



450 Columbus Blvd Ste 1  
Hartford CT 06103-1837

SPECIAL NOTICE

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## Sales and Use Taxes on Digital Goods and Canned or Prewritten Software

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**Purpose:** Effective October 1, 2019, sales of “digital goods,” which includes audio works, visual works, audio-visual works, reading materials or ring tones, which are electronically accessed or transferred, will be subject to sales and use taxes at the standard 6.35% rate. Until October 1, 2019, these digital goods will continue to be taxable at the 1% rate for computer and data processing services.

As of October 1, 2019, electronically accessed or transferred canned or prewritten software will also be taxable at the 6.35% rate, except for sales of such software to a business for use by the business, which will remain taxable at the 1% rate for computer and data processing services.

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**Digital Goods:** Effective October 1, 2019, digital goods will be included in the definition of “tangible personal property” and taxable at the 6.35% rate. Before October 1, 2019, digital goods were considered to be a sale of computer and data processing services taxable at the 1% rate. The 6.35% rate of tax will apply to digital goods regardless of the format of the sale:

- Digital goods sold on an individual basis;
- Digital goods sold as a subscription service;
- Digital goods sold as an “in-app” purchase; **or**
- Digital goods sold as a code that grants a user the right to obtain one or more specified digital products.

The term “digital goods” includes all electronically accessed or transferred audio works, visual works, audio-visual works, reading materials or ring tones.

“Electronically accessed or transferred” includes both downloading and streaming of digital goods onto an electronic device.

Some examples of digital goods include electronically accessed or transferred:

- Music;
- Audiobooks;

- Podcasts;
- Stock photographs or stock art work;
- Clip art;
- Greeting cards;
- Movies;
- Videos;
- Entertainment programs;
- Magazines; **and**
- Books.

Unless contracts or other documents specifically state otherwise, digital goods will be presumed to be electronically delivered or transferred into Connecticut, and subject to Connecticut sales and use tax, if the billing address of the consumer or subscriber is in Connecticut.

The following products will not be subject to tax at the 6.35% rate:

- Sales of newspapers, and sales of magazines by subscription, whether sold as physical copies or electronically accessed or transferred. Such sales are exempt under Conn. Gen. Stat. § 12-412(114);
- Sales of college textbooks whether sold in hard copy, or electronically accessed or transferred. Such sales are exempt under Conn. Gen. Stat. § 12-412(109); **and**
- Charges for access to an online professional or academic research database, which will continue to be taxable at the 1% rate for computer and data processing services.

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### Sales of Canned or Prewritten Software for Non-Business Use:

Effective October 1, 2019, canned or prewritten software, and any additional content related to such software, whether or not provided with any tangible personal property, that is sold for non-business use is considered to be tangible personal property taxable at the standard 6.35% rate.

This change means that as of October 1, 2019, any purchases of electronically accessed or transferred software applications, and any content related to those applications, made for personal use will be subject to tax at the 6.35% rate instead of the 1% rate for computer and data processing services. The 6.35% rate will generally apply to the following:

- Consumer-based computer programs;
- Computer games;
- Digital game content;
- Smartphone applications;
- “In-app” purchases of content or subscriptions; **and**
- Any other consumer-level software.

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**Sales of Canned or Prewritten Software for Business Use:** Electronically accessed or transferred canned or prewritten software, and any additional content related to such software, that is sold to a business for use by the business remains taxable at the 1% rate as computer and data processing services.

However, if the software is provided with any tangible personal property (such as a box, plastic container, or CD), even if such tangible personal property only authorizes the electronic access or transfer of the software, the sale is of tangible personal property and is taxable at the 6.35% rate.

To claim the reduced tax rate of 1%, a business purchasing electronically accessed or transferred canned or prewritten software, and any additional content related to such software, must provide information to the retailer that identifies its name, address, the name and title of the person placing the order, and the fact that the purchaser is a business. For enterprise-level software, the contract or purchase order will generally be sufficient.

Retailers must act in good faith when applying the reduced tax rate to any sales of software. The good faith of the retailer will be questioned if the seller knew, or should have known, facts suggesting that the purchaser was not a business or did not intend to use the software for business purposes.

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**Sales for Resale in Connection with Software or Digital Goods:** If a retailer is purchasing digital goods or certain taxable services that it intends to resell, then the retailer may be able to purchase those goods or services on a resale basis if the following conditions are met, which means that the retailer

would not be required to pay sales tax at the time of the purchase.

**Sales of Canned or Prewritten Software:** The sale of canned or prewritten software may be made on a resale basis if it is subsequently sold, licensed or leased unaltered by the purchaser to an ultimate consumer.

The purchaser must maintain records that substantiate:

- From whom the software was purchased;
- To whom it was sold, licensed or leased;
- Its purchase price; **and**
- The nature of the transaction with the ultimate consumer to demonstrate that the same software was provided unaltered to the ultimate consumer.

**Sales of Digital Goods:** The sale of digital goods is for resale if they are subsequently sold, licensed, leased, broadcast, transmitted, or distributed, in whole or in part, by the purchaser to an ultimate consumer as an integral, inseparable component part of a digital good or any of the following services:

- Telecommunications services described in Conn. Gen. Stat. § 12-407(a)(26);
- Community antenna television services described in Conn. Gen. Stat. § 12-407(a)(27);
- Enumerated services listed in Conn. Gen. Stat. § 12-407(a)(37); **or**
- Certified competitive video services described in Conn. Gen. Stat. § 12-407(a)(39).

The purchaser must maintain records that substantiate:

- From whom the digital goods were purchased;
- To whom the digital goods or service listed above were sold, licensed, leased, broadcast, transmitted, or distributed, in whole or in part;
- The purchase price of the digital goods; **and**
- The nature of the transaction with the ultimate consumer.

**Sales of Services:** The sale of services described in Conn. Gen. Stat. § 12-407(a)(37) is for resale if such services are subsequently resold as an integral, inseparable component part of digital goods sold by the purchaser of the services to an ultimate consumer of the digital goods.

The purchaser must maintain records that substantiate:

- From whom the services were purchased;
- To whom the digital goods were sold, licensed, or leased;
- The purchase price of the services; **and**
- The nature of the transaction with the ultimate consumer.

**Seller's Documentation for Sales Made on a Resale Basis:** If a seller's online checkout process offers the ability to claim exemption from sales tax because the transaction is being made on a resale basis, a business purchaser should provide the information requested by the seller to establish that the purchase is being made on resale. Otherwise, purchases made on resale should be made using a *Resale Certificate*.

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**Effective Date:** Effective for sales occurring on and after October 1, 2019.

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**Statutory Authority:** Conn. Gen. Stat. § 12-407(a)(13), as amended by 2019 Conn. Pub. Acts 117, § 319; Conn. Gen. Stat. § 12-407(a)(35); Conn. Gen. Stat. § 12-407(a)(37)(A), as amended by 2019 Conn. Pub. Acts 117, § 322; Conn. Gen. Stat. § 12-407(a)(43), as added by 2019 Conn. Pub. Acts 117, § 320; and Conn. Gen. Stat. § 12-410(5), as amended by 2019 Conn. Pub. Acts 117, § 321.

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**Effect on Other Documents:** The following publications are obsoleted in part:

- **Policy Statement 2006(6)**, *Sales and Use Tax Exemption for Magazines and Newspapers*;
  - **Policy Statement 2006(8)**, *Sales and Use Taxes on Computer-Related Services and Sales of Tangible Personal Property*;
  - **Policy Statement 2004(2)**, *Sales and Use Taxes on Internet Access Services and On-Line Sales of Goods and Services*;
  - **Ruling No. 2017-6**, *Sales and Use Taxes, Computer and Data Processing Services, Leasing and Rental*; **and**
  - **Ruling No. 2015-5**, *Sales and Use Taxes, Computer and Data Processing Services*.
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Sales and use taxes  
Digital goods  
Computer and data processing services  
Computer software  
Resale  
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**Effect of This Document:** A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

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**For Further Information:** Call DRS during business hours, Monday through Friday:

- **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

**TTY, TDD, and Text Telephone users only** may transmit inquiries anytime by calling 860-297-4911.

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**Forms and Publications:** Visit the DRS website at [portal.ct.gov/DRS](http://portal.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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**Paperless Filing/Payment Methods (fast, easy, free, and confidential):** Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [portal.ct.gov/TSC](http://portal.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the *TSC* to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the *Make Payment Only* option. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.