



**MEETING NOTES**  
**MTC Work Group – Sales Taxation of Digital Products**  
**November 6, 2025**

**I. Welcome, Review of Notes from October Call, and Initial Public Comment**

Mia Strong (Louisiana), Vice-Chair of the Work Group, convened the meeting. She stated the notes from the October meeting are online. She invited initial public comment; there was no response.

**II. Sourcing Issues**

Mia provided a summary of the discussion of sourcing and Multiple Points of Use (MPU) from the last call. She described the presentations the group heard last time, including Washington's and Massachusetts' presentation. Washington's and Massachusetts' experiences were similar in that taxpayers seem willing to pay in full up front and then seek a refund.

Mia noted the group also received input from Streamlined staff and others that were involved about Streamlined's history with MPU. Mia stated the group is still seeking input on MPU and sourcing and invited anyone else that has something to share to come forward.

**III. Sales Tax Exemptions – Issues for Digital Products**

Mia then moved to the topic of sales tax exemptions and identified the issue, which is: whether exemptions need to be updated to apply to digital products. She stated the staff had done some research on this question and turned to Helen Hecht (MTC) for a presentation.

Helen reviewed the work group's assignment for a white paper and the presentation of the white paper on the MTC website. She noted the issue outline and its focus on the question of whether digital products create any specific issues for sales tax. Helen noted that the organization of the issue outline and white paper drafts has influenced how the project webpage is organized.

Helen briefly described what the group had done on each issue in the issue outline. She noted issues that have not been fully addressed, specifically sourcing, which the group is still considering, alternative tax types, and exemptions and exclusions.

Helen then shared a presentation on exemptions and exclusions. She started with the white paper outline contents. The white paper describes how there are different types of exemptions and exclusions with different terms and requirements. She noted the terminology is not consistent.

Helen then summarized the stakeholder interviews. Stakeholders noted that the application of general business-to-business (B2B) exemptions when digital products are involved may not work or be

complicated. Stakeholders also raised similar issues with ‘nature of use’ type exemptions, like exemptions for inputs to fabrication or processing, asking whether digital products would be eligible for those types of exemptions. Another subtype of exemptions that was raised was educational or entertainment services. The same question applies to these exemptions: whether digital products would be eligible for these types of exemptions.

Helen then discussed the B2B exemption in relation to the proposed definition from the definitions study group. The exemption offered along with that proposal is for products used “predominantly for a trade or business.” The proposal further provides that existing exemptions and exemption procedures should be reviewed to determine if digital products are eligible and says that states should consider expanding existing exemptions if they only apply to tangible personal property or taxable services.

Helen distinguished “exemptions” from exclusions. She described “exemptions” as a carve out from the general tax base with specific criteria. Typical criteria include: definitions of specific items, identity of the seller or buyer, like hospitals or government, the use of the product.

Helen noted that a state’s imposition and its exclusions will work together. She noted a broad definition would typically go along with broader exemptions whereas if the state imposes tax using a set of narrow definitions then there will be less need for exemptions. An imposition that relies on narrow definitions will require fewer and narrower exemptions.

Helen then shared examples of common carveouts. There are some exclusions that are general. These include certain additional charges and fees like shipping and delivery, cash discounts, coupons, interest, consignment fees, collection fees. Helen noted these do not seem to present problems with digital products, but that every state would have to look at their law and make sure.

Helen moved on to exclusions are based primarily on the definition of the item. Helen shared some examples, including: real property and improvements, clothing and related items, food, vehicles and related transportation property, medical related items, items subject to other excise taxes, currency and related tangible items, art and collectibles. Helen noted that exemptions for medical and health-related items as a place where there may be issues with digital products.

Mia spoke up and referenced NFTs and how they represent art and collectibles.

Mark Nebergall (Softec) said that many digital products are protected by copyright law and patent law and these are intangibles. He mentioned a music service that obtains the rights to make copies and right of public performance or display, which make it eligible for public performance. Mark said that would be an intangible, not TPP and not a service. He also said this would be a B2B transaction. Helen responded by saying there was some overlap. Mark noted it may be necessary to consider intangible rights as well .

Helen then described another category of exclusions and exemptions is those based on the identity of the seller or buyer rather than on the nature of the item sold. These include exemptions for sales by occasional sellers, governments, religious organizations, charities, health or medical organizations, and sales between related parties. Helen noted that because these are based on the nature of the buyer or seller rather than the nature of the item sold, whether an item is digital should not have any impact.

Helen then discussed use-based exemptions like purchases for resale or sublease, purchases of manufacturing or production inputs, and component parts of items. She noted these will all have some

interaction with digital products because of the focus on the use of the product, which can change based on whether the items is digital or not.

Helen then noted exemptions and exclusions with multiple criteria, like business purchases of office supplies, or business purchases of energy, and agricultural purchase of equipment and production tools. She stated these are not solely based on the identity of the purchaser or on the type of product purchased, but rather on a combination of both. Other examples are mining and natural resource industry equipment and sales tax holidays for certain items. Helen highlighted ones that might include digital products that would be affected, noting this is where the group may want to focus.

Helen concluded her presentation and asked for questions or comments.

Mark stated the issues he sees in his work most often is with administering the exemptions and exemption certificates. He noted that Streamlined has some detail on this. He noted a common situation where an auditor expects the taxpayer to prove they took an exemption certificate in good faith or where an exemption certificate was not received initially but there is still time to go back and get a certificate.

Ray Langenberg (Texas) said that a broad B2B exemption can keep it from getting so complicated. He said the B2B exemption problems exist with 'sale for resale' exemptions as well. With a broad B2B exemption it is simpler. Ray stated there are administration challenges with all exemptions and noted the issues Mark shared are general issues with exemptions rather than issues particularly created by digital products. Ray said Helen is correct to identify the issue as the challenges presented by digital products.

Josh Pens (Colorado) stated that the issue with a broad exemption is the administration of it. If the exemption is based on a product being sold to any trade or business, it will be difficult to administer because many businesses will not be registered for sales tax. Josh noted that there are already struggles with plain 'sale for resale' exemptions, where every claimant is by design already registered for sales tax, so the struggles will be greater when it is expanded to business purchases even by those not registered.

Helen responded that this issue was raised in the definition study group as well. She noted that one possible solution may be to use the income tax standard of 'ordinary and necessary' business expense. However, she noted that the seller would also have to know this at the time of the sale and that would be difficult because of the need to accurately calculate the tax at the time of the sale.

#### **IV. New Business**

Mia asked if there was any new business. There was none. Mia noted the MTC in-person meetings were happening the second week of November. She noted the Uniformity Committee would meet on Tuesday, November 18, and would include an update on the project.

#### **V. Adjourn**

Mia adjourned the meeting.