

Frequently Asked Questions: The New Computer and Software Services Tax Effective 7/31/13

The Department has received a number of questions about the new sales and use tax applicable to computer system design services and modification, integration, enhancement, installation or configuration of prewritten software, described in Technical Information Release 13-10. Following are responses to some frequently asked questions, which DOR intends to update as additional inquiries are received. These FAQs are not public written statements of the Department, but are intended to be informational only as described in 830 CMR 62C.3.1(10)(c).

1. What is prewritten software?

A: "Prewritten software, also known as canned software and standardized software," is defined in the existing Computer Industry Products and Services Regulation, 830 CMR 64H.1.3, as follows:

"computer software, including prewritten upgrades, which is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more prewritten computer software programs or prewritten portions thereof does not cause the combination to be other than prewritten computer software. Prewritten computer software includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. Where a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of such person's modifications or enhancements. ..."

This definition is based on the Streamlined Sales and Use Tax Agreement, which has been adopted by 24 other states.

Sales and licenses of prewritten software have been subject to tax in Massachusetts for many years, and beginning April 1, 2006 sales of prewritten software have included software that is electronically transferred or accessed through the Internet.

2. What are modifications to prewritten software that are taxable under the new law?

A. Modifications to prewritten software that are subject to tax under the new law are modifications to software which is licensed, sold or otherwise made available to more than one user, where such prewritten software is modified for the use of a specific customer. The modification may be made either by the original seller/licensor of the software or by a third party. For purposes of this tax on modification, integration, enhancement, installation or configuration of standardized (prewritten) software, prewritten software does not include proprietary code owned by the provider (seller) of the modifications if that proprietary code is not separately licensed to customers. Custom application software (including custom software that incorporates such proprietary code) that is designed to run on a prewritten operating system is treated as custom software and not as a modification of the prewritten operating system software.

3. Suppose prewritten or customized software is licensed but not sold. Is that subject to sales tax?

A. Yes, licensing software is treated as a sale for purposes of sales and use tax. See 830 CMR 64H.1.3(3).

4. In the Department's Computer Industry Regulation 830 CMR 64H.1.3 (6) there is an exemption for sales of custom software and a discussion of custom modifications to prewritten software. How is this exemption to be reconciled with the new law in which "the *modification*, integration, enhancement, installation or configuration of standardized software" are taxable?

A. The regulation to which you refer has been superseded (and thus made obsolete) in some respects by the new legislation. To the extent that the regulation is inconsistent with any of the new statutory provisions or TIR 13-10, it has been superseded by the change in law. The Department intends to amend the regulation so that it will reflect the new statutory rules that are now effective.

5. When does the sales tax on computer and software-related services take effect?

A. The effective date is set by legislation at July 31, 2013.

6. Are troubleshooting computer services generally provided at the customer's home or place of business taxable?

A: Generally, service technician charges for determining why a customer's hardware or software is not working properly are not taxable. This may include reinstallation of software that was already on the customer's computer. If additional hardware or software is provided to the customer during the service call, the rules in 830 CMR 64H.1.1, Service Enterprises, apply. If the service technician sells the customer a subscription to prewritten software, such as antivirus protection, those charges would be subject to the tax on prewritten software.

7. We are a computer service and IT support company located in Massachusetts. We occasionally install Microsoft Office and operating system software into computers for our customers. We purchase the software and tax the end user but do not tax the labor for installing the software into the computer. Are you saying with this new law, we charge tax on the software and labor as well?

A. Yes, that is correct, both the taxable prewritten software and installation charges are subject to tax on and after July 31, 2013.

8. Am I correct in interpreting the law change as meaning that technical support and training are not part of the above definition of taxable services?

A. Yes, technical support and training that do not otherwise involve the transfer of taxable prewritten software or tangible personal property to the customer remain nontaxable under the new law.

9. How does the new tax apply to use of Open Source software?

A. Open Source software is available free on the Internet. Thus, no tax applies to the transfer of Open Source software where there is no consideration for the transfer. (Answer Revised 8/12/13)

10. Is Website Design a taxable service?

A. The Department understands that website design may be accomplished in various ways, which may result in part or all of the charges being subject to tax. The Department is gathering further information on the various business models involved. (Answer Revised 8/12/13)

11. For a Massachusetts vendor whose services involve the creation/modification/enhancement of a client's website that will reside (be hosted) on an unrelated third party's servers, and not operate on the client's computer systems, is the vendor responsible for collecting sales tax on these services provided to Massachusetts based clients?

A. Generally, yes. See answer to #10, above. The location where the website is hosted and the ownership of that server do not determine taxability.

12. Is website hosting taxable under the new statutory provisions?

A. No, website hosting is non-taxable under prior and current law.

13. Are data storage and disaster recovery services taxable?

A: No, data storage (in the "cloud") or disaster recovery and backup services (in the "cloud") remain nontaxable services.

14. If I have subcontractors working on a taxable computer system design services project, how should that be handled?

A. If you are a Massachusetts registered vendor, you may give a resale certificate, ST-4, to subcontractors performing taxable services that will be resold to your customer.

15. Suppose a computer system is designed but not actually built, so software is never actually integrated with hardware. Are the services still subject to sales tax?

A. No, the tax does not apply to design or consulting services that do not result in a sale of a computer system that integrates computer hardware, software or communication technologies.

16. Suppose prewritten or customized software is written for the ultimate use of a nonprofit organization, but it is sold to a for-profit organization that intends to license or sell the software to the nonprofit. Is it subject to sales tax at any stage?

A. No, provided that the only retail sale is to the non-profit entity. The for-profit intermediary could purchase the taxable software and taxable services with a resale certificate (ST-4) and then take an exemption certificate (ST-5) from its non-profit customer. The sale to the for-profit entity would be exempt as a “sale for resale” under G.L. c. 64H, § 8.

17. The software I am writing is largely web-based. If the server on which it runs is outside the Commonwealth, is it then not taxable? But the resulting service (provided by the software) will be used by people all over the US, so then is the portion of use in Massachusetts taxable?

A. The location of the server is not relevant. Yes, the portion of the software purchased for use in Massachusetts is taxable. In these circumstances, the seller need not collect tax on the sale provided that the buyer gives the seller an MPU (Multiple Points of Use) certificate, in which case the buyer will pay tax only on the Massachusetts portion of the use and must file a use tax return to report such tax. The “sourcing” of the service – to Massachusetts or to one or more other states – should be the same as the sourcing of the sale of the prewritten software.

18. I've been writing software under contract for a couple of years now, but have not yet actually been paid for any of it. Are my services prior to July 31, 2013 not subject to the tax, even though I will not be paid until after July 31, 2013? (The contract specifies an hourly rate, but payment is conditional on revenue to my customer.)

A. Services performed before the effective date of the new legislation are not taxable even if paid after July 31, 2013.

19. Currently many sellers of service sell blocks of hours in an effort to reduce their customer's labor cost for services. From an accounting perspective this labor is classified as deferred revenue and is recognized when the services are delivered. Thus a customer can purchase 100, 200, 300 hours at a discounted price and use them over the course of a year or many years. For hours purchased prior to 7/31/13 – are these considered non-taxable as they were purchased under the old guidance?

A. TIR 13-10 provides the following: “Contracts for taxable Computer/Software Services entered into before July 31, 2013 are not taxable except to the extent a payment under such a contract is invoiced or billed (or if not invoiced or billed, due under the terms of the contract) on or after July 31, 2013 and only to the extent that the payment relates to services performed on or after July 31, 2013.” Prepaid hours purchased and paid for before July 31, 2013 will not become taxable, even for services performed on and after July 31, 2013.

20. An attorney or accountant uses prewritten software to prepare a document or a tax return. How does the sales tax apply?

A. The attorney or accountant must pay sales or use tax on any prewritten software used in their practices in Massachusetts, including custom modifications. The attorney's and accountant's work product to clients is not subject to sales or use tax.

21. Will the sale of installation services of prewritten software be subject to MA sales/use tax when not sold in conjunction with computer system design or customization of prewritten software?

A. Yes, for sales on or after July 31, 2013.

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23. When you create a local area network (LAN) you are connecting computers to a server, a router, a switch, a firewall, and you are installing an Operating System on the network to allow for file sharing, print sharing, and resource sharing. Specific questions:

a. If you are a vendor designing and implementing a LAN is this a taxable service?

- b. If you are adding additional functionality and/or workstations to a LAN is this a taxable service?
- c. If you are maintaining, patching, or adding security software (Anti-Virus, Spam, Spyware etc.) are these taxable services?
- A. The answer to all three questions is yes, these services either fall within the definition of taxable computer system design services or are taxable sales of prewritten software.

24. I am a Massachusetts vendor selling software and computer services that will be taxable on and after July 31, 2013. How does the tax apply to my out-of-state clients?

A. Generally, the sourcing rules in Section III C of the TIR would source the sale to your customer's out-of-state location unless the customer comes to your business location for receipt of the service. Where sale of the taxable service or product is sourced outside of Massachusetts, no Massachusetts tax is due.

25. I have purchased taxable computer or software services and given the seller an MPU exemption certificate. How and when do I self-report use tax?

If the purchaser of taxable computer or software services gives an MPU certificate and has no sales tax to report as a vendor, it must electronically file an annual business use tax return on Form ST-10 through WebFile for Business; that return is due on or before April 15th for the prior calendar year. If the purchaser also has sales tax to report as a vendor, it must electronically file Form ST-9 through WebFile, reporting both sales and use tax on a monthly basis.

26. During implementation of a new computer system for a customer there is often the need for data conversion and/or data migration of a customer's data from the customer's legacy software to the new system. These data services may include, but are not limited to, formatting data, loading of data, data monitoring, data migration, and data conversion. Data conversion is a process of converting computer data from one format to another. If the charges for this data conversion/data migration are separately invoiced, are they taxable or exempt under the new law and the guidance in TIR 13-10? Does Massachusetts view data conversion and data migration performed during a computer software implementation project, even when separately stated and invoiced, as taxable under the new law?

A. No, the services you describe regarding data conversion and data migration are considered exempt data processing services and remain non-taxable under the new law so long as the charges are separately stated and set in good faith.

27. How does a vendor of taxable computer and software services register to collect Massachusetts sales and use tax?

A. If not previously registered with DOR, a vendor must register for sales tax on-line through WebFile for Business at www.mass.gov/dor. Note that the registration process may take several days, as DOR must authenticate the identity of the registrant.

28. What exemptions apply to sales of taxable computer and software services?

A. Many of the sales and use exemptions in General Laws Chapter 64H, section 6, apply to sales of taxable computer and software services. For example, sales and use tax exemptions apply to sales to the United States, the Commonwealth or any political subdivision thereof, or their respective agencies under G.L. c. 64H, section 6(d) or to sales to 501(c)(3) organizations as provided in G.L. c. 64H, section 6(e).

29. When is the first return due for a vendor of taxable computer or software services?

A. The first return is due on or before September 20, 2013, which must include taxable sales for the month of August and for the one day of July 31, 2013 (the effective date of the changes).

30. Does this law require us to collect sales tax for service involving the upgrade of Microsoft software (e.g., Windows XP to Windows 7 upgrade)?

A. Charges for sales and installation of software upgrades are taxable on and after July 31, 2013. (The sale of the software and upgrades, but not the installation, was taxable under prior law.)

31. Does this law require us to collect sales tax for any service involving Microsoft software which is preinstalled on a computer (e.g., removing a virus)?

A. If the service only involves removing a virus from software/hardware already owned by the customer, no tax applies, even if the existing software must be reinstalled.

32. I am an IT vendor based out of New Hampshire with many Massachusetts clients. Am I required to collect this new Massachusetts tax (in TIR 13-10) from my Massachusetts clients?

A. Under current law, whether or not a vendor is required to collect Massachusetts sales tax depends on whether the vendor has or exercises some form of physical presence in Massachusetts. This is the same longstanding rule that applies to sellers of tangible personal property. Physical presence could include, for example, having a business location such as an office in Massachusetts or visiting customer facilities in in Massachusetts for sales purposes or to perform services. If the vendor has such physical presence, it should register as a Massachusetts vendor as described in FAQ # 27. If it does not have physical presence in Massachusetts, its Massachusetts customers will be required to self-report and pay use tax on their purchases of taxable goods and services.

33. My company helps design a new server system for the customer and provide specifications. The customer purchases the equipment and software from an unrelated third party. My company then sets up the equipment and installs/configures the software.

A. This is a taxable computer system design service; the fact that the equipment and software is purchased from an unrelated third party does not change that result. Contrast with FAQ #15 where no hardware or software are sold.

34. How do Software as a Service (SaaS) vendors handle the sourcing issue?

A. Generally, sales by Software as a Service (SaaS) vendors are treated as sales of access to prewritten software, taxable under prior and current law, and sourced as provided in Section III C of TIR 13-10. Generally, the sale is sourced to the customer's location and if that location is in Massachusetts, the Massachusetts sales tax either must be collected by the vendor or the vendor must obtain an MPU exemption certificate from its customer, who will assume responsibility for self-reporting and paying apportioned use tax.

35. If Vendor X uses computer services personnel to develop custom software solutions based on pre-existing software for a customer, and passes all work to third-party vendors outside the State (effectively just marking up the value of services in return for managing the delivery and taking the risk), does the customer have to pay sales & use tax on the total value of the contract?

A. Yes, under these facts, the sales price subject to tax is the total value of the contract as described above. The Massachusetts registered Vendor X should give a resale certificate (ST-4) to the third party vendors providing software or services that will be resold. Vendor X must generally collect and remit tax on sales to Massachusetts customers or ask them to provide an MPU certificate (ST-12) at the time of the sale, in which case the customer will be responsible for self-reporting and remitting apportioned use tax and Vendor X would not be required to collect tax.

36. I'm an independent software contractor. My current client is a company in Massachusetts that designs and manufactures equipment used in the production of carbon-composite components in a wide variety of industries. They make the manufacturing hardware and assemble and program the computers which control that hardware. I've been engaged to help them write some of those programs. The software I write is directly to my client's specifications; I don't write a program and sell it to them, I present them with an invoice for my hours. It is all new, custom software written in C# and Java, and does not currently involve integrating third party programs or packages.

A. Under the facts you describe, such custom software is not subject to tax.

37. My client sells Service Agreements for security systems that involve maintenance of the hardware (not computer system or software related) and upgrades to the software – if necessary – to the latest version. The price of the agreement is paid at commencement of the agreement, not execution of it. How should this be handled? To apply sales tax on the entire maintenance agreement would be taxing the customer on maintenance as well as upgrades, but there is no way of telling at the beginning of the agreement what portion of the amount paid up front will be for software upgrades and what portion is for the maintenance and repair of hardware.

A. Your client is providing maintenance services to tangible personal property and therefore should apply the rules in 830 CMR 64H.1.1(5)(g) relating to tax on such contracts. Generally, the provider of this type of maintenance service contract is the consumer of any tangible personal property, including prewritten software and upgrades, that are used in the performance of the contract. Your client, the service contract provider, would be responsible for use tax on the software and upgrades. Generally, no tax need be charged to the customer on these facts, unless there is an additional charge for non-covered tangible personal property, including software or upgrades (or for computer or software services taxable under the new law) that are sold by the service contract provider to the customer. These rules are essentially unchanged by the new law.

38. If I provide professional software services, consulting and project management as an individual should I charge the 6.25% sales tax?

A. Whether you are a sole proprietor or a corporation or other form of business entity does not affect whether you are making taxable sales. If the services you are providing to Massachusetts customers fall within those described in TIR 13-10, you should be collecting the 6.25% sales tax on those services performed after July 31, 2013.

39. We are a small corporation in Massachusetts whose business is that of a value-added reseller of “canned” software. Basically, what we do is (a) sell packaged software (that was developed in outside Massachusetts) and install the software (we already charge sales tax on this), (b) provide training on the software, and (c) offer a few other additional services as to which we are trying to determine taxability under the new law, specifically:

- (1) We convert data from old software our client used, in order to be able to use that data with the new software we sell.
- (2) We manipulate data, e.g., when our client decides it wants to add an additional digit to a general ledger code, etc.
- (3) We re-enter data for a client when it needs to transfer information to an additional module of our software or from another software.
- (4) We pull information from the software and put it into a “query” or a “report” for the client.
- (5) We edit existing reports or queries for the client when it wants to add or subtract information to a report or query.

A. The “additional services” you describe in (1) – (5) above appear to be non-taxable data processing services and no tax is due if the charges for these services are separately stated, reasonably allocated charges, under prior or current law. We are assuming that the activity in (5) involves helping the customer to use existing capabilities/options already included in the prewritten software rather than adding or changing the code itself.

40. My company employs a number of individuals who perform tasks such as the modification, integration, enhancement, installation or configuration of prewritten software for internal use by the company (not for sale to the public or unrelated third parties). Is sales or use tax due on their services?

A. No, the tax on software/computer services does not apply to services performed by an employee for his/her employer or services rendered by one member of an affiliate group to another member of that group. A company purchasing prewritten software that is not otherwise exempt must pay sales or use tax on such software under both prior and current law.

41. Company Y uses temporary employees from a temporary staffing agency – the staffing agency is regularly engaged in the temporary employee staffing business and provides that service to multiple unrelated clients as part of its regular business activities. The temporary employees work under the direction and control of Company Y and perform tasks in a similar manner as the company’s permanent employees.

A. Under those circumstances, the services of temporary employees to Company Y would be treated in a similar manner as Company Y’s permanent employees and would not be subject to sales or use tax, even if the employees are performing tasks involving modification, integration, enhancement, installation or configuration of prewritten software.

42. Is domain name registration a taxable service? A domain name registrar is an organization or commercial entity that manages and registers the reservation of Internet domain names.

A. Domain name registration is not a taxable service.

43. Is domain privacy a taxable service? Domain privacy is a service offered by a number of domain name registrars. A user buys privacy from the company and the company replaces the user's info in the "WHOIS" with the info of a forwarding service (for email and sometimes postal mail) done by a proxy server.

A. Providing domain privacy is not a taxable service.

44. I am a consultant who provides user experience design services to my clients. Clients are large or small software companies in various locations. I help them understand how to build a product that their customers can use easily. Familiar terms like "usability" and "ease of use" come from this work. Ultimately, my clients are responsible for actually doing the software design and implementation to create the product. While one could describe the work as "Website design," it is very different from the description of Website design in the FAQ #10. That description focuses on writing the software (from scratch or by modifying existing software). The result of my work is a series of recommendations, not software. This is typically a set of sketches of Web pages in the proposed design, and a description of how each part of the user interface should work. There may also be some simple HTML code to allow the client to click from one page to the next, but that code is not for delivery to the consumer; it's essentially a way of animating the sketches so the client can see what the user's experience would be in the final product. When I deliver the design, it's up to my client to do the software design and implementation.

A. The design services you describe are nontaxable personal services. The service you provide to your customers does not involve the modification, integration, enhancement, installation or configuration of prewritten software.

45. I'm an independent software contractor. Although I'm not currently doing so, it would not be unusual for someone in my line of work to be asked to use a third-party product, e.g., a math library or graphics library. The actual effort involved in integrating such a product is typically trivial - literally a few minutes - although it often makes possible lots of enhancements to a client's product - such enhancements would not be integration; they would be wholly new original work. So how do I know when and how I need to start accounting for such work? (Note, this is a follow-up question from FAQ #36, in which the seller was providing non-taxable custom software services.)

A. While the services of integrating a third-party software product into the customer's software would generally be taxable, there is an exception where taxable services are bundled with nontaxable services and (1) the value of the taxable services is inconsequential within the meaning of 830 CMR 64H.1.1, that is, valued as less than 10% of the total sale, (2) that value is determined in good faith and (3) the service provider is not the vendor of the taxable prewritten software or product being integrated into the customer's software. In those circumstances, the service provider is not required to collect and remit tax on such inconsequential integration services unless the charges for such services are separately stated. Charges for prewritten software remain taxable; in this example the customer is responsible for sales or use tax on the third-party prewritten software product.

46. One of our clients is located in Massachusetts, and we were looking for clarification on one of the services they provide to out-of-state clients. Their out-of-state clients will ship their hardware to Massachusetts to have their existing hard drives imaged to a newer hard drive and then it is shipped back to the client. The imaging includes files and software uploading. Does this service being completed in state qualify for sales tax?

A. Separately stated charges for data transfer and reinstallation of the customer's software on a new hard drive are not taxable. Sales of prewritten software (including installation) and hardware are taxable. Applying the sourcing rules in TIR 13-10, III, C, tax would be due if your client's customer picked up the computer at your client's business location in Massachusetts. If your client ships the computer to an out-of state customer for use outside Massachusetts, no Massachusetts tax is due.

47. We install firewalls (owned by us) at client sites and charge clients a monthly fee. We monitor the device, apply updates, replace the hardware if it fails, etc. – is this monthly fee taxable?

A. As we understand the facts, you provide your customers with both hardware and prewritten software for a monthly fee. The monthly fee is taxable under prior and current law.

48. We provide a spam filtering service for our clients – we install McAfee on client servers and charge a monthly fee based on the number of users. Is this taxable?

A. This monthly fee is taxable as a sale of prewritten software under prior and current law.

49. I read TIR 13-10 regarding the new sales tax regulations affecting Computer and Software Services. However, I did not see any mention of changes to the taxability of optional software maintenance contracts. Does that mean the rules have not changed and that they are still considered nontaxable if they meet the requirements?

A. The rules have not changed with respect to optional software maintenance contracts which include software upgrades, enhancements or updates of prewritten software as more fully described in 830 CMR 64H.1.3(7). Generally, these contracts are 50% taxable.

50. I understand that if we install new software there is a tax for the labor. However, we have what we call a Managed Monthly Service which watches over our customer's software to make sure it is running smoothly. Do we need to charge tax every month for the service to our customers in Massachusetts?

A. This is a nontaxable service unless it includes upgrades, enhancements or updates of prewritten software as described in FAQ #49.

51. Some customers purchase software for which there is a sales tax charged. Every year thereafter an annual fee is charged to these customers related to this software, but the contract is for "training, and telephone support only". Is this annual fee taxable even when the services provided for that service plan are nontaxable under the new law?

A. A contract that only provides for training and telephone support but not upgrades, enhancements or updates of prewritten software is not taxable under prior or current law. Also see FAQs #49 and #50.

52. Are 501(c)(4) entities also exempt from the new computer design sales tax? If all of my clients are exempt from paying sales tax on my services, then must I still register, and must I still make regularly filings?

A. The sales tax exemption in G.L. c. 64H, §6(e) is only for 501(c)(3) entities and to the extent that the taxable item will be used in the conduct of the organization's religious, charitable, or educational mission. Other types of entities under IRC S 501(c) are not exempt from sales tax. If you have only non-taxable sales, you do not need to register as a sales tax vendor, but you should retain exemption certificates, Form ST-5, from your customers in the event you are contacted for audit.

53. We are a telecommunications company who frequently goes to customer's sites to relocate extensions. When relocating the extensions we obviously have to reprogram them to the appropriate locations, is this taxable? Also when we have a service issue (i.e., phone not working properly) and we have to make a program change (i.e., call forwarding, speed dial, etc.) to resolve the service issue, is this taxable?

A. A repair or maintenance service involving inconsequential configuration of existing software is not a taxable sale of prewritten software nor is it taxable as a computer design service or modification of prewritten software as described in TIR 13-10. (Also see FAQ #45.) The telecommunications company is responsible for sales or use tax on prewritten software or taxable computer/software services purchased and consumed in the provision of telecommunications services to its customers.

54. I represent a business that offers cloud-based advertising services for businesses both within and without Massachusetts. More specifically, my client's customers use the service to do the following:

(1) store video files that are then made available to consumers via a URL; (2) modify their own webpage that is also made available to consumers via a URL; (3) generate text messaging campaigns for consumers; and (4) for some customers who are authorized resellers of the services, a personalized - but automated - version of the company's website is provided. My client's so-called "software as a service" is sold on a subscription basis; the customer has no permanent ownership of or license to the software. Further, my client does not offer any design services specific to any customer. Once access is granted to the cloud-based service, the customer is responsible for all content and modifications. We believe these services fall under the sales tax exemption for "data access, data processing or information services", but would like confirmation given the confusion related to the new law.

A. Typically, sales of access to prewritten software on the seller's or a third party's server are taxable as provided in 830 CMR 64H.1.3 , whether described as "software as a service" or otherwise. Your client's customers are using prewritten software to disseminate their own advertising/information. No additional content or information is being provided by the seller. This is a taxable sale under prior and current law.

55. I sometimes assist clients with upgrading prewritten software which was purchased before 7/31/13. The upgrades to which I refer are free. Would these services be taxable if they were performed on software purchased after 7/31/13? Are they taxable if performed on software the company already owns and on which they were not previously required to pay sales tax?

A. Prewritten software was taxable under prior law. Downloaded prewritten software and prewritten software accessed through the Internet have been taxable since 2006. Charges for the services of modification, integration, enhancement, installation or configuration of prewritten software are taxable if the services were provided on and after 7/31/13, regardless of when the underlying software was purchased or whether any software upgrades are "free."

[Sales Tax on Computer/Software Service FAQs Change Log](#)

Kindly send any additional questions and or comments to rulesandregs@dor.state.ma.us.