

Sales Tax on Software as a Service as of June 1, 2012

This chart indicates whether sales of software as a service (SaaS), also known as application service provider (asp) services, are subject to sales and use tax. In the SaaS scenario, the seller owns, operates, and maintains the software application and the server that hosts the software. Customers access the software via the Internet. The software is not transferred to the customer, and the customer does not have the right to download, copy, or modify the software. The seller bills customers on a per-use or periodic basis.

Jurisdiction	Software as a Service	Comment	Citation
Alabama	Exempt	Not taxable if the customer is allowed access, but not control, of the software.	Unofficial department guidance
Arizona	Taxable		LR04-010
Arkansas	Exempt	Not a taxable service. Software transferred electronically is also not taxable.	Ark. Code Ann. §26-52-304 Ark. Reg. GR-25
California	Exempt	Not a taxable service. Transfers of software or information by electronic means are also not taxable.	18 Cal. Code Regs. §1501
Colorado	Taxable	Exempt, effective July 1, 2012	Colo. Rev. Stat. §39-26-102
Connecticut	Taxable	Data processing services and software transferred electronically are taxable at the data processing rate.	Conn. Gen. Stat. §12-408(1) Policy Statement 2006(8) Policy Statement 2004(2)
District of Columbia	Taxable	Data processing services and software transferred electronically are taxable.	D.C. Code Ann. §47-2001(n)(1)(N)
Florida	Exempt	Not a taxable service. Transfers of software or information by electronic means are not taxable.	Rule 12A-1.062 TAA No. 10A-028
Georgia	Exempt	Not a taxable service. Software delivered electronically is also not taxable.	Ga. Comp. R. & r 560-12-2-.111
Hawaii	Taxable	Software delivered electronically and computer services are taxable.	Haw. Rev. Stat. §237-13
Idaho	Taxable	Canned software is taxable when operational control is transferred to buyer. Fees for temporary transfer of possession of software are taxable.	IDAPA 35.01.02.027(4)(b)
Illinois	Exempt	Not a taxable service. Software licenses are also not taxable if criteria in 86 Ill. Adm. Code 130.1935 are met.	86 Ill. Adm. Code 130.1935 ST 10-0062-GIL
Indiana	Taxable		Letter of Findings 09-0418 Revenue Ruling 2009-03 ST
Iowa	Exempt	On-line computer services and sales where substance of transaction is delivered electronically are exempt.	Iowa Code §423.3
Kansas	Exempt		Opinion Letter No. O-2010-005
Kentucky	Exempt	Access to prewritten software that is stored on a server is not taxable.	Unofficial Department guidance
Louisiana	Exempt	Revenue Ruling 10-001 states that a charge for software accessed remotely is taxable. However, the Department of Revenue has repealed the implementation of this ruling.	Revenue Ruling 10-001 Revenue Information Bulletin 11-005 Revenue Information Bulletin 11-010
Maine	Exempt	Not taxable if software is not downloaded.	Unofficial Department guidance
Maryland	Exempt	Not a taxable service. Software transferred electronically is also not taxable.	Md. Code Ann. §11-101
Massachusetts	Taxable	Exempt if the object of the transaction is to obtain information or a service other than the use of software.	830 CMR 64H.1.3(14) Letter Ruling 11-2
Michigan	Taxable	A right to access prewritten software is analogous to a license to use software.	Mich. Comp. Laws §205.51a Unofficial Department guidance
Minnesota	Exempt	Considered a nontaxable service.	Minn. R. 8130.0500, Subp. 2 Unofficial Department guidance
Mississippi	Exempt	Exempt if software is stored on a server located outside the state.	Miss. Rule 35.IV.5.06
Missouri	Exempt	Not a taxable service. Software transferred electronically is also not taxable.	Mo. Rev. Stat. §144.010 Mo. Code. Regs. Ann. tit. 12, §10-109.050
Nebraska	Exempt	Not taxable if the ASP retains title to the software and does not grant a license with ownership rights to the customer. The ASP is responsible for paying tax on its purchase of software if the software resides on a computer in Nebraska.	Information Guide 6-511-2011
Nevada	Exempt	Not a taxable service. Software transferred electronically is also not taxable.	Nev. Rev. Stat. §372.060 Nev. Admin. Code 372.880
New Jersey	Exempt		Unofficial Department guidance
New Mexico	Taxable	Software transferred electronically and computer services are taxable.	N.M. Admin. Code tit. 3, §3.2.1.15(J) N.M. Admin. Code tit. 3, §3.2.1.18
New York	Taxable		TSB-A-09(44)s
North Carolina	Exempt		Technical Bulletin 28-3 Unofficial Department guidance
North Dakota	Exempt	Not taxable if software is not transferred. Services that require a fee or subscription to access for use are not taxable.	N.D. Cent. Code §Sec. 57-39.2-02.1 E-mail in Response to CCH Survey
Ohio	Taxable	Taxable when sold for use in a business if the true object of the transaction is the receipt of automatic data processing services rather than personal or professional services to which automatic data processing are incidental. Non-business use is not taxable.	Ohio Rev. Code Ann. §5739.01(B)(3)(e)
Oklahoma	Exempt	Not a taxable service. Software delivered electronically is also not taxable.	Okla. Stat. tit. 68, §1357 Okla. Admin. Code §710:65-19-86
Pennsylvania	Exempt	If software is hosted on a server in Pennsylvania, software is taxable to the vendor as a provider of computer services, or taxable to the customer if customer's access is evidenced by a "license to use" the software.	Letter Ruling SUT-10-005
Rhode Island	Exempt	Provided no prewritten software is downloaded.	R.I. Code R. SU 11-25
South Carolina	Taxable	Charge to access a website is taxable as a communications service.	117 S.C. Code Regs. Ann. 329.4
South Dakota	Taxable	Charges to access software are taxable.	S.D. Admin. R. 64:06:02:78
Tennessee	Exempt	If fee is bundled with a sale of tangible personal property or taxable service, the entire charge is taxable.	Revenue Ruling 07-5
Texas	Taxable	Taxable as a data processing service.	34 Tex. Admin. Code §3.330 Letter No. 200805095L
Utah	Exempt	Taxable if software is located on a server in Utah.	Private Letter Ruling, Opinion No. 09-003
Vermont	Taxable	Prewritten software that is licensed for use and available from a remote server is generally taxable. However, the Department of Taxes is temporarily prohibited from assessing tax on charges for remotely accessed prewritten software made after December 31, 2006, and before July 1, 2013. Taxes paid on such charges will be refunded upon request, provided that the refund claim is made within the statute of limitations period and is properly documented. For purposes of this temporary exemption, "charges for remotely accessed software" means charges for the right to access and use prewritten software run on underlying infrastructure that is not managed or controlled by the consumer or a related company.	Uncodified §52, Act 143 (H.B. 782), Laws 2012 Technical Bulletin TB-54
Virginia	Exempt		Va. Code Ann. §58.1-609.5
Washington	Taxable	Charges for the right to access and use prewritten computer software, where possession of the software is maintained by the seller or a third party, are taxable.	Wash. Rev. Code 82.04.050(6)(b)
West Virginia	Taxable	Software delivered electronically and computer services are taxable. Electronic data processing services exemption is limited to services performed for a person who is not a part of the entity performing the services.	W. Va. Code §11-15-8 W. Va. Code §11-15B-2 W. Va. Code §11-15-9 Reg. 110-15-9.3.11
Wisconsin	Exempt		DOR FAQs - Computer Hardware, Software, Services
Wyoming	Exempt	Not a taxable service. Not a transfer of tangible personal property because purchaser does not take possession of tangible personal property.	Wyo. Stat. Ann. §39-15-103 Unofficial Department guidance

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