

Remotely Accessed Software Direct Pay Permit

To address changes in technology, state law was amended to expand the definition of taxable computer software. The definition now includes the access and use of software that remains in the possession of the seller and that a customer accesses remotely for use in this state. See important notice 15-14 for more details.

A New Direct Pay Permit Form Allows Purchasers of Remotely Accessed Software Used in Multiple States to Directly Pay Sales or Use Tax to the Department of Revenue

The Department of Revenue has created a new [Remotely Accessed Software Direct Pay Permit form](#), which is available on the Department's website. A purchaser of software, which remains in the seller's possession and is accessed and used both from locations in and outside of Tennessee, may provide its seller with a fully completed Remotely Accessed Software Direct Pay Permit to make the purchase without paying tax to the seller.

For example, a purchaser of remotely accessed software that has employees who access the software from two different states may use the permit.

The purchaser must provide a separate permit for each remotely accessed software product purchased or an attachment to the permit that lists the software products it applies to. The purchaser must then directly report and pay the sales or use tax to the Department on the portion of the price that corresponds to the percentage of users located in Tennessee.

A Tennessee Sales and Use Tax Account Number Is Required

The purchaser must include on the Remotely Accessed Software Direct Pay Permit form its Tennessee sales and use tax account number that will be used to directly report and pay the Tennessee tax. A purchaser must not use and a seller must not accept the Remotely Accessed Software Direct Pay Permit if a Tennessee sales and use tax account number is not included.

A purchaser that is not registered for sales and use tax purposes may use the Streamlined Sales and Use Tax Certificate of Exemption, which must include its federal identification number, to claim exemption for the portion of the price of the remotely accessed software that corresponds to the percentage of users located outside Tennessee. The seller must collect tax on the portion of the price that corresponds to the percentage of users in Tennessee.

A Purchaser May Not Use the Remotely Accessed Software Direct Pay Permit Form to Buy Software that Is Transferred to the Purchaser

A purchaser may not use the Remotely Accessed Software Direct Pay Permit when purchasing computer software that is provided to the purchaser:

- on tangible storage medium (i.e., discs or tapes),
- by download, or

- that is programmed, loaded or installed on the purchaser's or its designee's computer.

A seller must not accept the Remotely Accessed Software Direct Pay Permit for sales of software that is transferred or delivered to the purchaser by these methods.

For More Information

Visit www.tn.gov/revenue. The Department will be providing ongoing guidance through our Revenue

Help feature on our website. You may submit a specific question regarding this issue by clicking on Revenue Help and choosing "remotely accessed software" from the drop-down box.

References

Tenn. Code Ann. § 67-6-231; Public Chapter 514 (2015); Important Notice 15-14