

Sales/Use/Indirect:

Tennessee: Letter Ruling Says On-Demand Online Classes are Taxable Specified Digital Products

Letter Ruling No. 23-01, Tenn. Dept. of Rev. (3/9/23). The Tennessee Department of Revenue (Department) issued a letter ruling concluding that a company's membership fees for access to its online fitness classes are subject to Tennessee sales and use tax as a bundled transaction that includes taxable specified digital products. Specifically, the Department reasoned that the company's pre-recorded on-demand classes are taxable specified digital products under state law, and that the interactive nature of some of its offerings (*e.g.*, its live, online instructor-led fitness classes) does *not* change the overall taxability of the entire transaction. Furthermore, the Department explained that even if certain online live classes are deemed a "separate product that is included in the sale," the inclusion of nontaxable services in a bundled transaction that includes taxable products does not cause the entire transaction to be exempt from tax. Please contact us with any questions.

URL: <https://www.tn.gov/content/dam/tn/revenue/documents/rulings/sales/23-01.pdf>

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