



TaxNewsFlash

United States



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KPMG report: State and local tax, technology-related developments (table, first quarter 2023)

A report of U.S. state and local tax developments concerning technology-related tax issues, for the first quarter of 2023, provides updates in table format and covers topics such as access to telecommunication services, web-based services, software, and streaming services.

Read the [KPMG report](#) [PDF 161 KB] of state and local technology-related tax developments for the first quarter of 2023.

Highlights

- **Alabama:** The taxpayer convinced the Alabama Department of Revenue that royalty payments for licensing medical billing codes were not subject to sales and use tax. The taxpayer licensed its software using the billing codes to customers but did not specifically charge them royalty payments. The Department ruled that the copyright owner did not transfer title to the billing codes to the taxpayer, and, therefore, the agreement with the copyright owner did not constitute a sale or exchange of the codes.
- **Arizona:** The Arizona Court of Appeals upheld a lower court's decision that a human resource services provider was selling software rentals subject to transaction privilege tax. The court concluded that the application software was "perceptible" to users, and that the users were exerting control over the software. The court further held that the tax did not violate the Internet Tax Freedom Act (ITFA) because the taxpayer's product simply automated tasks that were previously done by human effort.
- **Louisiana:** The Louisiana Board of Tax Appeals held that subscriptions to a cloud-based storage plan were not subject to New Orleans city sales taxes. The Board agreed with the taxpayer that its cloud storage services were included in the definition of "Internet Access" under the Internet Tax

Freedom Act. Therefore, the city could not impose sales taxes on subscriptions to the service sold to customers located in the city.

- **Kentucky:** House Bill 360 expands the definition of “taxable telemarketing service” to include services provided to another person via text message. This change is currently effective retroactively to January 1, 2023.

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