

Gross Receipts:

Washington: Some Content Delivery Network Services Deemed Taxable and Sourced Based on Location of End-Users

Docket No. 20-129, Wash. Bd. of Tax App. (1/8/25). In a case involving a taxpayer providing content delivery network (CDN) services, the Washington Board of Tax Appeals (Board) held that its gross receipts from providing some services for the 2011 through 2015 tax periods at issue constitute “digital automated services” subject to retailing Washington business and occupation (B&O) tax and Washington retail sales taxes, and that the Washington Department of Revenue reasonably relied on the provider’s “traffic reports” in sourcing the taxable sales to Washington based on the location where the digital content was retrieved by end-users. In doing so, the Board explained that the taxpayer failed to show that the location of its taxable sales under any of the steps set out in Washington’s sourcing statute alternatively applied. Accordingly, even if the taxpayer was “correct that the location of the server where content is retrieved cannot be used to source its sales,” it failed to establish the correct amount of tax it owed under the “purchaser’s address” or “address from which the service was provided” steps within Rev. Code of Wash. section 82.32.730(1)(c) – (1)(e). The Board explained that the provider’s core CDN service, which enables customers to upload their digital content to its CDN and make it accessible via the internet, qualified as a “web hosting” service excluded from the definition of taxable digital automated service under Rev. Code of Wash. section 82.04.172(3)(B)(xiv). However, the amounts the provider charged for services that enabled customers to modify or enhance their digital content were *not* excluded from taxation. Please contact us with any questions.

URL: <https://apps.bta.wa.gov/Decision%20PDF/Formal%20Dockets/20-129.pdf>

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