

 = taxable

Current Rule (No statutory law)



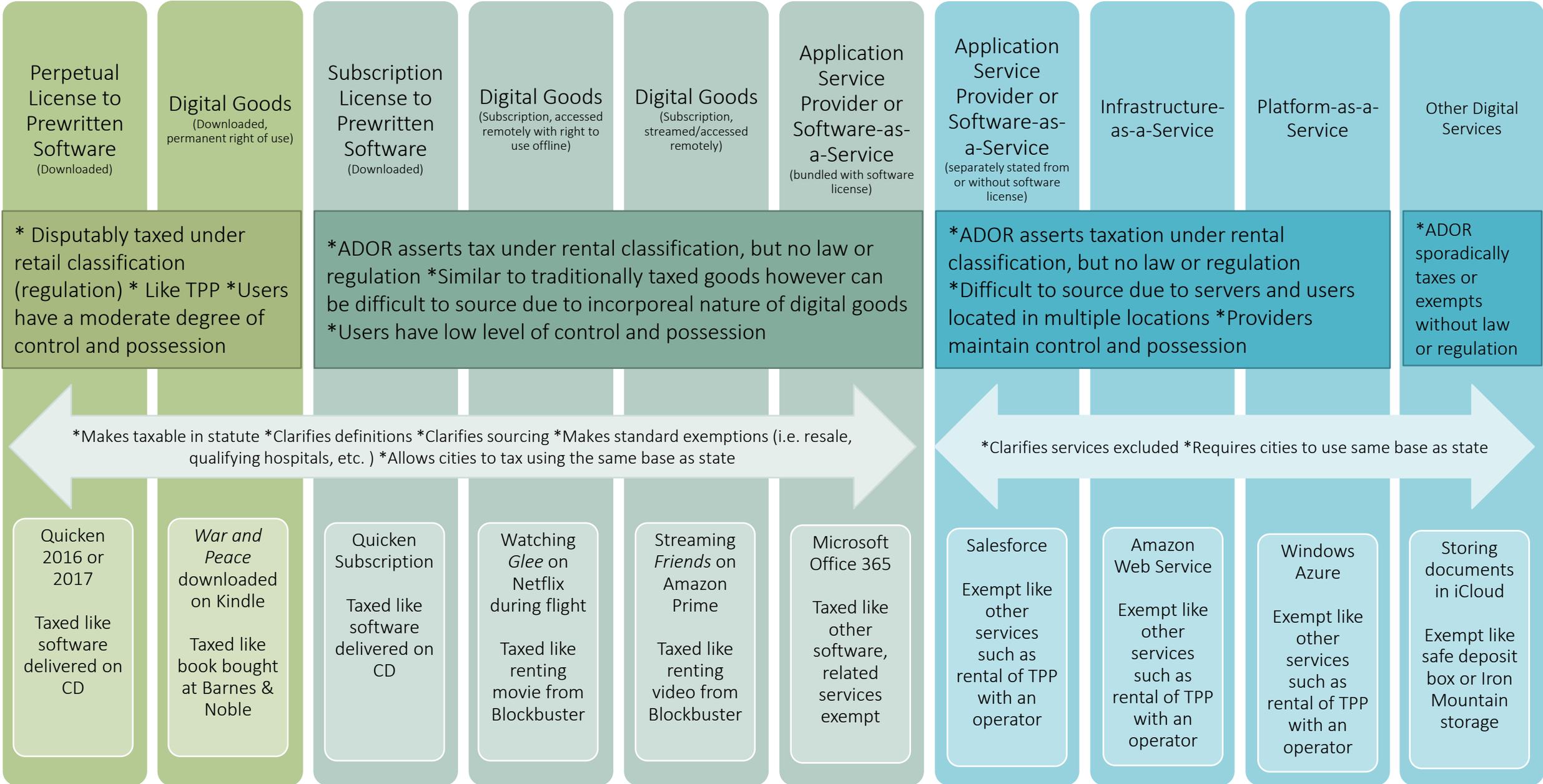
*legally disputed

SB1460 proposed



Goods  Services

Impact of SB 1460



What's the Fiscal Impact of SB1460?

Choose your own adventure: Which one of these 3 is true?

1

DOR lacks legal authority

- SB1460 increases the base of tax
- Fiscal Note is net positive

2

ADOR rules lack clarity

- State will continue to face lawsuits
- ADOR stipulates there is a lack of clarity
- SB1460 solidifies tax base

3

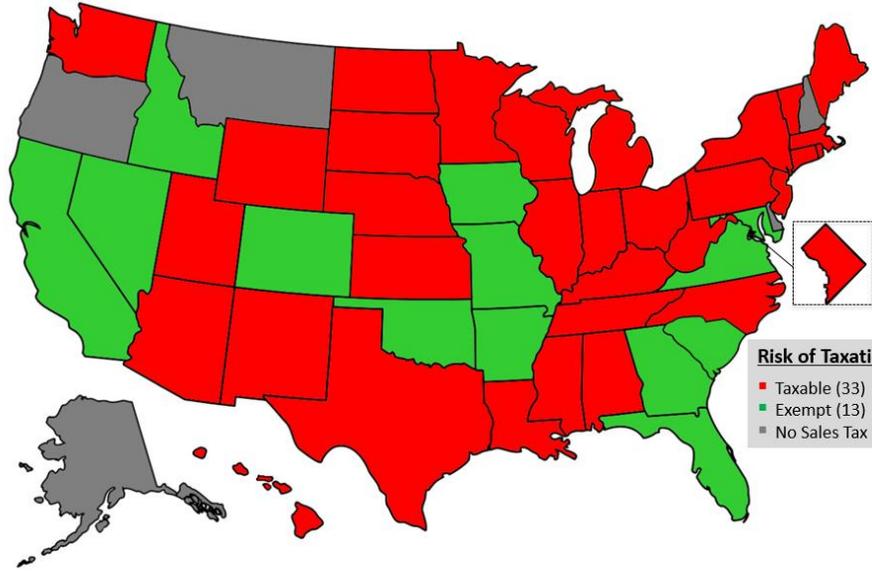
ADOR position is clear & on solid legal ground

- Bill reduces taxes, but only on Digital Services

Taxability of Prewritten Software Delivered Electronically*

Updated through May 2018

McDermott
Will & Emery

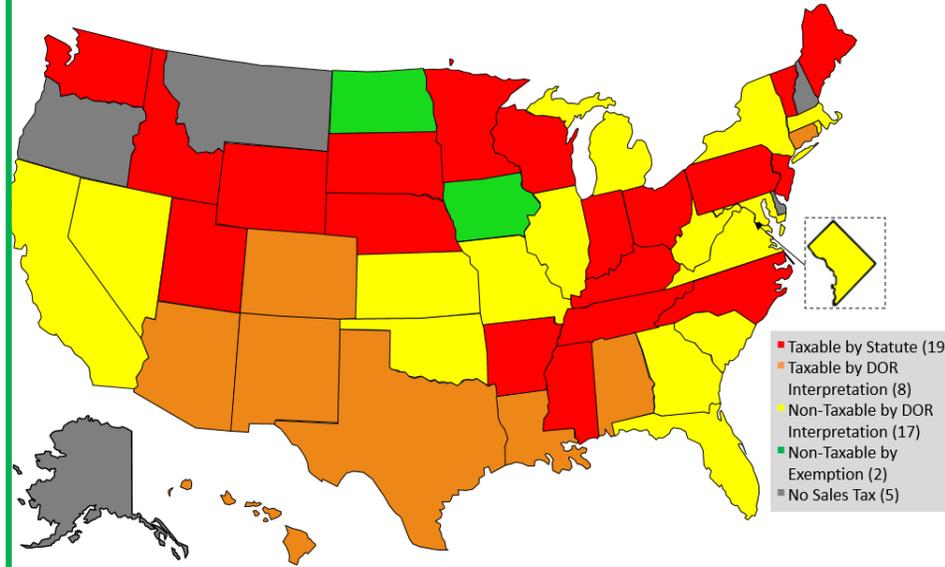


*Note: Prewritten software is defined as canned (non-custom) software delivered through an electronic medium.

Taxability of Digital Products

Updated through May 2018

McDermott
Will & Emery

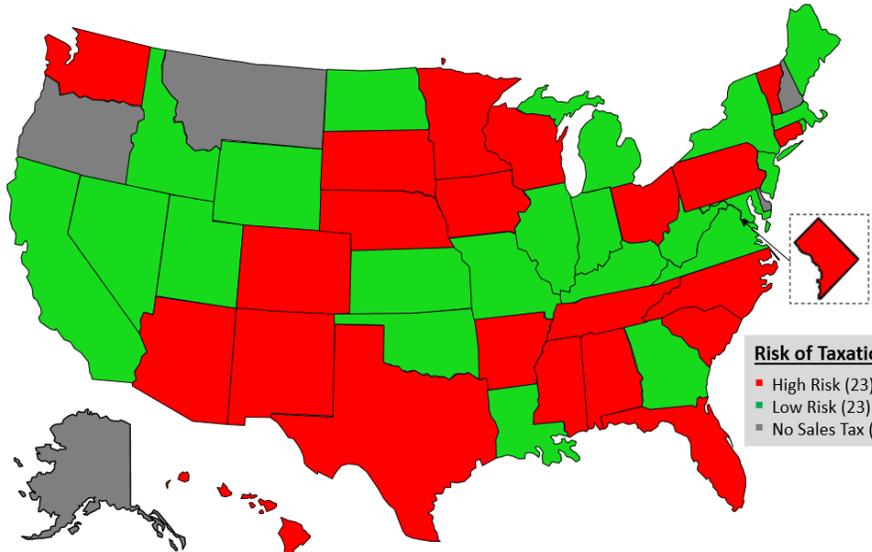


*Note: Digital products include digital audio, digital audio-visual and digital books delivered electronically.

Taxability of Streamed Video Content

Updated through May 2018

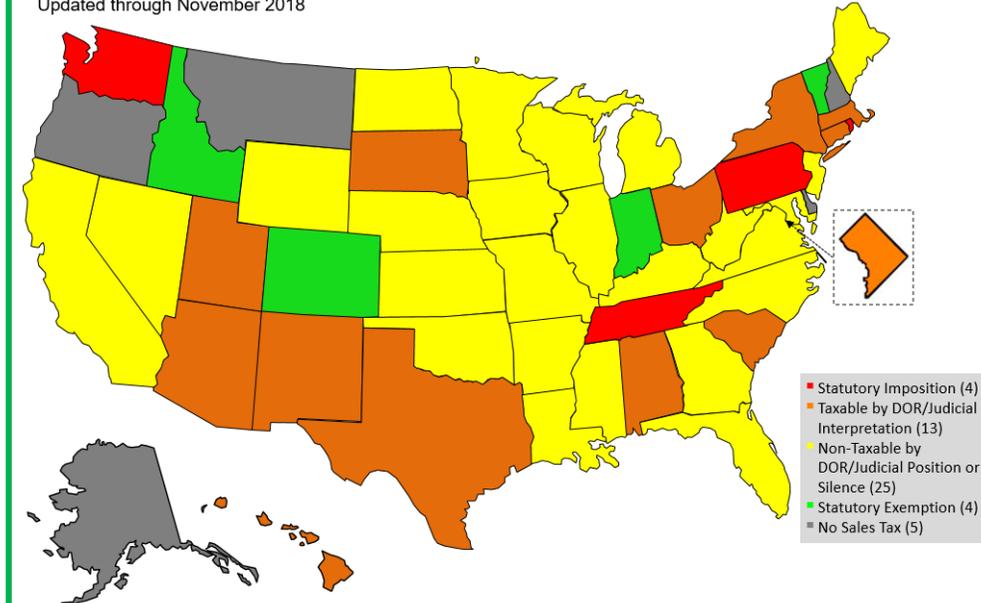
McDermott
Will & Emery



Taxability of SaaS*

Updated through November 2018

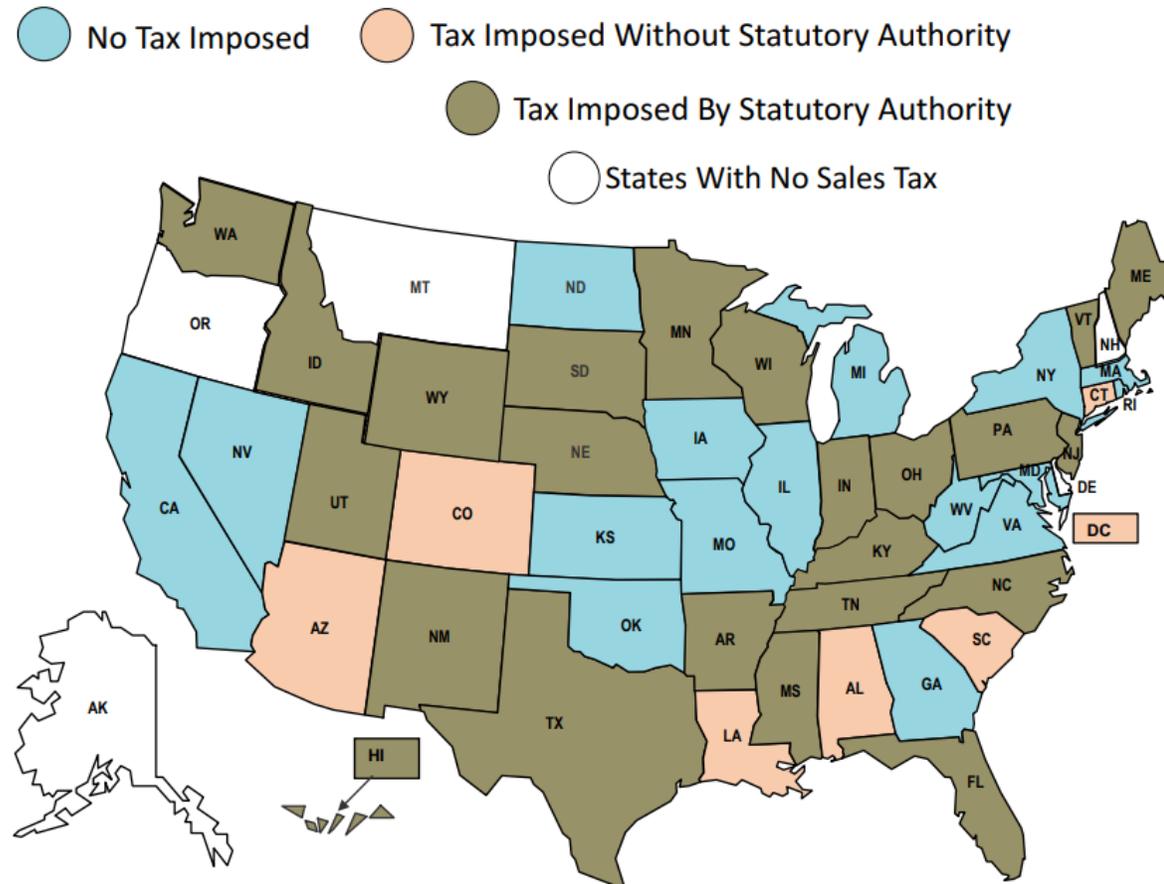
McDermott
Will & Emery



*Note: Software as a Service is defined as a service that provides remote access to software applications to the customer. Consideration was given to the taxability of SaaS with and without a license agreement when analyzing risk.

COST: AZ 1 of 7 states yet to address Digital Goods in law

Taxation of Digital Goods



Source: Council on State Taxation