

**DRAFT VENDOR-HOSTED PREWRITTEN COMPUTER SOFTWARE**

(dr req 20-XXX – draft 2.1)  
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1 Sec. 1. 32 V.S.A. § 9701(60) is added to read:

2 (60) “Vendor-hosted prewritten computer software” means prewritten  
3 computer software that is accessed through the internet or a vendor-hosted  
4 server regardless of whether the access is permanent or temporary and  
5 regardless of whether any downloading occurs.

6 Sec. 2. 32 V.S.A. § 9771 is amended to read:

7 § 9771. IMPOSITION OF SALES TAX

8 Except as otherwise provided in this chapter, there is imposed a tax on retail  
9 sales in this State. The tax shall be paid at the rate of six percent of the sales  
10 price charged for but in no case shall any one transaction be taxed under more  
11 than one of the following:

12 \* \* \*

13 (7) tangible personal property to an advertising agency for its use in  
14 providing advertising services or creating advertising materials for transfer in  
15 conjunction with the delivery of advertising service; ~~or~~

16 (8) specified digital products transferred electronically to an end user  
17 regardless of whether for permanent use or less than permanent use and  
18 regardless of whether or not conditioned upon continued payment from the  
19 purchaser; or

20 (9) vendor-hosted prewritten computer software.

21 Sec. 3. 32 V.S.A. § 9773 is amended to read:

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1 § 9773. IMPOSITION OF COMPENSATING USE TAX

2 Unless property or telecommunications service has already been or will be  
3 subject to the sales tax under this chapter, there is imposed on every person a  
4 use tax at the rate of six percent for the use within this State, except as  
5 otherwise exempted under this chapter:

6 \* \* \*

7 (4) specified digital products transferred electronically to an end user;

8 ~~and~~

9 (5) telecommunications service except coin-operated telephone service,  
10 private telephone service, paging service, private communications service, or  
11 value-added non-voice data service; and

12 (6) vendor-hosted prewritten computer software.

13 Sec. 4. REPEAL

14 2015 Acts and Resolves No. 51, Sec. G.8 (prewritten software accessed  
15 remotely) is repealed.

16 Sec. 5. PREWRITTEN COMPUTER SOFTWARE; DIGITAL INDUSTRY;

17 SALES TAX MANUFACTURING EXEMPTION; REPORT

18 The Department of Taxes, with the assistance of the Office of Legislative  
19 Council and the Joint Fiscal Office, shall study the sales and use tax treatment  
20 in other states' tax codes of the digital and technology industry as compared to  
21 the traditional manufacturing sector when making purchases of business inputs

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1 used directly and exclusively in manufacturing. In considering business  
2 inputs, the study shall give particular attention to purchases of vendor-hosted  
3 prewritten computer software. The Department, with the assistance of the  
4 Joint Fiscal Office, shall estimate the fiscal impact of exempting the digital  
5 industry’s purchases of vendor-hosted prewritten computer software when that  
6 software is intended for direct and exclusive use in the manufacture of tangible  
7 personal property, notably prewritten computer software, for sale. On or  
8 before January 15, 2021, the Department, with the assistance of the Office of  
9 Legislative Council, shall submit its findings and any recommendations for  
10 legislative action to the House Committee on Ways and Means and the Senate  
11 Committee on Finance.

12 Sec. 6. EFFECTIVE DATE

13 This act shall take effect on July 1, 2020.