

July 2024

INTERIM RELEASE

Telecommunications Sales Tax Rates and Taxability

Welcome to the Telecommunications Database

This bulletin provides important information about the July 2024 release of Telecommunications Rates and Taxability. Please review this bulletin carefully. If you have any questions or require more information, please call 1-800-739-9998. You can also submit a ticket at <http://support.cch.com/ticket> or use <http://support.cch.com/chat/salestax>.

Updates to Current Telecommunications Database - Taxability Changes Effective July 2024

Change to the Taxability Status of One-Time Charges for Access to Electronic Video Games for Purposes of Vermont Sales & Use Tax

Among the taxes covered in our database is Vermont State & Local Sales & Use Tax (as captured by Tax Types 01/01, 04/01 & U4/01).

Prior to this month's release, our database reflected that these taxes were not imposed upon one-time charges for access to electronic video games (as captured by Group & Item code 5037/005). However, pursuant to action taken by the Vermont Legislature, such charges will now be subject to tax, effective July 1st, based upon the following sequence of legislative sources:

As per the statute that establishes the Vermont Sales Tax:

"There is imposed a tax on retail sales. The tax shall be paid at the rate of 6% of the sales price charged for the following: **Tangible personal property.**"¹

As per the corresponding definition statute: "Tangible personal property" includes **prewritten computer software.**"²

However, as per legislation signed into law on June 3, 2015: "Charges for the right to access remotely prewritten software shall not be considered charges for tangible personal property under 32 V.S.A. Section 9701(7)."³

Accordingly, given that our tax team historically equated the taxability of charges for electronic games accessed on a one-time basis (as captured by Group & Item code 5037/005) with remotely accessed software (A/K/A "Software-as-a-Service"), such charges implicitly became non-taxable.

However, as a result of fresh legislation⁴ enacted into law by virtue of an override to the Governor's veto, this exemption is now repealed, effective July 1st.⁵

¹ 32 Vermont Statutes Annotated § 9771(1).

² 32 Vermont Statutes Annotated § 9701(7).

³ Vermont Senate Bill 138 (2015).

⁴ See Vermont House Bill 887 (2023).

⁵ The Governor's veto occurred on June 6, 2024 while the action by both Houses of the Vermont Legislature to override that veto occurred on June 17, 2024. The same legislation was then delivered to the Vermont Secretary of State. It was enrolled into law on June 27, 2024 as Act Number 183.

To quote the new definition of the term “tangible personal property” subject to Vermont Sales Tax, going forward:

““Tangible personal property” means personal property that may be seen, weighed, measured, felt, touched, or in any other manner perceived by the senses. “Tangible personal property” includes electricity, water, gas, steam, and **prewritten computer software** regardless of the method in which the prewritten computer software is paid for, delivered, or accessed.”⁶

Additionally, the same legislation provides as follows:

“ **SEC. 4. REPEAL**

- **2015 ACTS AND RESOLVES NO. 51, SEC. G.8 (PREWRITTEN SOFTWARE ACCESSED REMOTELY) IS REPEALED.”**

Finally, a relevant excerpt from the Fiscal Note that accompanied House Bill 887 declared as follows:

“Sections 3 and 4: **Sales and Use Tax on Prewritten Computer Software Accessed Remotely**

Under current law, the retail sale of tangible personal property – including prewritten software – is subject to the sales and use tax. However, Act 51 (2015) created an exemption for prewritten software accessed remotely, otherwise known as cloud software.

Sections 3 and 4 would **repeal** the exemption and subject sales of these programs to the 6% Vermont sales and use tax.

The repeal of the exemption would primarily apply the sales tax to **Software as a Service (SaaS) cloud applications** and custom software or IT services would continue to be exempt.”

Accordingly, based upon the action taken by the Vermont Legislature to override the Governor’s veto, we are hereby updating our database effective with this interim July 2024 release to reflect that one-time charges for access to electronic video games (as captured by Group & Item code 5037/005) shall now be subject to Vermont State & Local Sales & Use Tax (as captured by Tax Types 01/01, 04/01 & U4/01), effective July 1, 2024.

[Updates to Current Telecommunications Database - System Changes Effective July 2024](#)

Texas Local Sales & Use Tax: One Additional Local Jurisdiction Now Taxes Telecommunications Service

Effective July 1, 2024, the following additional local jurisdiction in Texas will now impose its local option sales & use tax on telecommunication services⁷:

- City of Buda - captured by Tax Type, Tax Cat 04/80 & U4/80

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⁶ See 2023 Bill Text VT H.B. 887; Section 3.

⁷ See <https://comptroller.texas.gov/taxes/publications/96-339.php>.

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