



# TaxNewsFlash

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## Proposed regulations: Classification of cloud-computing transactions, transactions involving digital content (text of regulations)

The U.S. Treasury Department and IRS this afternoon released for publication in the Federal Register proposed regulations (REG-130700-14) regarding the classification of cloud transactions for purposes of the international provisions of the Internal Revenue Code.

The proposed regulations also modify the rules for classifying transactions involving computer programs, including by applying the rules to transfers of digital content.

Read the [proposed regulations](#) [PDF 352 KB] (13 pages as published in the Federal Register)

Comments and requests for a public hearing must be received by November 12, 2019.

In brief (according to the preamble), these proposed regulations:

- Clarify the treatment under certain Code provisions for income from transactions involving on-demand network access to computing and other similar resources
- Extend the classification rules in existing Reg. section 1.861-18 to transfers of digital content other than computer programs, and clarify the source of income for certain transactions governed by the existing regulations
- Address a comprehensive basis for categorizing many common transactions involving what is referred to as "cloud computing"—typically characterized by on-demand network access to computing resources such as networks, servers, storage, and software
- Concern other transactions that are not solely related to computing, but still involve on-demand network access to technological resources ("cloud transactions")

The purpose of this report is to provide text of the proposed regulations.

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