

Sales/Use/Indirect:

Indiana: Platform's Sales of Virtual Items are Not Taxable Digital Codes or Specified Digital Products

Revenue Ruling 2022-03ST, Ind. Dept. of Rev. (11/16/22). In a scenario involving an out-of-state company that operates an online service enabling viewers to watch streaming videos on its internet-based platform, accessed by downloading the company's mobile application ("app") or by using the company's website, the Indiana Department of Revenue (Department) issued a revenue ruling concluding that the sales of such virtual items are *not* subject to Indiana sales and use tax as either sales of specified digital products or digital codes regardless of whether sold with or without an interactive overlay functionality. In doing so, the Department agreed with the company's conclusion that payment for the virtual items do not permit the buyer to obtain a taxable product transferred electronically as the virtual items are not "digital codes" and the incidental benefits are not "specified digital products" under state law. The Department also noted that while viewers may download a company app or log into the company website to watch the content, the download of the app or logging into the website is free, and the virtual items are *not* used to download the app or log into the website; thus, the virtual items are not purchased to obtain or access computer software. Please contact us with any questions.

URL: <http://iac.iga.in.gov/iac/20221116-IR-045220342NRA.xml.pdf>

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