



# TaxNewsFlash

United States



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

A report of U.S. state and local tax developments concerning technology-related tax issues, for the third quarter of 2023, provides updates in table format and covers topics such as data center exemptions, web-based services, web-based training, and software.

Read the [KPMG report](#) PDF 210 KB] of state and local technology-related tax developments for the third quarter of 2023.

### Highlights

- **California:** California Governor Gavin Newsom signed a budget bill that includes tax breaks for semiconductor companies. Senate Bill 131 modifies the new employment tax credit to attract semiconductor factories, responding to federal incentives aimed at strengthening the microprocessor supply chain.
- **Tennessee:** The Tennessee Department of Revenue ruled that a technology company providing staff augmentation and payment processing services through a digital platform was not subject to sales and use tax. The department explained that staff augmentation and payment processing services are not taxable services, and the use of the app to access the platform was merely incidental to the nontaxable services.
- **Texas:** The Texas Comptroller released updated guidance on the taxability of electronic games and associated content. Electronic games, subscriptions, and membership fees for electronic games and game communities are taxable as amusement services. Purchases of associated content for electronic games, such as virtual goods, additional game content, gameplay enhancements, and aesthetic enhancements, are also taxable as amusement services.
- **Virginia:** The Virginia Tax Commissioner ruled that a taxpayer was eligible for a data center exemption for sales and use tax purposes. Initially, the taxpayer's refund request was partially denied by the Department of Revenue because the taxpayer's equipment was delivered to a storage facility instead of directly to the data center. Based on a previous ruling, the commissioner found that the data center exemption applied to the taxpayer's equipment regardless of the delivery location.

- **Vermont:** The Vermont Department of Taxes updated its sales tax guidance for prewritten software accessed remotely. Specifically, charges for software as a service (SaaS), infrastructure as a service (IaaS), and platform as a service (PaaS) are not taxable for Vermont sales tax purposes.

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