



This Week in State Tax (TWIST)

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TENNESSEE



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Tennessee: Sales of Subscriptions to Electronic Publications Not Taxable

In a recent letter ruling, the Tennessee Department of Revenue addressed the application of sales and use tax to print and electronic magazines, sales of advertising, and access to publications, and databases. The taxpayer at issue provided subscriptions to print and electronic publications. Electronic versions of the publications were available daily, by email or through the taxpayer's website. The taxpayer also sold advertising space within the print and electronic versions of its publications and provided subscriptions to research databases. The taxpayer requested a ruling as to whether any of these activities were taxable. Under Tennessee law, retail sales of tangible personal property, specified digital products, remotely accessed software, and specifically enumerated services are subject to sales and use tax, unless an exemption applies. Although specified digital products includes digital books, there is an exemption for newspapers, magazines, periodicals, chat room discussion and weblogs. Likening the taxpayer's subscriptions to publications as magazines, the Department concluded neither the print nor electronic versions were subject to sales and use tax. Under a Tennessee regulation, the sale of advertising space, including in newspapers, magazines, billboards, and commercials is not subject to sales and use tax. Thus, the taxpayer was not required to collect and remit Tennessee sales and use tax on its sales of advertising space in both the print and electronic versions of its publications. Finally, the Department concluded that the provision of access to databases and other electronic publications was properly classified as an information service that was not subject to Tennessee sales and use tax. The Department noted that access to the electronic publications and databases must take place through some software function, and subscribers can perform searches for specific terms within the website, which could be considered the furnishing of taxable computer software. However, in the Department's view, the limited functionality of the software made these access and search functions merely incidental to the information services the customers were accessing. The use of computer software to access databases did not subject the offerings to Tennessee sales and use tax. Please contact [Justin Stringfield](#) with questions on PLR 22-06.



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