

SALES AND USE TAX NEWSLETTER

2nd Quarter
2022 Edition

KBF's quarterly newsletter updates clients on sales and use tax news, developments, and trends from around the country.



CALIFORNIA

Online Seller Sales Tax Registration Requirements

The California Department of Tax and Fee Administration recently issued Publication 584-ON Online Seller Flowchart. The flowchart provides general sales tax registration guidance related to online sellers of tangible personal property that make deliveries to customers in California. The publication can be found at: <https://www.cdtfa.ca.gov/formspubs/pub584on.pdf>



COLORADO

Transition to Destination Sourcing

In June 2022 the Colorado Department of Revenue issued a publication discussing the states change from origin sourcing to destination sourcing. Beginning October 1, 2022, retailers located in Colorado are required to collect state and local tax based upon where the customer takes possession of the property. Prior to this date a Colorado retailer would collect local tax based upon their business location when property was shipped to a customer in Colorado. For example, beginning October 1, 2022, a retailer located in Denver that ships product to a customer in Colorado Springs will now be required to collect Colorado Springs sales tax. Prior to October 1st, the retailer would collect Denver sales tax.

Products shipped to a point outside of Colorado are not subject to Colorado tax. Tax due is based laws in the destination state.



GEORGIA

High-Technology Company Computer Equipment Exemption Extended

Effective 7/1/2022 Georgia House Bill 1291 extends the sunset date from June 30, 2023, to December 31, 2023, for the sales tax exemption related to the sale/lease of computer equipment incorporated into facilities of high-technology companies. The exemption does not apply to computers or devices issued to employees such as smartphones, tablets, wearables, or laptops. Additionally, effective January 1, 2024, purchases of at least \$15 million of such computer equipment is required for the exemption to apply and each person claiming the exemption must pay 10% sales tax on the first \$15 million of purchases/leases.



MARYLAND

Digital Products Subject to Sales Tax

Legislation enacted in March 2022 modifying the definition of digital products and the application of sales and use tax became effect July 1, 2022. The following are now excluded from the definition of taxable digital products:

- A product having electrical, digital, magnetic, wireless, optical or electromagnetic or similar capabilities where the purchaser holds a copywrite or other intellectual property interest, if the purchaser uses the product solely for commercial purposes, including advertising or other marketing activities.
- Computer software or software as a service (SaaS) purchased or licensed solely for commercial purposes in an enterprise computer system, including operating programs or application software the exclusive use of the enterprise software system, that is housed or maintained by the purchaser on a cloud server, whether hosed by the purchaser, the software vendor, or third-party.



TEXAS

Online Education Services

In June 2022 the Texas Comptroller of Public Accounts issued a private letter ruling discussing the sales tax treatment of online education services for use in university and college courses. While the software did include certain elements that met the definition of taxable data processing services, the Comptroller ruled that the vendor was providing non-taxable education and evaluation services to students. (Tex PLR No. 20210419122306)



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