

Sales/Use/Indirect:

Colorado: Sale and Redemption of Streaming Company's Platform Credits Deemed Not Taxable

Private Letter Ruling PLR 22-005, Colo. Dept. of Rev. (7/22/22). In a private letter ruling involving a company that offers video streaming services on an internet-based platform, the Colorado Department of Revenue (Department) held that neither the company's sales of certain "platform credits," nor their subsequent redemption by viewers, are subject to Colorado sales tax under the provided facts. In doing so, the Department explained that while the platform credits are not denominated in dollars, they are "akin to gift cards" (*i.e.*, their purchase evidences the right of a viewer to receive, and the agreement of the company to provide, certain benefits and rewards when the purchaser chooses to redeem them) and thus their sale and purchase do *not* constitute the taxable sale of tangible personal property. Moreover, the Department explained that a viewer's redemption of the platform credits is *not* subject to Colorado sales tax because the credits are not being used to acquire taxable tangible personal property or an enumerated taxable service (*i.e.*, the viewer is primarily receiving the service of having their chat message emphasized to the streamer and other viewers on the platform, which is *not* explicitly subject to Colorado sales tax under state law). According to the Department, to the extent the platform credits compensate the streamer, "their redemption is in the nature of a non-taxable gratuity." Lastly, the Department noted that while Colorado taxes digital goods, computer software that is delivered to the purchaser electronically is explicitly excluded from taxation; therefore, even when used to purchase certain third-party enhancements in some instances, the platform credits here are *not* being used to acquire taxable tangible personal property or services. Please contact us with any questions.

URL: <https://tax.colorado.gov/sites/tax/files/documents/PLR-22-005.pdf>

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