

Sales/Use/Indirect:

Washington Appellate Court Holds that Taxpayer's Services Qualify as Exempt Data Processing

Case No. 56877-2-II, Wash. Ct. App. (3/28/23). A Washington Court of Appeals (Court) reversed a lower court summary judgment for the Washington Department of Revenue (Department) to hold summary judgment for the taxpayer that because the primary purpose of its services provided to an electric and natural gas utility company was the extraction and conversion of certain meter data into a readable and usable format rather than the mere transmission of data, it provided exempt "data processing services" under Washington's retail sales tax. Examining the facts at hand, the Court reasoned that while the taxpayer's services qualified as taxable digital automated services, the services also met the statutory definition of exempt data processing. Rejecting the Department's claim that the primary purpose of the taxpayer's service was electronic meter reading (*i.e.*, merely collecting and transmitting information from the utility company's meters to its computer system), the Court concluded that the primary purpose of the taxpayer's service was "data processing" because it extracted certain data from raw data points produced by the utility company's meters and then converted that data into a usable format in a process that took several hours. Please contact us with any questions.

URL: <https://www.courts.wa.gov/opinions/pdf/D2%2056877-2-II%20Published%20Opinion.pdf>

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