



# TaxNewsFlash

United States



No. 2023-262  
July 27, 2023

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

A report of U.S. state and local tax developments concerning technology-related tax issues, for the second quarter of 2023, provides updates in table format and covers topics such as the taxability of software, guidance on digital equivalents, and other items.

Read the [KPMG report](#) PDF 194 KB] of state and local technology-related tax developments for the second quarter of 2023.

### Highlights

- **Maryland:** The state Supreme Court ruled in favor of the Office of the Comptroller in a challenge to the state's digital advertising gross revenues tax, and the comptroller has advised taxpayers that they should file their first return for tax year 2022 and remit their tax payment.
- **Missouri:** The state Supreme Court affirmed that a telecommunications service provider qualified for the state's manufacturing exemption. Missouri defines manufacturing as activities that transform an input into an output separate and distinct from the original. Because the taxpayer's service transformed an input (the caller's voice) into an output (a reproduction of the caller's voice that could be heard and understood by the recipient) with a separate and distinct value from the original, the taxpayer's process qualified as manufacturing and the equipment purchased to manufacture the service qualified for the exemption.
- **Tennessee:** The Department of Revenue determined that a taxpayer's membership fees were subject to sales tax as transactions that included taxable specified digital goods. The department explained that the taxpayer's on-demand fitness classes were included in the membership cost and sold as one nonitemized price; therefore, the entire transaction was subject to tax.
- **Georgia:** Beginning on January 1, 2024, Georgia will impose sales and use tax on the sale of

© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

specified digital products, other digital goods, or digital codes sold to an end user in Georgia. Tax will apply if the end user receives the right of permanent use of such products and the transaction is not conditioned upon continued payment by the end user.

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10 37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)