

REQUIRED DOCUMENTATION TO SUPPORT EXCLUSIONS FROM GROSS RECEIPTS TAKEN ON TAX RETURN

Q: What supporting documentation is required to be filed with the tax return to support exclusions from gross receipts

A: The Business Privilege Tax and Mercantile Tax are gross receipts taxes and therefore expenses and other costs of doing business are not relevant. However, there are a few exclusions permitted based on Pennsylvania law. These exclusions include receipts from alcohol sales, receipts from certain manufacturing activities, receipts upon which an identical business privilege tax is properly paid to another municipality, and a portion of receipts from doing business in interstate commerce. *For a full explanation of excludable receipts, please see Sections 105, 106 and 107 of the Regulations.* **Important note: To exclude receipts from the tax calculation, a taxpayer must first disclose all receipts, then identify any receipts it is excluding and the basis upon which the receipts are being excluded, and finally quantify the receipts in each category of receipts being excluded.**