

Sales/Use/Indirect:

Texas: Ruling Says Various Online Services Constitute Taxable Data Processing Rather Than Nontaxable Advertising

Letter No. 202409012H, Tex. Comptroller of Public Accounts (9/16/24). In a ruling involving a legal research and publishing corporation that primarily offers its customers (attorneys, law firms, and public and private entities) electronic access to its various legal research products and services through subscriptions, the Texas Comptroller of Public Accounts (Comptroller) agreed with an administrative law judge (ALJ) in holding that the company provided more than just basic nontaxable advertising and marketing services and instead provided taxable data processing services. The ALJ had concluded that the disputed services were data processing services that provided content optimization, search engine optimization, web page designs or modifications, tracking data, monthly reports, automatic emails and phone calls, web chat features, “RSS fees,” and videos to increase ranking on search engine results, monitor traffic, and drive more traffic to a client’s website. According to the ALJ, the services at issue essentially functioned to upload, store, organize, and maintain digital data for access and download by customers, and such data processing services were *not* incidental but in fact constituted the essence of the transactions. Please contact us with any questions.

URL: <https://star.comptroller.texas.gov/view/202409012H?q1=117,891>

— Robin Robinson (Austin)
Specialist Executive
Deloitte Tax LLP
rorobinson@deloitte.com

Chris Blackwell (Austin)
Senior Manager
Deloitte Tax LLP
cblackwell@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.