

July 2024

Highlighting indirect tax developments



Welcome to the US Indirect Tax Digest. We highlight significant sales and use tax legislative enactments, regulatory adoptions, judicial decisions, and administrative guidance. We hope that you find the digest valuable and look forward to your feedback.

Brad Danton
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California digital tax bills continue to advance

The California Senate passed [SB 1327](#) on June 27, 2024, which would impose a 7.5% tax on gross receipts of data extraction transactions that applies to online platforms with annual gross receipts of \$2.5 billion or more. The tax would be imposed when the platform sells user information or advertising.

[AB 886](#) was amended, passed the Senate Judiciary Committee, and was re-referred to the Appropriations Committee on June 26, 2024. The bill would require a covered platform, with net annual sales or a market capitalization greater than \$550 billion, or over one billion worldwide monthly active users, either to pay a certain amount annually to compensate digital journalism providers for accessing their Internet websites or to participate in arbitration and pay an award based on the percentage of advertising revenue.

The “covered platform” definition was amended to clarify that it excludes a company that earns less than 50% of annual revenue from its online platform, advertising, and search services. For more information on these bills, see PwC’s [Indirect Tax Digest \(June 2024\)](#).

Observation: The Senate Appropriations Committee will hold a hearing on AB 886 on August 5, 2024.

North Carolina removes transaction threshold for remote sellers and marketplace facilitators

North Carolina enacted [Session Law 2024-28](#) on July 1, 2024, to repeal the 200-transaction threshold for remote sellers and marketplace facilitators. Effective upon enactment, retailers have a sales and use tax collection responsibility if:

- The retailer makes gross sales in excess of \$100,000 from remote sales sourced to this state, including sales as a marketplace seller, for the previous or the current calendar year.
- The retailer is a marketplace facilitator that makes gross sales in excess of \$100,000, including all marketplace-facilitated sales for all marketplace sellers, from sales sourced to this state for the previous or the current calendar year.

Observation: Prior to July 1, 2024, a remote seller registered to collect and remit tax solely because it exceeded the transaction threshold may cancel its registration if it meets the following requirements: (1) did not make gross sales sourced to North Carolina of more than \$100,000 during 2023 and from January 1, 2024, through the date it cancels its registration in 2024, and (2) is not otherwise engaged in business in the state [[Directive SD-24-1, North Carolina Department of Revenue \(7/1/24\)](#)].

Vermont imposes tax on SaaS beginning July 1, 2024

Vermont enacted [HB 887](#) on June 17, 2024, that imposes sales and use tax on prewritten software accessed remotely (software-as-a-service, or SaaS).

Effective July 1, 2024, the tangible personal property definition is amended to clarify that it includes prewritten computer software regardless of the method in which it is paid for, delivered, or accessed. The bill also repeals [legislation](#) enacted in 2015 that provided

“charges for the right to access remotely prewritten software shall not be considered charges for tangible personal property under 32 V.S.A. Section 9701(7).”

Be aware: The very short time period between enactment and the effective date may create administrative burdens for SaaS users and providers. Companies providing SaaS to customers will need to consider whether software system upgrades should be made to collect, report, and remit sales tax for customers in Vermont.

A myriad of other issues arise when tax is imposed on SaaS, including how to apportion computer services among states (multiple points of use or "MPU"). However, the Vermont Department of Taxes has provided limited administrative guidance, and nothing specific to MPU.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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