

# Prewritten Software Accessed Remotely

In **Act 71 of 2019**, the Vermont legislature instructed the Department to develop and implement outreach and education for the technology sector related to:

- the current sales tax exemption
- industry responsibilities under current law
- possible repeal of the exemption

## Current Law

For the purpose of Vermont Sales Tax, charges for remote access to prewritten software *accessed solely through an internet or cloud platform* are not taxable.

## Exemption to Sales Tax

Vermont generally imposes the Vermont Sales Tax on retail sales of tangible personal property. Tangible personal property is defined to include prewritten computer software in 32 V.S.A. § 9701(7). However, prewritten software accessed remotely and not installed on a computer does not fall within this definition.

## Taxable Digital Products

Prewritten software that is downloaded from the internet and installed on a computer, as well as software delivered by portable storage media, falls under the Section 9701(7) definition of taxable tangible personal property. Other specified digital products also remain taxable. Under 32 V.S.A. § 9771(8), Vermont specifically imposes the sales tax on digital audio-visual works, digital audio works, digital books, and ringtones that are transferred electronically. These digital products are defined in 32 V.S.A. § 9701(46).

### What is “Prewritten Software Accessed Solely Through an Internet or Cloud Platform”?

- It is not tangible personal property.
- It is not downloaded to the purchaser’s computer.
- It is accessed only on a remote internet or cloud platform.
- This product is sometimes referred to as “Software as a Service (SaaS)”

### What is “Tangible Personal Property”?

Tangible personal property means personal property which may be seen, weighed, measured, felt, touched, or in any other manner perceived by the senses. 32 V.S.A. § 9701(7)

### What is “Infrastructure as a Service (IaaS)”?

IaaS is a service that is defined as access to a computer infrastructure where the customer does not own the infrastructure and pays an IT contractor to operate it on the customer’s behalf.

### What is “Platform as a Service (PaaS)”?

PaaS is a service that provides customers with hardware and software tools that customers can use to develop, run, and manage their own applications and software. All tools are accessed via the internet.

See page 2 for a quick reference table



DEPARTMENT OF TAXES

Disclaimer: This fact sheet is intended to provide an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information provided in this fact sheet.

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## What is Taxable and Nontaxable?

Product	CURRENT LAW		IF EXEMPTION FOR PREWRITTEN SOFTWARE ACCESSED REMOTELY IS REPEALED	
	Taxable	Nontaxable	Taxable	Nontaxable
Custom software written exclusively for the customer's business		✓		✓
Prewritten software on tangible storage media	✓		✓	
Prewritten software downloaded from the internet	✓		✓	
Prewritten software accessed remotely on the internet or SaaS		✓	✓	
Infrastructure as a Service (IaaS)		✓		✓
Platform as a Service (PaaS)		✓		✓
Development and technical support services		✓		✓
Digital photographs		✓		✓
Digital audio-visual works	✓		✓	
Digital audio works	✓		✓	
Digital books	✓		✓	
Ringtones	✓		✓	

