

Sales/Use/Indirect:

Kentucky DOR Letter Ruling Addresses Taxability of Services Provided through SaaS Model

Private Letter Ruling KY-PLR-21-01, Ky. Dept. of Rev. (6/29/21). In a private letter ruling addressing application of Kentucky sales and use tax to sales of certain services provided via a software as a service (SaaS) model, the Kentucky Department of Revenue explains the following:

URL: <https://revenue.ky.gov/DOR%20Training%20Materials/KY-PLR-21-01%20Redacted.pdf>

- If customers access prewritten computer software hosted online with no physical download or other transfer, the software access for the performance of certain services generally is not subject to Kentucky sales and use tax – as was the case here where the provider’s prewritten computer software is a web-based SaaS model with no download of the core functionality; and
- The provider’s subsequent free offer of a downloadable application, with limited functionality that enhanced the usefulness of its software, does not, in this case, change the original exempt nature of its SaaS product for Kentucky sales and use tax purposes.

Please contact us with any questions.

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