



Department of Community &
Economic Development

CENTER FOR COMMUNITY SERVICES

Title: Taxation of Materials
Directive #: CW2014-04
Effective: September 4, 2014

TO: Weatherization Assistance Program (DOE & LIHEAP) & Community Services Block Grant (CSBG)

FROM: Lynette Praster, Director - Center for Community Services

1.0 Purpose

To clarify the payment of sales taxes on materials, machinery and equipment purchased for use in the both Weatherization Assistance and CSBG Programs.

2.0 Background

The PA Department of Revenue (DOR) has determined that, except for certain conditions, purchases of materials, equipment and machinery for use in the Weatherization Assistance and CSBG Programs is taxable.

3.0 Policy

The Pennsylvania Department of Revenue has made the following determinations:

Organizations that purchase weatherization materials and supplies and perform weatherization services are governmental entities, "charitable" organizations with a PA "75" exempt number, or private contractors performing weatherization services for governmental entities or charitable organizations.

The different types of property/materials purchased for the weatherization measures and CSBG activities lead to different taxability results depending on the purchaser and whether the property qualifies as "building machinery and equipment" under Section 7201 (pp) of the Tax Reform Code of 1971.

PA Weatherization and CSBG subgrantees must adhere to the following guidelines for purchasing materials and equipment as it relates to the payment of taxes:

- Government entities, if purchasing the property/materials directly, would be exempt on all purchases.
- Charitable organizations with a "75" exempt number may only purchase building machinery and equipment tax free. This would include furnaces. Windows, doors, insulation and weather strips are taxable.
- Private contractors for either of these entities would only be exempt on their purchases of building machinery and equipment, which again would include furnaces. Windows, doors, insulation, or weather strips would be taxable.

For clarification purposes, the "75 exempt number" is an exemption number issued by the DOR to charities, churches, non-profit schools or volunteer fire companies who have applied with the Department of Revenue and met the requirements for "institution of purely public charity". It allows these entities to buy certain property and services free of sales tax. It is called a "75" number as it is an eight digit number beginning with the two digits "75".

4.0 Notations

This directive shall supersede and replace in entirety the following directive:

- *Directive #2009-01, Taxation of Weatherization Materials (WAP)*

5.0 Effective Date

This directive shall take effect immediately and replaces Directive #2009-01 (WAP). It shall remain in effect, in its entirety, until such time as it is amended, replaced, superseded, or nullified. Only a directive from the Center for Community Services or equivalent office may countermand any statement herein contained.

Cc: Center for Community Service
DCED, Financial Management Center