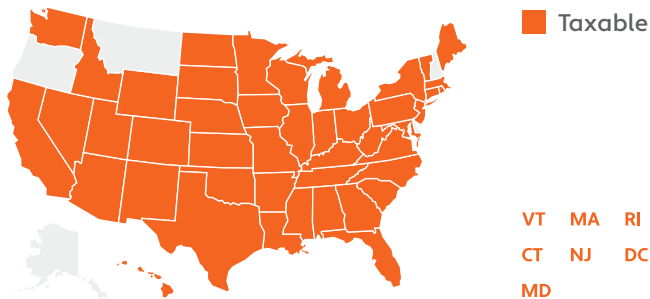


THE COMPLEX NATURE OF SOFTWARE TAXABILITY

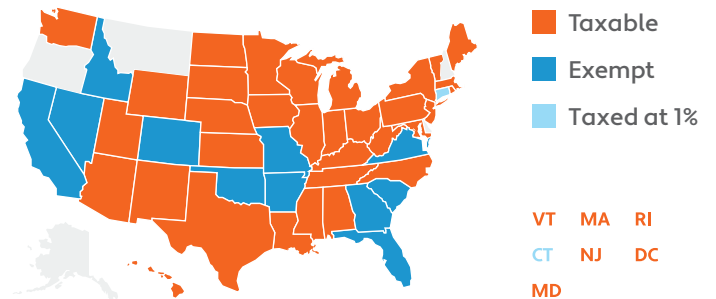
It's easy to see why software companies struggle with getting sales tax right. How do you apply a tax meant for tangible personal property to an intangible product or service? Attempts by states to solve for this have resulted in a complex tapestry of tax rates and rules for software and software as a service (SaaS).

SOFTWARE TAXABILITY BREAKDOWN

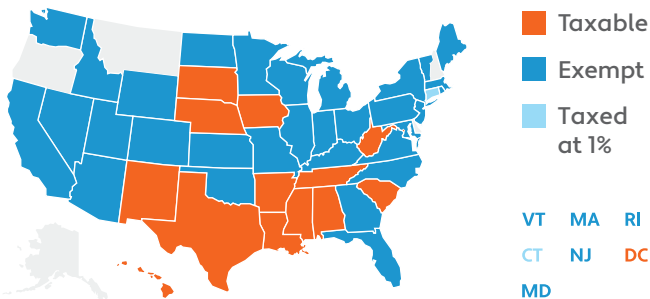
CANNED SOFTWARE DELIVERED ON TANGIBLE PERSONAL PROPERTY



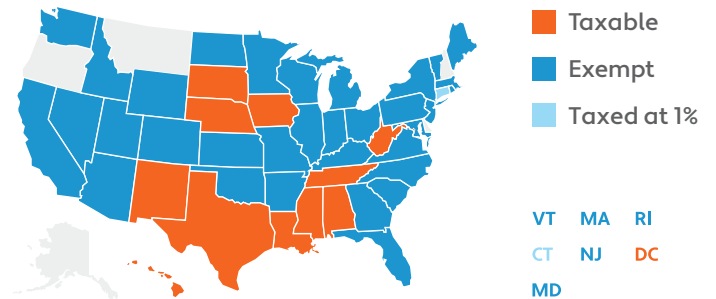
CANNED SOFTWARE DOWNLOADED



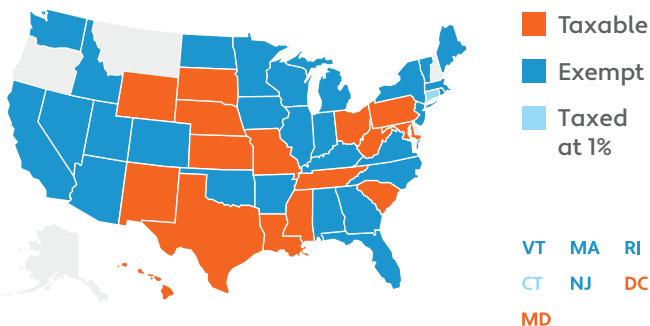
CUSTOM SOFTWARE DELIVERED ON TANGIBLE PERSONAL PROPERTY



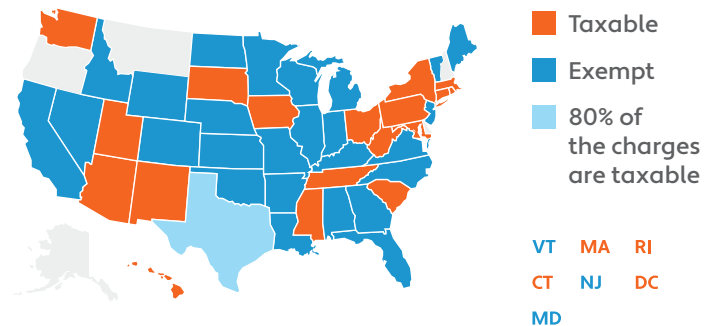
CUSTOM SOFTWARE DOWNLOADED



CUSTOMIZATION OF CANNED SOFTWARE

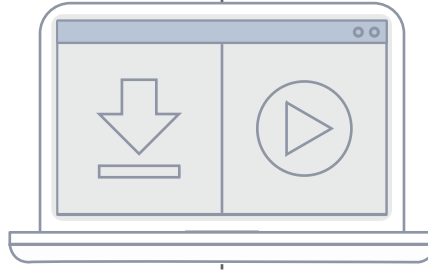


SOFTWARE AS A SERVICE



THE LOWDOWN ON THE DOWNLOAD

- 18** states + District of Columbia charge sales tax on web-based software,
- 1** state *partially* charges sales tax on web-based software, and
- 1** state *partially* charges sales tax on B2B web-based software.



'NETFLIX' TAX

- 25** states + District of Columbia charge sales tax on video programming streamed over the internet.

DON'T BUNGLER THE BUNDLE



SOFTWARE TRAINING

- 9** states + District of Columbia charge sales tax on software training associated with the sale of on-premises software;
- 6** states charge sales tax on software training *not* associated with a sale of on-premises software.



HARDWARE INSTALLATION

- 21** states charge sales tax on hardware installation associated with the sale of tangible personal property;
- 18** states charge sales tax on hardware installation *not* associated with a sale of tangible personal property.



DOWNLOADED SOFTWARE

- 28** states + D.C. charge sales tax **4** states *partially* charge sales tax on optional maintenance agreements associated with sales of downloaded software that include support services + updates.



PHYSICAL MEDIA

- 35** states + D.C. charge sales tax **7** states *partially* charge sales tax on optional maintenance agreements associated with software delivered on physical media that includes support services + updates.



IT'S NOT JUST SOFTWARE...



Digital movies



Streaming video programming



Digital photography



Purchased digital games

*When ownership is permanent



Rented digital games



Having a reliable tax solution in place that instantly applies the right sales tax rates and rules to digital goods and services was ranked highest as "very important" by technology decision makers.

Source: Avalara Sales Tax Survey for Software Companies

The reality is that sales tax isn't going to get easier for software companies anytime soon. The more you can predict and plan for these changes in your business, the better off you'll be. **Avalara's tax automation software integrates with your ERP, ecommerce and other financial systems, making it easier to prove compliance and plan for growth.**

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