

Sales/Use/Indirect:

Texas: Credit Ratings of Legal Entities are Taxable but Credit Ratings of Debt Obligations are Not

Letter No. 202208011L, Tex. Comptroller of Public Accounts (8/22/22). Clarifying policy that “will be applied prospectively from the date of this memo,” the Texas Comptroller of Public Accounts (Comptroller) explains that the provision of credit ratings services for legal entities is taxable under Texas law, but the provision of credit ratings services for debt obligations is not. In doing so, the Comptroller explains that:

URL: <https://star.comptroller.texas.gov/view/202208011L?q1=202208011L>

- Credit ratings assigned to a legal entity are an indication of that entity’s ability to pay its outstanding debts;
- The credit rating of a legal entity constitutes the assembly of credit information relating to a “person” bearing on a person’s creditworthiness, credit standing, or credit capacity; and
- Sellers of credit rating services for legal entities generally are required to collect Texas sales and use tax as described by Title 34 Tex. Admin. Code section 3.343(b) (“Rule 3.343”).

In contrast, the Comptroller explains that charges to assign a credit rating for a debt obligation are for the evaluation of a financial instrument rather than a “person,” and such services are *not* the assembling or furnishing of credit information of a person as described by applicable Texas statute and Rule 3.343 and thus are *not* taxable. Please contact us with any questions.

— Chris Blackwell (Austin)
Senior Manager
Deloitte Tax LLP
cblackwell@deloitte.com

Robin Robinson (Austin)
Senior Manager
Deloitte Tax LLP
rorobinson@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.