FTA Services Taxation Survey – 2017 Update [preliminary results]

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Background

- Survey First Compiled in 1990
  - 167 Services

- Updated Periodically, the Last Update was 2007

- The 2017 Survey Added Cloud Computing and Other Online Services
  - 176 Services, plus 10 Cloud Computing Services

- Purpose: **To Develop a System to Help Understand the Extent that States Tax Services**!

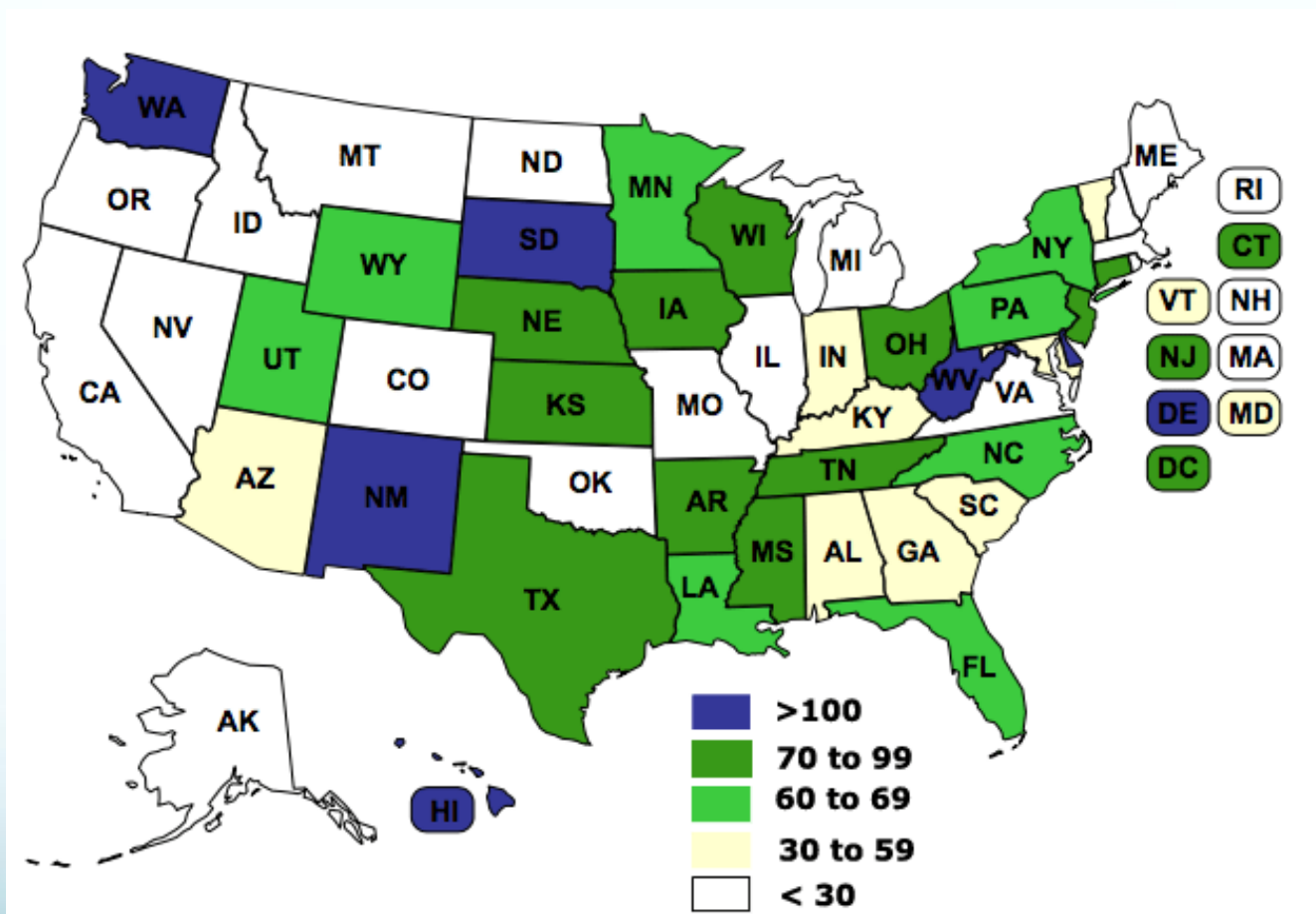# Why Should We Be Concerned About Services?

Personal Consumption Expenditures
[percentage of total]
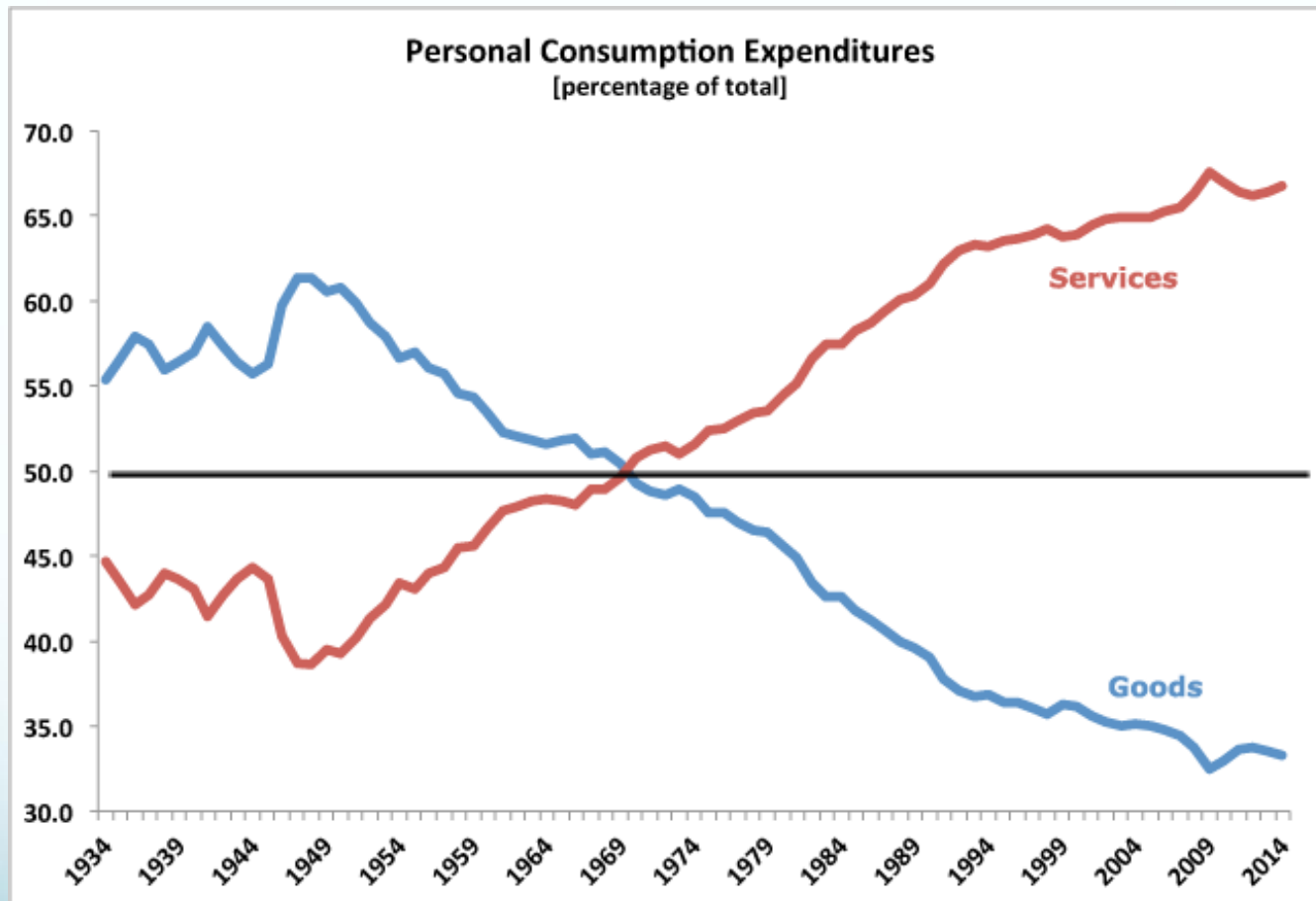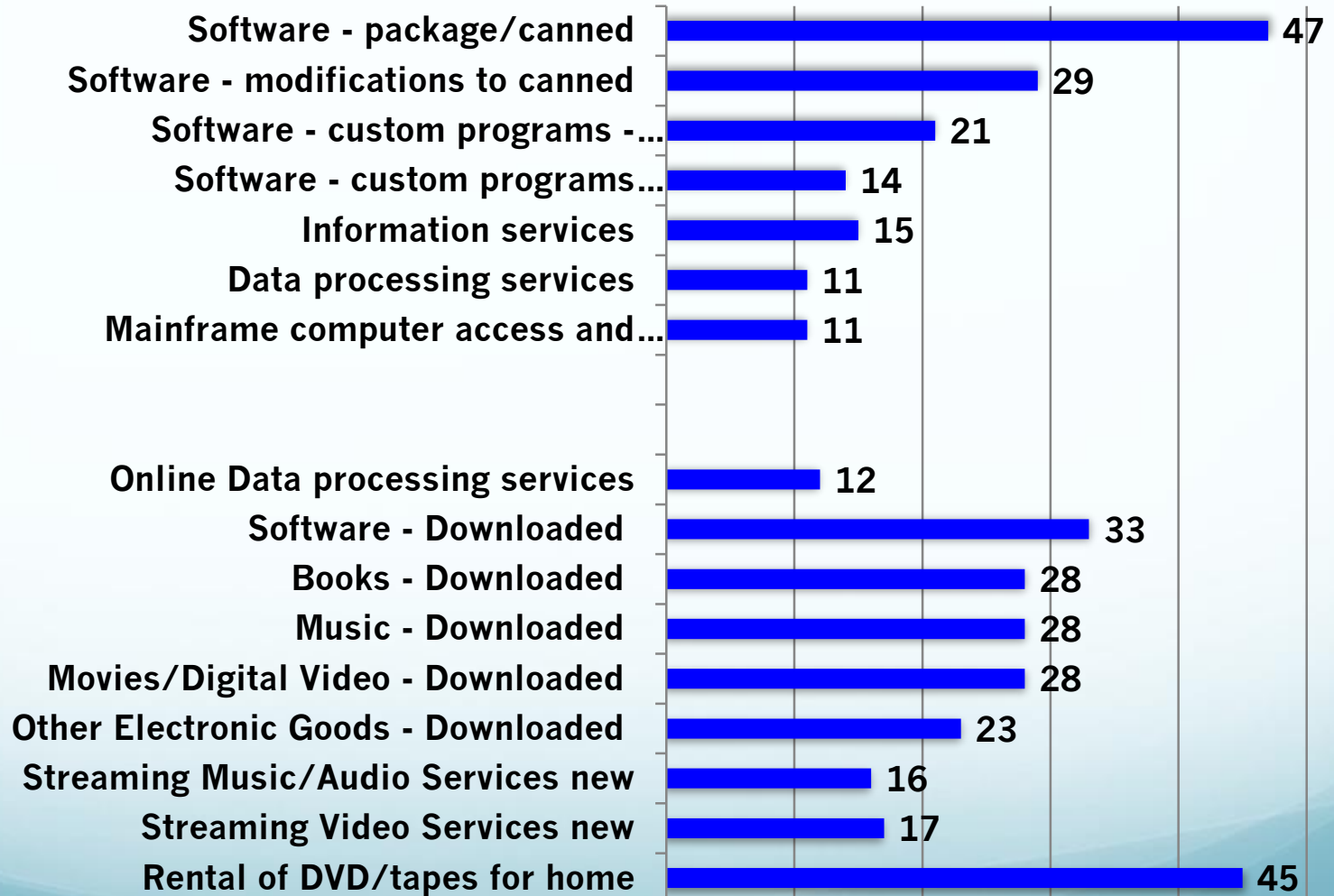
Sales Tax Rates Have Increases and Revenues . . .
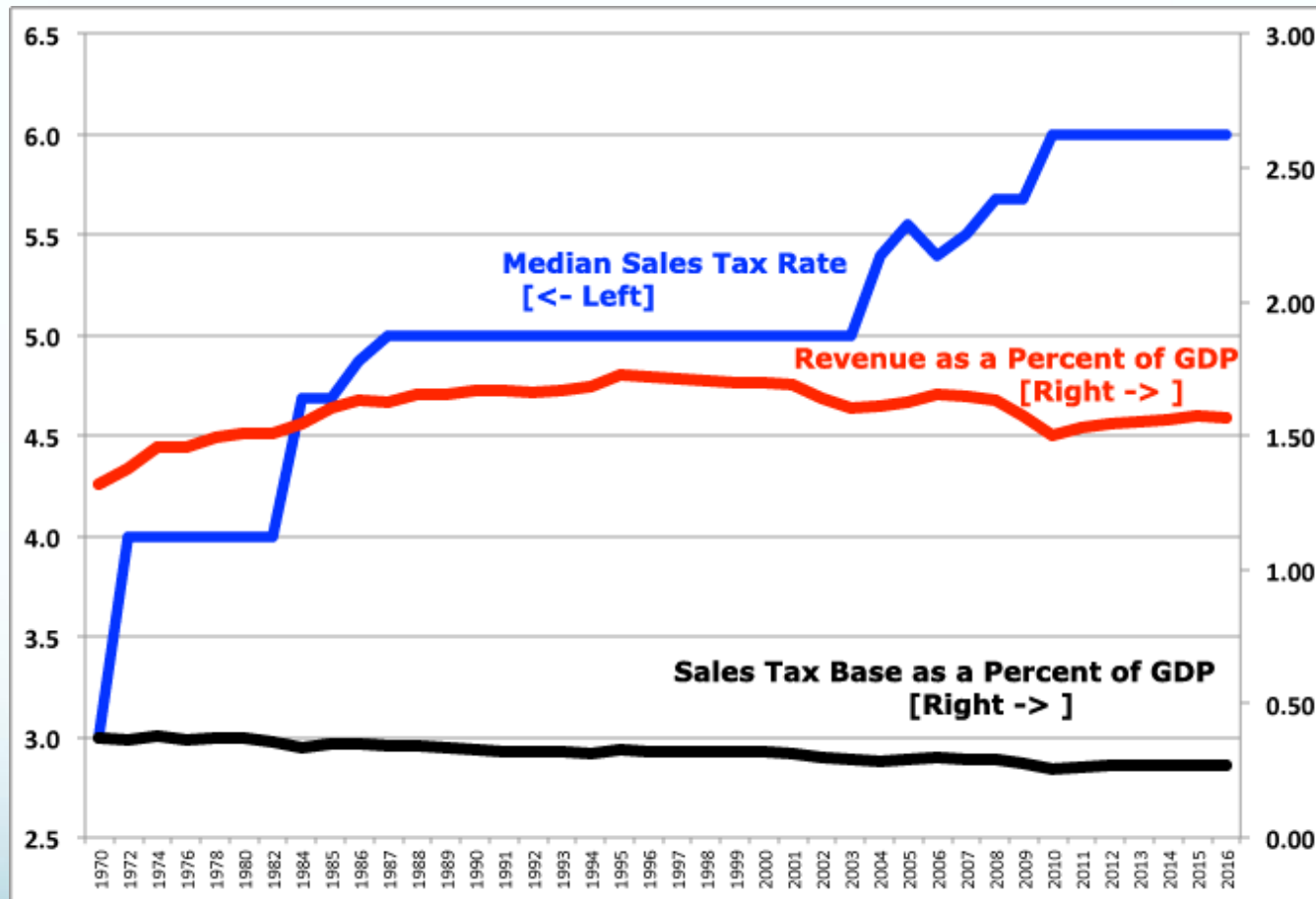
Number of Services Taxed-2017
[Preliminary Results]

Software is Taxed . . . But, Computer Services . . .

Number of State Taxing

Category	Count
Software - package/canned	47
Software - modifications to canned	29
Software - custom programs -...	21
Software - custom programs...	14
Information services	15
Data processing services	11
Mainframe computer access and...	11
Online Data processing services	12
Software - Downloaded	33
Books - Downloaded	28
Music - Downloaded	28
Movies/Digital Video - Downloaded	28
Other Electronic Goods - Downloaded	23
Streaming Music/Audio Services new	16
Streaming Video Services new	17
Rental of DVD/tapes for home	45

Recent Legislation Since 2007 . . .

- Connecticut in 2012 and 2015
  - Added Selected Business & Personal Services
  - Increased the Number of Services from 88 to 99

- The District of Columbia in 2012 and 2015
  - Added a Number of Personal Services
  - Increased the Number of Services from 75 to 91

- North Carolina Added Repair Services in 2016
  - Increased the Number of Services from 36 to 62

Where Do States Go From Here? [Lessons Learned]

- Massachusetts and Florida teach us that only an incremental approach will work.

- A few states have been successful in broadening the sales tax to selected services

- Still, States have a long way to go.

Conclusions

- Issues/Problems with Taxing Services
  - See My Presentation at the FTA Revenue Estimating Conference www.taxadmin.org/rev_est

- The Spreadsheet and Results will be Available on Our Public Website [by the end of the year] See www.taxadmin.org

Questions

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