

Sales/Use:

Iowa: Ruling Addresses Taxability of Online Learning, Digital Products, and Internet Advertising

Declaratory Order, Docket No. 2020-310-2-0649, Iowa Dept. of Rev. (4/20/21). An Iowa administrative ruling addresses the state sales and use taxability of various services offered by a company operating an online learning platform and “virtual learning environment,” generally concluding under the provided facts that:

URL: <https://itrl.idr.iowa.gov/Browse/OpenFile/6190%7Cstudyddottcom%7CAll%7C%7CAll>

- The sales prices of the company’s learning plans are subject to Iowa sales tax as software as a service (SaaS) under state law;
- The sales prices of one of the company’s learning plans potentially may qualify for an Iowa statutory exemption as SaaS furnished “to a commercial enterprise for use exclusively by the commercial enterprise” (depending on whether additional facts satisfy the requirements of the exemption); and
- The company’s internet advertising revenues from “pay-per-click” and its insertion order models are not subject to Iowa sales tax because they are not enumerated taxable services under state law.

In deeming the company’s learning plans as taxable SaaS under the provided facts, the ruling explains that they generally constitute the sale of the platform, and the platform is SaaS “because it is vendor-hosted computer software that is accessed through the internet or a vendor-hosted server.” Under the facts, the platform is software that resides on the company’s servers and is accessed by users via the internet on a computer or mobile device; users cannot install, permanently download, or transfer the software onto their own computers or mobile devices, and the company charges users for accessing the software based on a monthly subscription basis. Please contact us with any questions.

— Robyn Staros (Chicago)
Managing Director
Deloitte Tax LLP
rstaros@deloitte.com

Lindsay McAfee (San Francisco)
Senior Manager
Deloitte Tax LLP
lmcafee@deloitte.com

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