



# Digital Products Project Status Report

**Presented by Staff to the Digital Products Work Group**

**February 19, 2026**

# Where We Started

**April 2021 –**

Washington gave a presentation contrasting different approaches states use to include digital products in the sales tax base –

- Broad definitions (with exemptions)—similar to the longstanding approach to tangible property.
- Narrow, specific definitions—more like excise taxes and Streamlined's approach.

# Where We Started

**June 2021 –**

The Standing Subcommittee recommended to the Uniformity Committee that it draft a white paper on the broad approach:

- What it is,
- The issues that approach may raise, and
- Whether it's workable.

# Where We Started

## July 2021 to April 2022 –

- The Uniformity Committee directed MTC staff to do research and hold stakeholder interviews to create a detailed outline of issues for the white paper.
- Staff conducted research and held dozens of interviews to identify issues raised, summarizing them in the form of an outline.

# Where We Started

## August 2022 –

The Uniformity Committee reviewed the outline of the white paper, gave approval to continue with the project, and formed a work group to review the issues and give more detailed input.



# The Initial Itinerary

Prior Meeting Agendas, Materials, and Notes & Initial Proposal and Project Info



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## Initial MTC Materials

- [Draft of Detailed Outline of White Paper \(PDF\)](#) – August 2, 2022
- [Status Report to the Uniformity Committee \(PDF\)](#) – August 2022
- [Status Report to Uniformity Committee \(PDF\)](#) – April 2022
- [Status Report to Uniformity Committee \(PDF\)](#) – November 2021
- [Comments of the ABA \(PDF\)](#) – Issues to Address Regarding the Taxation of Digital Products – Nov. 2, 2021

## Recommendation by the Standing Subcommittee to the Uniformity Committee

- [Final Recommendation \(PDF\)](#) – Project on Sales Taxation of Digital Products – as Approved June 17, 2021

## Project Proposal and Recommendation

*Presentation by the State of Washington Department of Revenue to the Uniformity Committee at its April 2021 meeting recommending that the committee consider a project to modernize state sales and use tax systems to include digital products.*

- [Washington Presentation 2021](#) (PowerPoint Slides)
- [Washington Presentation on Sales Taxes on Digital Products 2021](#) (Video)



# Travel Companions

- **Stakeholders –**  
Dozens of interviews with practitioners, taxpayers, academics, and states.
- **Other Groups –**  
Ongoing interactions with Streamlined, FTA, NCSL, etc.
- **State Participants –**  
As part of work group and study group discussions.
- **Members of the Public –**  
Through our public participation process.

# Our Roadmap



## Sales Tax on Digital Products

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### Project Description

At its July 28, 2021 meeting, the Uniformity Committee considered a recommendation from the Standing Subcommittee to begin drafting the outline of a white paper on state sales taxation of digital products. The committee agreed that MTC staff would begin the process by drafting a detailed outline of the issues to be included in that white paper and conducting research and stakeholder interviews. At the August 2, 2022 meeting of the Uniformity Committee, the committee reviewed the proposed draft outline and agreed that a project work group should be formed to provide ongoing input and review of the white paper, as it is developed.

For information about this or any other MTC uniformity project, contact MTC Uniformity Counsel Helen Hecht at [hhecht@mtc.gov](mailto:hhecht@mtc.gov).

**[\\*Click Here\\* for Digital White Paper Outline and Research](#)**

## Sales Tax on Digital Products

### Digital White Paper Issue Outline

**NOTE: Information in this digital outline is in draft form and additional information will be added over time. There are no final recommendations at this time.**

→ Purpose

→ Imposition (definitions)

→ Issues of sale

→ Exemptions and Exclusions

#### Organization of the Digital Outline

The digital outline includes general topic areas or categories of issues and information as summarized below. You can access current information and resources on these topics using the buttons on the left.

#### General Topic Areas:

NOTE: Because some issues are closely related to each other, information may be included in more than one topic section of the digital outline. Also, included on each topic page are links to a summary of the history of state sales taxes and to other critical information.

- **Purpose** – Includes information on the purpose of the white paper and essential considerations impacting taxation of digital products including critical federal laws, state legislative studies, and stakeholder general issues and concerns.

# Our Roadmap

→ Mixed and Bundled Products

→ Sourcing

→ Alternative Taxes

→ Federal Law

broad, medium, or narrow approach, and information on definitions.

- **Issues of Sale** – Includes information on the different types of transactions by which digital products may be provided to customers (i.e., sale, lease, license, subscription or limited access, etc.)
- **Exemptions and Exclusions** – Includes policy and administration related issues on exemptions and exclusions that might be applied to digital products.
- **Mixed and Bundled Products** – Includes information on the Streamlined bundling rules and from stakeholder interviews on this subject as well as the results of a bundling exercise study group.
- **Sourcing** – Includes information from the Streamlined sourcing rules as well as information on other sourcing issues including multiple points of use.
- **Alternative Taxes** – Includes information on taxes other than sales and use taxes that may be imposed on digital products.
- **Federal Law** – Includes information on relevant federal constitutional and statutory law.
- **Other Related Issues** – Includes direct nav rules and general enforcement issues

# Our Roadmap

→ Other related issues

→ Appendix

- **Other related issues** – includes direct pay rules and general enforcement issues.
- **Appendix** – Contains links to various resources for all topic areas.

## Background on the Project

At the April 28, 2021 MTC Uniformity Committee meeting, the Washington Department of Revenue gave a presentation on their state's experience with including digital products in their sales tax base as well as the alternatives they considered. They proposed that the Committee take up a project to help states develop a simpler and more adaptable approach.

- [Washington Presentation 2021](#) (PowerPoint Slides)
- [Washington Presentation on Sales Taxes on Digital Products 2021](#) (Video)

The Committee asked the Standing Subcommittee to review the project proposal. It recommended that a work group be formed to draft a white paper.

- [Final Recommendation](#) – Project on Sales Taxation of Digital Products – as Approved June 17, 2021

The Uniformity Committee then asked MTC staff to conduct stakeholders interviews and prepare a detailed outline of the white paper. During 2021 and 2022, MTC staff conducted 43 separate interviews with individuals or groups representing particular taxpayers, states, or other organizations, as well as practitioners and academics. (See a summary of the issues they identified in the Appendix to this outline). Staff also surveyed other relevant research, much of which also is cited throughout this outline.

After hearing the staff report and reviewing the outline, the Uniformity Committee established a work group to begin discussing the topics and obtaining information to prepare the white paper.

→ Purpose

→ Imposition (definitions)

→ Issues of sale

→ Exemptions and Exclusions

→ Mixed and Bundled Products

→ Sourcing

→ Alternative Taxes

→ Federal Law

→ Other related issues

→ Appendix

Stakeholder Discussions

Written Comments and Feedback

State Tax Agency Information

Resolutions

Whitepaper Outline Drafts

[Draft of Detailed Outline of White Paper](#) – August 2, 2022

[Draft Detailed Outline of White Paper](#) – September 1, 2022 (Word Version)

[White Paper Outline as of October 17, 2022](#) (Word Version)

[White Paper Outline for the December 8, 2022 Meeting](#)

[White Paper Outline for the January 5, 2023 Meeting](#) (Word Version)

[White Paper Outline as of February 2, 2023](#) (Word Version)

All Project Articles and Resources

**Our  
Roadmap**

# Stops Along the Way

**32 Work Group  
meetings –  
September 2022  
to today**

**Other  
presentations –  
MTC, Streamlined,  
NCSL, ABA, AICPA,  
etc.**

**Study groups –  
definitions and  
bundling**

**Notes, research,  
summaries,  
comments, etc.**

# Stops Along the Way

## Sales Tax on Digital Products

### Project Description

At its July 28, 2021 meeting, the Uniformity Committee considered a recommendation from the Standing Subcommittee to begin drafting the outline of a white paper on state sales taxation of digital products. The committee agreed that MTC staff would begin the process by drafting a detailed outline of the issues to be included in that white paper and conducting research and stakeholder interviews. At the August 2, 2022 meeting of the Uniformity Committee, the committee reviewed the proposed draft outline and agreed that a project work group should be formed to provide ongoing input and review of the white paper, as it is developed.

For information about this or any other MTC uniformity project, contact MTC Uniformity Counsel Helen Hecht at [hhecht@mtc.gov](mailto:hhecht@mtc.gov).

[\\*Click Here\\* for Digital White Paper Outline and Research](#)

### Upcoming Meeting Notice

THE NEXT WORK GROUP MEETING IS

...

[Prior Meeting Agendas, Materials, and Notes & Initial Proposal and Project Info](#)



# Stops Along the Way

## Prior Meeting Agendas, Materials, and Notes & Initial Proposal and Project Info

### [Digital Goods Work Group Agenda, January 8, 2025 \(PDF\)](#)

- [Notes from December 4, 2025 Meeting \(PDF\)](#)
- Slides for January 8, 2025 Call ([PDF](#))([PowerPoint](#))

### [Digital Goods Work Group Agenda, December 4, 2025 \(PDF\)](#)

- [Notes from November 6, 2025 Meeting \(PDF\)](#)
- Slides for December 4, 2025 Call ([PDF](#))([PowerPoint](#))  
Iowa Exemptions – <https://www.legis.iowa.gov/docs/code/423.3.pdf>  
Iowa Exemption Certificate – <https://revenue.iowa.gov/media/2265/download?inline>

### [Digital Goods Work Group Agenda, November 6, 2025 \(PDF\)](#)

- Notes from October 9, 2025 Work Group Call ([PDF](#))
- Slides for November 6, 2025 Work Group Call ([PDF](#))([PowerPoint](#))

### [Digital Goods Work Group Agenda, October 9, 2025 \(PDF\)](#)

- Notes from September 11, 2025 work group meeting ([PDF](#))
- Presentation on Washington Multiple Points of Use Rules ([PDF](#))([PowerPoint](#))

### [Digital Goods Work Group Agenda, September 11, 2025 \(PDF\)](#)

- Notes from the June 5, 2025 work group meeting ([PDF](#))
- Report from the Definitions Study Group Chair ([PDF](#))([Word](#))
- Proposed Model Definition ([PDF](#))([Word](#))
- Presentation – Multiple Points of Use ([PDF](#))([PowerPoint](#))

### [Digital Goods Work Group Agenda, June 5, 2025 \(PDF\)](#)

- Notes from April 3, 2025 Work Group Meeting ([PDF](#))

### [Digital Goods Work Group Agenda, April 3, 2025 \(PDF\)](#)

- Notes from the March 6, 2025 Work Group Meeting ([PDF](#))
- Report to the Work Group – April 3, 2025 ([PDF](#))

### [Digital Goods Work Group Agenda, March 6, 2025 \(PDF\)](#)

- Notes from the January 23, 2025 Work Group Meeting ([PDF](#))

### [Digital Goods Work Group Agenda, January 23, 2025 \(PDF\)](#)

- [Notes from November 7, 2024 Work Group Meeting \(PDF\)](#)
- Slides – Proposed Uniform Broad Definition – Slides ([PDF](#))([PowerPoint](#))
- Proposed Uniform Broad Definition – Document ([PDF](#))

### [Digital Goods Work Group Agenda, November 7, 2024 \(PDF\)](#)

- [Draft of Bundling Exercise \(PDF\)](#) and [Summary of Streamlined Bundling Rules \(PDF\)](#)
- [Notes from the October 3, 2024 Meeting \(PDF\)](#)

### [Digital Goods Work Group Agenda, October 3, 2024 \(PDF\)](#)

- Draft of Bundling White Paper ([PDF](#)) ([Word](#))
- [Notes from the September 5, 2024 Work Group Meeting](#)

### [Digital Goods Work Group Agenda, September 5, 2024 \(PDF\)](#)

- Draft of Bundling White Paper (Sept. 5, 2024) ([PDF](#)) ([Word](#))
- [Notes from July 11, 2024 Meeting \(PDF\)](#)

### [Digital Goods Work Group Agenda, July 11, 2024 \(PDF\)](#)

- [Notes from June 6, 2024 work group meeting \(PDF\)](#)
- Work Group Slides – Bundling Issues ([PDF](#))([PowerPoint](#))

### [Digital Goods Work Group Agenda, June 6, 2024 \(PDF\)](#)

- [Notes from April 4, 2024 work group meeting \(PDF\)](#)
- [Work Group Slides – Bundling – PowerPoint \(PDF\)](#)

### [Digital Goods Work Group Agenda, April 4, 2024 \(PDF\)](#)

- [Notes from March 7, 2024 work group meeting \(PDF\)](#)

### [Digital Goods Work Group Agenda, March 7, 2024 \(PDF\)](#)

- [Notes from February 1, 2024 work group meeting \(PDF\)](#)
- [Ray Langenberg's Proposed Uniform Definitions for the Tax Base \(PDF\)](#) (NOTE: See also the Jan 2025 version.)

### [Digital Goods Work Group Agenda, February 1, 2024 \(PDF\)](#)

- [Notes from January 11, 2024 work group meeting \(PDF\)](#)

### [Digital Goods Work Group Agenda, January 11, 2024 \(PDF\)](#)

- [Notes from November 2, 2023 work group meeting \(PDF\)](#)
- [Draft matrix \(Excel\)](#)

### [Digital Goods Work Group Agenda, November 2, 2023 \(PDF\)](#)

- [Notes from October 5, 2023 work group meeting \(PDF\)](#)
- [Draft matrix \(Excel\)](#)
- [Presentation \(PDF\)](#) from Ray Langenberg on criteria for defining the digital products tax base

### [Digital Goods Work Group Agenda, October 5, 2023 \(PDF\)](#)

- [Notes from September 7, 2023 meeting \(PDF\)](#)
- ["Determining the Tax Base" \(PDF\)](#), Ray Langenberg
- [Draft matrix \(Excel\)](#)

### [Digital Goods Work Group Agenda, September 7, 2023 \(PDF\)](#)

- [Notes from August 3, 2023 meeting \(PDF\)](#)
- [Draft matrix with three approaches to taxing digital products \(Excel\)](#)
- [Guiding principles \(PDF\)](#)

### [Digital Goods Work Group Agenda, August 3, 2023 \(PDF\)](#)

- [Notes from July 6, 2023 meeting \(PDF\)](#)
- [Panel and Discussion of Tax on Business Inputs](#) (links to Vimeo)
- Digital product resolution ([PDF](#))

# Stops Along the Way

## [Digital Goods Work Group Agenda, July 6, 2023 \(PDF\)](#)

- [Notes from June 1, 2023 meeting \(PDF\)](#)

## [Digital Goods Work Group Agenda, June 1, 2023 \(PDF\)](#)

- [Notes from Apr. 6, 2023 meeting \(PDF\)](#)
- Video from June 1 meeting – [Research update from MTC Counsel Jonathan White on state treatment of digital products](#) (links to Vimeo)
  - [Digital products state research](#) (PowerPoint slides)
  - [Written summary of research update on state treatment of digital products \(PDF\)](#)

## [Digital Goods Work Group Agenda, April 6, 2023 \(PDF\)](#)

- [Notes from March 2, 2023 Meeting \(PDF\)](#)
- [Notes from Meeting with Avalara Reps, March 28, 2023 \(PDF\)](#)
- [Digital Products Project Workgroup Survey Results](#) (PowerPoint slides)

## [Digital Goods Work Group Agenda, Special Meeting with Avalara Representatives, March 28, 2023 \(PDF\)](#)

- (No attachments)

## [Digital Goods Work Group Agenda, March 2, 2023 \(PDF\)](#)

- [Review of Changes to the Detailed White Paper Outline \(PDF\)](#) – March 2, 2023
- [Notes from February 2, 2023 Meeting \(PDF\)](#)

## [Digital Goods Work Group Agenda, February 2, 2023 \(PDF\)](#)

- [MTC staff activities since Jan. 5, 2023 meeting](#) (PowerPoint slides)
- [White Paper Outline as of February 2, 2023 \(Word Version\)](#)
- [Notes from January 5, 2023 Meeting \(PDF\)](#)

## [Digital Goods Work Group Agenda, January 5, 2023 \(PDF\)](#)

- [White Paper Outline for the January 5, 2023 Meeting \(Word Version\)](#)
- [Notes from December 8, 2022 Meeting \(PDF\)](#)
- [Letter from Eversheds Sutherland \(PDF\)](#) – Jan. 3, 2023

## [Digital Goods Work Group Agenda, December 8, 2022 \(PDF\)](#)

- [White Paper Outline for the December 8, 2022 Meeting \(PDF\)](#)
- [Notes from October 27, 2022 Meeting \(PDF\)](#)

## [Digital Goods Work Group Agenda, October 27, 2022 \(PDF\)](#)

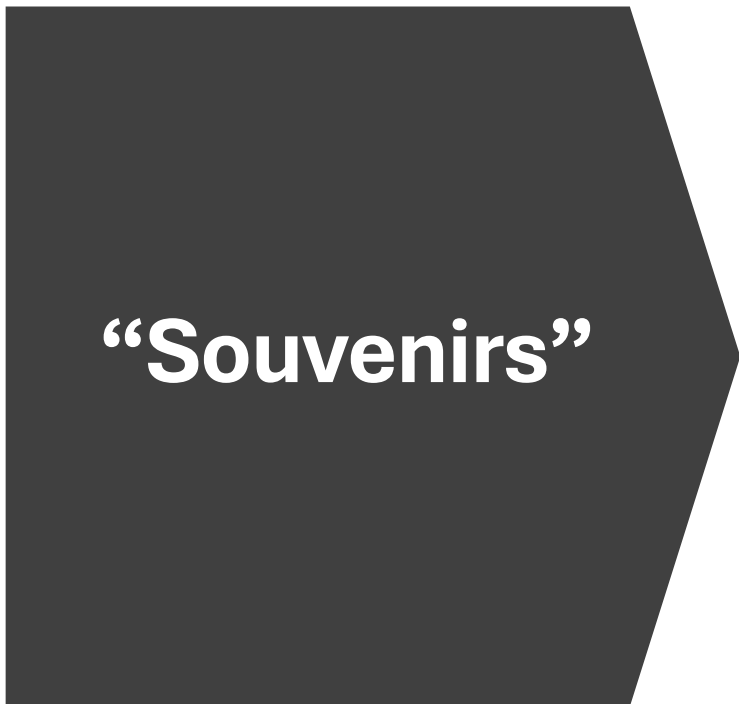
- [White Paper Outline as of October 17, 2022 \(Word Version\)](#)
- [Notes from September 22, 2022 Meeting \(PDF\)](#)

## [Digital Goods Work Group Agenda, September 22, 2022 \(PDF\)](#)


- [Draft Detailed Outline of White Paper](#) – September 1, 2022 (Word Version)
- [Letter from Eversheds Sutherland \(PDF\)](#) – Sept. 21, 2022 to the Work Group at its initial meeting.


# Issues Related to Tax Imposition (Definitions)

Draft of White Paper Section Describing Current State Approaches to Defining Digital Products (PDE) and Matrix with State Research (Excel)



- Purpose
- Imposition (definitions)
- Issues of sale
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- Mixed and Bundled Products
- Sourcing
- Alternative Taxes
- Federal Law
- Other related issues
- Appendix

  
**Relevant Sales Tax History**  
- [State Sales Tax History and Terminology](#)

  
**Links to Important Information**  
- The [Streamlined Sales and Use Tax](#)

State Agency Guidance

Related Articles and Resources

## Definitions Study Group Materials

- Primer
- Proposed Broad Definitions and Comments
- Evaluation of Other State Approaches
- Prior Staff Research

## Definitions

- Streamlined Sales and Use Tax Agreement (SSUTA) definitions
- Common State Tax Definitions
- Common and Emerging Products
- Digital Goods and Services Tax Fairness Act (DGSTFA) Definitions
- Academic Definitions
- Federal Definitions
- Definitions from Other Bodies of Law
- Internet Tax Freedom Act (ITFA) Definitions
- A Digital Product Defines Itself
- National Conference of Commissioners on Uniform State

## “Souvenirs”

→ Purpose

→ Imposition (definitions)

→ Issues of sale

→ Exemptions and Exclusions

→ Mixed and Bundled Products

→ Sourcing

→ Alternative Taxes

→ Federal Law

→ Other related issues

### Tax Pyramiding

[Tax Pyramiding and Business Inputs](#) – MTC Staff Paper

Video from July 25, 2023 Uniformity Committee [Panel and Discussion of Tax on Business Inputs](#) (links to Vimeo)

- [State Digital Services Taxes](#) (Frieden and Lindholm)
- [Down the Rabbit Hole](#) (Frieden, Nicely, and Nair)
- [Effect on State Revenue](#) (Texas) (PDF)
- [ITEP Slides](#) (Ettlinger) (PDF)

Karl Frieden and Frederick Nicely, [Digital-Business Input Exemptions: Lessons from Sales Tax History](#) (posted with permission from State Tax Notes)

Exemptions Based on the Nature of the Item or Use

Typical Exemptions Related to Services

# Drafting the White Paper (Travel Guide)

- MTC staff have begun the process of drafting sections of the white paper and updating the web page.
- As we do—we publish the drafts.
- Goal would be to have a “substantial” draft in time for the April in-person committee meetings.
- We can also have work group meetings when necessary to discuss any issues or substantial revisions.



## Other Developments

- The White House Council of Economic Advisors (CEA) issued a recent report.
- It recommends states consider repealing state income taxes and replace the revenue lost with an expanded sales tax.

## Other Developments

### From the CEA:

“The biggest difference between this new sales tax and existing sales tax is that it would place a tax on both goods and services. Sales taxes in most states are currently levied only on goods and a limited set of services. Because spending on goods is only 30 percent of total personal consumption expenditure, the taxable base of currently-existing sales taxes is quite low relative to what it could be. Consequently, as we will show, most states can replace their personal income tax, corporate income tax, and existing general sales tax with this new sales tax below 10 percent and still attain full revenue replacement.”

## Other Developments

The Tax Foundation found that, to achieve the revenue replacement the CEA estimates included:

- “All healthcare expenditures, including those covered by private insurance (funded by premiums subject to separate excise taxes) and those paid for by government through Medicare, Medicaid, and other programs (which cannot be taxed as a matter of law).
- “Consumption that does not involve a financial transaction, including the full imputed value of banking services that are largely funded by banks’ reinvestment of depositor funds, not by direct fees from depositors.
- “The value of services provided by nonprofits at free or subsidized rates, including scholarships and endowment subsidies that reduce college tuition, free or subsidized medical care, aid provided by charitable organizations, and the full operating expenses of houses of worship (none of which are transactions and none of which could be subject to sales tax).
- “Other purchases that are not legally taxable, including internet access and purchases from the US Postal Service.”

Even with these assumptions, the revenue replacement amount appears overstated.

**It's a journey, not a destination.**

**Or more precisely, it's a  
description of the journey  
and the important landmarks  
along the way.**

**QUESTIONS OR COMMENTS**