FREE REFERENCE

Pennsylvania business taxes, explained for 2026

Small businesses in Pennsylvania register with the state revenue agency for income tax withholding and sales tax, and with the Pennsylvania Office of Unemployment Compensation for unemployment tax. Pennsylvania has a flat 3.07% income tax, a 6% state sales tax and a $10,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 3.07% income tax for 2026
- **Sales tax.** 6% state rate, about 6.34% combined with local
- **Unemployment.** Employers pay Pennsylvania unemployment tax on the first $10,000 of each worker's 2026 wages

What taxes does a small business pay in Pennsylvania?

Most Pennsylvania businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Pennsylvania?

Before your first payroll in Pennsylvania:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Pennsylvania withholding account with the Pennsylvania revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Pennsylvania Office of Unemployment Compensation. For 2026, the tax applies to the first $10,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Pennsylvania's new hire registry, usually within 20 days.

Employees in Pennsylvania also pay unemployment (employee share) at 0.07% of wages.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Pennsylvania sales tax permit?

If you sell taxable goods or services in Pennsylvania, yes. Register with the Pennsylvania revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Pennsylvania's economic nexus threshold.

SALES TAX IN PENNSYLVANIA, MIDYEAR 2026	RATE
State rate	6%
Average local rate	0.34%
Average combined rate	6.34%
Highest local rate	2%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Pennsylvania tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Pennsylvania income tax on it at the personal rates: a flat 3.07% income tax. Pennsylvania taxes income from the first dollar, with no standard deduction. Almost every Pennsylvania municipality and school district charges a local earned income tax, usually 1% combined. Philadelphia is higher.

Estimate yours with the Pennsylvania income tax calculator.

Where are Pennsylvania's tax forms and refund status?

- Pennsylvania tax forms
- Pennsylvania revenue agency
- Pennsylvania refund status
- Pennsylvania Office of Unemployment Compensation

Every state's links are on our state tax forms page.

Which calculators work for Pennsylvania?

- Pennsylvania paycheck calculator: take-home pay after every deduction
- Pennsylvania income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Pennsylvania unemployment

Common questions

Do I need a sales tax permit in Pennsylvania?
Yes, if you sell taxable goods or services there. Register with the Pennsylvania revenue agency before your first taxable sale.

General information, not tax advice for your situation.

What is the Pennsylvania unemployment wage base for 2026?
$10,000. Employers pay Pennsylvania unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Pennsylvania have a state income tax?
Yes. Pennsylvania has a flat 3.07% income tax for 2026.

Who runs payroll taxes in Pennsylvania?
The Pennsylvania revenue agency handles income tax withholding, and the Pennsylvania Office of Unemployment Compensation handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com

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