

TO: The Honorable Members of the PA House of Representatives

FROM: Neal Leshner, Vice President, Government Affairs

DATE: June 8, 2026

RE: **PA Chamber memo: Oppose H.B. 1678 – Digital Advertising Tax**

On behalf of the PA Chamber of Business and Industry I urge you to oppose HB 1678 which is scheduled for a vote by the House this week.

HB 1678 would impose a 5% gross receipts tax on the sale of digital advertising within the Commonwealth of Pennsylvania. We urge the committee to reject this proposal as it will disproportionately fall on Pennsylvania's small businesses, violates basic principles of sound tax policy, and will surely end up in costly litigation.

Proponents of HB 1678 will argue that a digital advertising tax is a way of taxing "big tech". This is simply not true. The tax will ultimately be passed on to the purchasers of digital advertisements – Pennsylvania businesses. Pennsylvania businesses are increasingly turning to online marketing strategies to meet their customers where they are. Small businesses depend on digital advertising to find and attract new customers. Online digital advertising services provide cheap, targeted ads that allow small businesses to reach specific customers most likely to be interested in their products or services, allowing them to spend their limited funds efficiently. With businesses still struggling due to inflation and increased supply chain costs, now is exactly the wrong time to impose new taxes on a common business practice.

One of the misconceptions we have heard in this debate is the claim that "big tech" companies don't pay any taxes in Pennsylvania. Again, this is simply not true. Under the tax reforms enacted in 2022, Pennsylvania adopted market sourcing for receipts from services, which apportions income from services based on where the customer receives the benefits rather than the location of the taxpayer. Revenue derived from digital ads purchased and used in Pennsylvania are already subject to Pennsylvania's Corporate Net Income Tax. The proposed tax in HB 1678 would tax the same activity twice.

Lastly, the proposed tax in HB 1678 is barred by federal law. The federal Internet Tax Freedom Act ("ITFA") prohibits states from imposing "discriminatory taxes on electronic commerce.", which includes targeting the internet. The proposed tax on digital advertising revenue clearly targets the internet, while exempting revenue from advertising in newspapers, magazines, television, radio or billboards. The proposed digital advertising tax is a classic example of a tax that discriminates against internet advertising and would be barred by ITFA.

For any questions or further discussion, please contact Neal Leshner, Vice President of Government Affairs, at nlesher@pachamber.org or 717-507-9240.

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