

Sales/Use/Indirect:

Arizona: Appellate Court Affirms that Company's Licensed Human Resources Software is Taxable

Case No. 1 CA-TX 21-0009, Ariz. Ct. App. (1/31/23). In a detailed opinion addressing taxability under Arizona's transaction privilege tax (TPT), an Arizona Court of Appeals (Court) affirmed summary judgment against a taxpayer that its human resource service software is treated as taxable "tangible personal property" (TPP) rented to its customers for purposes of calculating the TPT even though the software itself is stored on servers outside of Arizona and only accessed visually by customers in Arizona through terminals over the internet. The Court also affirmed that the taxpayer's contract for providing the human resource software to a local government "unambiguously falls into the category of business activity subject to TPT" under the local tax at issue (*i.e.*, under the Phoenix City Code) as the tax is imposed on "the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting [TPP] for a consideration." Please contact us with any questions.

URL: <https://www.azcourts.gov/Portals/0/OpinionFiles/Div1/2023/1%20CA-TX%2021-0009%20ADP%20LLC%20v.%20ADOR%20PHOENIX.pdf>

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