

Sales/Use/Indirect:

Texas: Service Provider Fails to Show that its Purchased Cloud Services Qualify for Resale Exemption

Letter No. 202411010L, Tex. Comptroller of Public Accounts (11/24/24). In a ruling involving a company providing “transportation logistics solutions” services via web-based software modules stored in the cloud, the Texas Comptroller of Public Accounts (Comptroller) explains that the company *cannot* purchase certain cloud services used to host and operate its online system tax free under Texas’ resale exemption, because the company failed to show it purchased these cloud services for the purpose of reselling those same services to its customers as required by Texas Tax Code section 151.006(a)(1). Under the stated facts, to provide its logistics services, the company purchases cloud services to host and operate its software applications, and the company uses the cloud services to access and store data processed by its online system and provides that information to its customers. In this respect, the Comptroller reasoned that the company purchased the cloud services – which constituted taxable data processing services – for its own use to provide its logistics services rather than for resale. According to the Comptroller, to satisfy the resale exemption under Texas Tax Code section 151.006(a)(1), “it is not enough that the taxable item is purchased for the purpose of performing a contract with the customer.” Please contact us with any questions.

URL: <https://star.comptroller.texas.gov/view/202411010L?q1=202411010L>

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