

Prewritten Software Accessed Remotely

For the purpose of Vermont Sales Tax, charges for remote access to prewritten software accessed solely through the internet or cloud platform are not taxable. If you need further assistance with any of the topics covered below, please contact tax.business@vermont.gov.

Exemption to Sales Tax

Vermont generally imposes the Vermont Sales Tax on retail sales of tangible personal property. Tangible personal property is defined to include prewritten computer software in [32 V.S.A. § 9701\(7\)](https://legislature.vermont.gov/statutes/section/32/233/09701) (<https://legislature.vermont.gov/statutes/section/32/233/09701>). However, prewritten software accessed remotely and not installed on a computer does not fall within this definition.

Taxable Digital Products

Prewritten software that is downloaded from the internet and installed on a computer, as well as software delivered by portable storage media, falls under the Section 9701(7) definition of taxable tangible personal property. Other specified digital products also remain taxable. Under [32 V.S.A. § 9771\(8\)](https://legislature.vermont.gov/statutes/section/32/233/09771) (<https://legislature.vermont.gov/statutes/section/32/233/09771>), Vermont specifically imposes the sales tax on digital audio-visual works, digital audio works, digital books, and ringtones that are transferred electronically. These digital products are defined in [32 V.S.A. § 9701\(46\)](https://legislature.vermont.gov/statutes/section/32/233/09701) (<https://legislature.vermont.gov/statutes/section/32/233/09701>).

What is “prewritten software accessed solely through an internet or cloud platform?”

- It is not tangible personal property
- it is not downloaded to the purchaser’s computer
- it is accessed solely on a remote internet or cloud platform
- This product is sometimes referred to as “Software as a Service (SaaS)”

What is “tangible personal property?”

- Tangible personal property means property which may be seen, weighed, measured, felt, touched, or in any manner perceived by the senses [32 V.S.A. § 9701\(7\)](https://legislature.vermont.gov/statutes/section/32/233/09701) (<https://legislature.vermont.gov/statutes/section/32/233/09701>).

Definitions

“Infrastructure as a Service (IaaS)”

IaaS is a service that is defined as access to a computer infrastructure where the customer does not own the infrastructure and pays an IT contractor to operate it on the customer’s behalf.

“Platform as a Service (PaaS)”

PaaS is a service that provides customers with hardware and software tools that customers can use to develop, run, and manage their own applications and software. All tools are accessed via the internet.

What is Taxable and Nontaxable

Product	Taxable	Nontaxable
Custom software written exclusively for the customer's business		X
Development and technical support services		X
Digital audio works	X	
Digital audio-visual works	X	
Digital books	X	
Digital photographs		X
Infrastructure as a Service (IaaS)		X
Platform as a Service (PaaS)		X
Prewritten software accessed remotely on the internet or SaaS		X
Prewritten software downloaded from the internet	X	
Prewritten software on tangible storage media	X	
Ringtones	X	

Resources

- [32 V.S.A. § 9701\(7\) \(https://legislature.vermont.gov/statutes/section/32/233/09701\)](https://legislature.vermont.gov/statutes/section/32/233/09701)
- [32 V.S.A. § 9771\(8\) \(https://legislature.vermont.gov/statutes/section/32/233/09771\)](https://legislature.vermont.gov/statutes/section/32/233/09771)
- [Sales and Use Tax \(http://tax.vermont.gov/business/sales-and-use-tax\)](http://tax.vermont.gov/business/sales-and-use-tax)
- [Tangible Personal Property \(https://tax.vermont.gov/glossary#t\)](https://tax.vermont.gov/glossary#t)