

LEA Global

# Taxation of Software and Digital Goods

February, 7, 2023



Rising Star Association



INTERNATIONAL ACCOUNTING BULLETIN



# Welcome – This Webinar Will Begin Momentarily

## Housekeeping Items

- This webinar will be recorded.
  - The link to the recording and PowerPoint will be posted on the Events registration page on LEA's member portal post webinar. An email will also be sent to today's attendees, post webinar, with this information.
  - Please use the chat box to share comments or questions.
  - This webinar is eligible for 1 Continuing Professional Education (CPE) credit.
  - Four (4) polling questions – will be initiated throughout this webinar to monitor engagement as required by NASBA standards.
  - Your CPE certificate will be emailed to you in a couple of weeks.
  - You will receive an email asking you to complete an evaluation of this webinar. Please take time to complete this as your input is valuable when planning for future webinars.
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**Taxation of Software and Digital Goods**

# Your Presenters Today:



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# Agenda



**Economic Nexus Overview**



**What is a Digital Good?**



**The Taxability of Technology**



**Nuances of Digital Goods**



**Tax Siting**



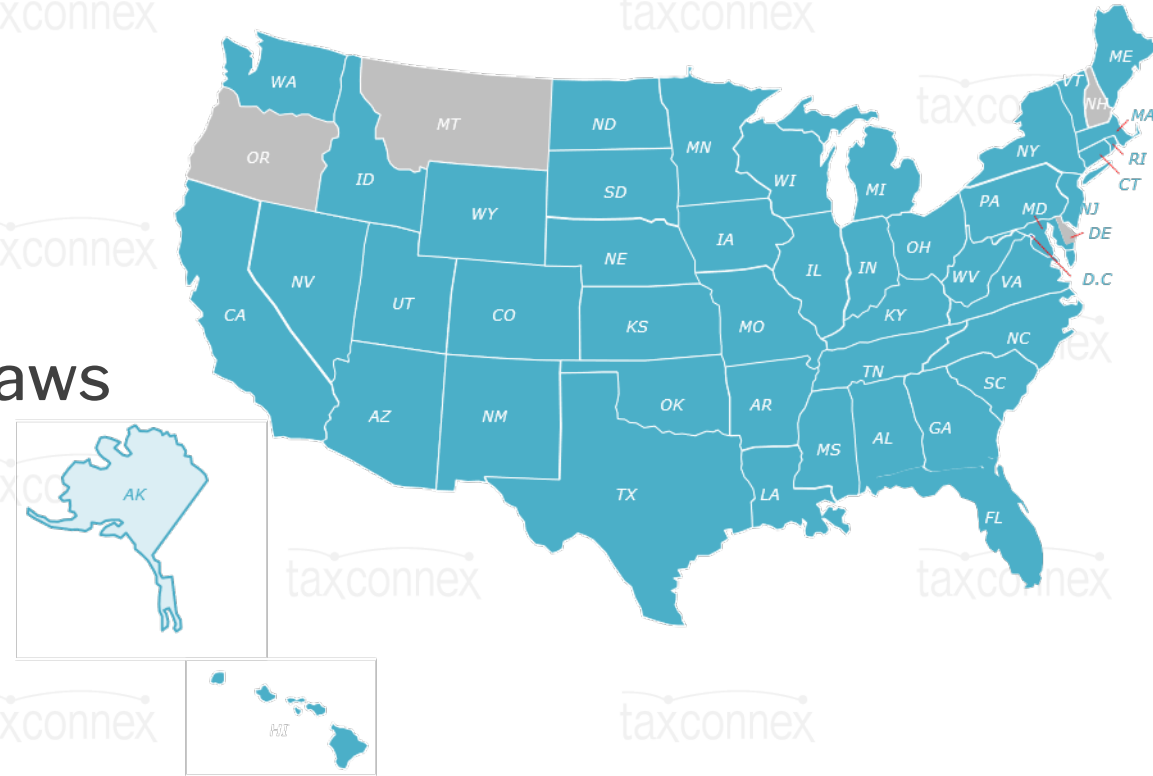


# Poll



# Economic Nexus

- *South Dakota vs. Wayfair* in 2018 made “economic nexus” constitutional
- Each state has/will make their own laws
- Of the 45 states that impose a sales tax, all now have economic nexus laws (Missouri effective 1/1/23)
  - DC also enacted economic nexus standards



# What is a Digital Good?

*Digital goods* refer to any goods that are sold, delivered and transferred in *digital* form.

- Examples can include:
  - Photographs
  - Music – “Digital Audio Works”
  - Movies – “Digital Audio-Visual Works”
  - Streaming
  - Information Service
  - Software/SaaS







# Poll

# Technology Taxability

- Information services – 13 states
- Software delivered electronically – 34 states
- SaaS or cloud-based solutions – 18 states

- **SaaS vs. Information Services**



# Nuances of Digital Goods

- Nexus implications
- States with Exceptions
  - Connecticut
  - Illinois
    - Downloaded software
    - Chicago – SaaS
  - New Jersey
  - South Carolina
  - Texas





# Poll



# Vertical Services Related to Digital Goods

- Consulting on purchase of software
- Installation/implementation/configuration
- Customization
- Maintenance
  - Mandatory
  - Optional
  - Support and updates
  - Support only



# Sales Tax Situs



- Bill to vs. Ship to address
- Location of server
- Benefit of use
- Multiple points of use exemptions



# Poll

# Questions?

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