

## Indirect/Sales/Use:

### Texas Appellate Court Says Essence of Loan Package Transactions is Taxable Data-Processing

*Case No. 03-20-00391-CV, Tex. Ct. App. (2/25/22).* In a case involving a law firm's purchases of loan document packages, a Texas Court of Appeals (Court) reversed a trial court ruling to hold that based on the underlying facts and contracts at issue, surrounding legal context, and "other evidence of record," the essence of the transactions at issue is the provision of taxable data-processing services pursuant to 34 Tex. Admin. Code section 3.330(a)(1). In doing so, the Court concluded that the first sentence in the applicable administrative regulation "defines data processing as a class of activities while the second defines some, but not all, activities included in that class." Among other arguments, the taxpayer unsuccessfully claimed that the purchased services constituted nontaxable legal services. In ruling against the taxpayer, the Court noted that:

**URL:** <https://search.txcourts.gov/SearchMedia.aspx?MediaVersionID=75504c12-9c85-40de-8f39-facf3813f4b8&coa=coa03&DT=Opinion&MediaID=a026f4da-9be4-4abd-8a0c-6539ebf058ec>

1. The relevant Texas administrative regulation does not limit taxable "data processing services" to only specifically enumerated activities, and
2. Nothing in the regulation creates an added "two-pronged test" for data processing. Please contact us with any questions.

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