 2026

Warmest regards,

Maria L. Miller | Regulatory Coordinator
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