

Sales/Use/Indirect:

Utah Letter Ruling Explains Taxability of Services Related to Sales of Online Employee Rewards Programs

Private Letter Ruling No. 22-001, Utah State Tax Comm. (4/24/24). In a recently posted private letter ruling involving a company that sells to various employers “employee reward programs” that incorporate the company’s software and include the creation of websites configured specifically for each employer, the Utah State Tax Commission (Commission) concluded that, based on the provided facts:

URL: <https://tax.utah.gov/commission/ruling/22-001.pdf>

- The company’s one-time consulting, startup, and website design fees are not subject to Utah sales and use taxes;
- The essence or primary object of the transactions for sales of the employee reward programs are to obtain nontaxable services;
- Transaction fees charged by the company to its customers when employee reward points are rewarded are not subject to Utah sales and use tax;
- The company’s underlying sales of merchandise to reward program employees in Utah are subject to Utah sales and use taxes; and
- The company’s sales of gift cards are not subject to Utah sales and use taxes because they represent nontaxable sales of intangible rights.

Please contact us with any questions.

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