

TENNESSEE DEPARTMENT OF REVENUE
REVENUE RULING # 25-08

Revenue rulings are not binding on the Department. This ruling is based on the particular facts and circumstances presented, and is an interpretation of the law at a specific point in time. The law may have changed since this ruling was issued, possibly rendering it obsolete. The presentation of this ruling in a redacted form is provided solely for informational purposes, and is not intended as a statement of Departmental policy. Taxpayers should consult with a tax professional before relying on any aspect of this ruling.

SUBJECT

The application of the Tennessee sales and use tax to subscription fees for a mobile healthcare solution that tracks participants' health information and provides guidance based on that information.

SCOPE

Revenue Rulings are statements regarding the substantive application of law and statements of procedure that affect the rights and duties of taxpayers and other members of the public. Revenue Rulings are advisory in nature and are not binding on the Department.

FACTS

The Taxpayer is a company that provides a mobile healthcare solution designed to promote population-level improvements in heart health management. The Taxpayer charges an annual flat per-user Subscription Fee to its customers ("Clients") who in turn make the subscription offerings available to their employees and employees' dependents as part of their medical benefits. Individuals who wish to participate in the subscription offerings ("Participants") must register via the Taxpayer's online portal.

The Subscription Fee includes:

- The Taxpayer grants to Clients and Participants a non-assignable, non-exclusive, non-transferable software license for the sole purpose of allowing Clients and Participants to use the software mobile application ("the app"). Participants can download the app to their Apple or Android mobile devices free of charge. The app is provided as is and is not tailored to specific Clients or Participants. The app includes tools to track and understand blood pressure, pulse, weight, and activity levels. It also includes medication adherence tools and wellness tips to improve blood pressure over time. Participants can download detailed reports with heart rate data from the app.
- Each Participant receives an FDA approved Bluetooth enabled blood pressure monitor. Monitors that will be issued in 2026 will work only in conjunction with the Taxpayer's subscription except for a limited time after a subscription is cancelled. Participants are not required to return the monitors to the Taxpayer at the conclusion of the program, and therefore the monitors have little to no practical value to the Taxpayer, Clients, or Participants outside of the program.
- The Taxpayer provides enrollment engagement and ongoing technical support, including providing a range of marketing materials, such as emails, video, postcards, and posters to engage eligible and enrolled members. In relevant cases, the Taxpayer can also reach out to Participants via phone and text with the Participant's consent. The Taxpayer pays sales tax on

taxable purchases such as postcards and posters. Ongoing engagement tools include reaching out via email, text, and phone to inactive Participants.

- The Taxpayer provides live enrollment support that includes email, mail, and phone access when required. The Taxpayer may provide onsite enrollment in locations that have over 200 eligible employees.
- Clients are given access to annual and quarterly dashboards with de-identified aggregated program engagement levels and population clinical parameters, such as hypertension levels.

RULING

Is the Taxpayer's Subscription Fee subject to sales tax in Tennessee?

Ruling: Yes, the true object of the Taxpayer's transactions is the taxable sale of software.

ANALYSIS

Retail sales in Tennessee of tangible personal property, computer software, and specified digital products are subject to sales and use tax.¹ Computer software is a set of coded instructions designed to cause a computer to perform a task,² and it is subject to Tennessee sales and use tax even when the software is accessed remotely.³ "Specified digital products" means "electronically transferred digital audio-visual works, digital audio works and digital books."⁴

In contrast, sales of services are not generally subject to sales and use tax. Instead, only specifically enumerated services are subject to sales and use tax.⁵ In 2015, when the General Assembly imposed tax on remotely accessed software, they made clear the new law was not intended to impose a tax on any services not already subject to sales and use tax.⁶ Relevant here, the sales tax on the retail sale of computer software does not apply to "information or data processing services, including the capability of the customer to analyze such information or data provided by the dealer."⁷ Similarly, the sales tax on the retail sale of specified digital products does not apply to "subscriptions to data processing and information services that allow data to be generated, acquired, stored, processed or retrieved and delivered by electronic transmission to a purchaser, where the purchaser's primary purpose for the underlying transaction is the processed data or information."⁸

There are circumstances in which a transaction involves both a taxable component, such as tangible personal property, and a non-taxable component, such as a non-enumerated service. The application of sales tax to these transactions generally depends on the products involved and may be impacted

¹ TENN. CODE ANN. §§ 67-6-201, 202, 203, 231 & 233. The definition of "tangible personal property" includes "prewritten computer software." TENN. CODE ANN. § 67-6-102(97)(A). Custom software is subject to tax under TENN. CODE ANN. § 67-6-231.

² TENN. CODE ANN. § 67-6-102(18).

³ TENN. CODE ANN. § 67-6-231(b).

⁴ TENN. CODE ANN. § 67-6-102(94).

⁵ *Ryder Truck Rental, Inc. v. Huddleston*, No. 91-3382-III, 1994 WL 420911, at *3 (Tenn. Ct. App. Aug. 12, 1994) (stating that the sales tax does not apply to all services; it applies only to those services specifically enumerated by the statute). Taxable services are enumerated at TENN. CODE ANN. § 67-6-205.

⁶ TENN. CODE ANN. § 67-6-231(b) (stating further that services not currently subject to sales and use tax include, but are not limited to, "information or data processing services, including the capability of the customer to analyze such information or data provided by the dealer; payment or transaction processing services; payroll processing services; billing and collection services; internet access; the storage of data, digital codes, or computer software; or the service of converting, managing, and distributing digital products.")

⁷ TENN. CODE ANN. § 67-6-231(b).

⁸ TENN. CODE ANN. § 67-6-233(d). See also TENN. CODE ANN. § 67-6-102(98)(B) (excluding information and data processing services from the definition of "telecommunications service," which is a taxable service under TENN. CODE ANN. § 67-6-205(c)(3)).

by the pricing structure chosen by the vendor. For example, some transactions may include two or more standalone products sold for one non-itemized price. This type of sale is often referred to as a “bundled transaction.” In Tennessee, whenever two or more items are sold together for a single non-itemized price and at least one of the items is subject to sales tax, the entire sales price is subject to sales tax.⁹

Other circumstances involve transactions that may include closely related taxable and non-taxable components that generally would not be sold as separate products. This type of sale is often referred to as a “mixed transaction.” In such transactions, the true object of the transaction must be ascertained to determine if the transaction is subject to sales and use tax. The totality of the facts and circumstances are looked at to determine what objective is really being accomplished by the transaction. When a transaction involves taxable and non-taxable components and the transaction’s true object or a crucial, essential, necessary, consequential, or integral element of the transaction is subject to tax, the entire transaction is subject to sales tax, regardless of how it is invoiced. Only if the true object of the transaction is not independently subject to sales tax and the components that would be subject to sales tax are “merely incidental” to the true object will the transaction not be subject to sales tax.¹⁰

An additional complexity may occur when a service provider must own, use, and maintain certain types of tangible personal property and equipment in order to provide services. Generally, in these situations, the service provider, rather than its customer, is the ultimate user or consumer of the tangible personal property and equipment within the meaning of the sales and use tax statutes.¹¹ In other words, the service provider is not buying tangible personal property for resale but is instead using it to provide a service.

Here, the Taxpayer’s subscription package includes software elements, including a software license that allows Participants to download and use a mobile app for tracking their health information and providing tools to understand and improve their blood pressure and overall quality of health. The subscription also includes other elements, such as the blood pressure monitor, marketing materials and technical support.

Examining the totality of the facts and circumstances reveals that the objective that is being accomplished by the Taxpayer’s transactions with its Clients is a health-related mobile app that tracks Participants’ activity, blood pressure, and other information and provides tools to assist Participants

in improving their blood pressure and overall wellbeing. The tracking, guidance, and other tools are performed by the software app, not by medical professionals or other employees of the Taxpayer. Likewise, the generation of information for Clients about the program’s overall engagement numbers and health outcomes is performed by the software app. The true object of the transaction is thus the taxable sale of remotely accessed software. The related elements, such as the blood pressure monitor, marketing materials, and technical support, are part of the sales price as discussed below.

The transactions are not exempt from tax under TENN. CODE ANN. § 67-6-231 as “information or data processing services, including the capability of the customer to analyze such information or data.” Likewise, the transactions are not exempt from tax under TENN. CODE ANN. § 67-6-233 as “subscriptions to data processing and information services that allow data to be generated, acquired, stored,

⁹ See TENN. CODE ANN. §§ 67-6-102(87)(A)(vi) & 67-6-539.

¹⁰ See, e.g., Tenn. Dept. Rev. Ltr. Rul. 14-10 (Oct. 13, 2014) (explaining the true object test).

¹¹ See *Nashville Mobilphone Co., Inc. v. Woods*, 655 S.W.2d 934, 937 (Tenn. 1983).

processed or retrieved and delivered by electronic transmission to a purchaser, where the purchaser's primary purpose for the underlying transaction is the processed data or information." The natural and ordinary meaning of "data processing" is "the converting of raw data to machine-readable form and its subsequent processing (such as storing, updating, rearranging, or printing out) by a computer."¹² Here, there is no raw data to be converted to a readable form and subsequently processed by a computer. The app tracks Participants' blood pressure, activity, and other information so that the Participants do not have to track this information themselves even though they have the capability to do so. Tracking this information for Participants and providing them with tools to improve their overall health based on the tracked information is not data processing.

The Taxpayer's subscription package also includes tangible personal property elements, such as the Bluetooth blood pressure monitors, postcards, and posters. The Taxpayer does not itemize these items. These items are included in the sales price under TENN. CODE ANN. § 67-6-102(87). The Taxpayer is not providing services along with tangible personal property. Unlike the mobile phones at issue in *Nashville Mobilphone*, which enabled the taxpayer to provide mobile phone services, the blood pressure monitor, postcards, posters, and related tangible personal property are included within the sales price along with the taxable software. Accordingly, the Taxpayer can use a resale certificate when purchasing these elements for resale along with the software application.

APPROVED: David Gerregano
Commissioner of Revenue

DATE: October 24, 2025

¹² "Data processing." Merriam-Webster.com Dictionary, Merriam-Webster, <https://www.merriam-webster.com/dictionary/data%20processing>. Accessed 16 Oct. 2025.