

State Tax Alert October 2025

State Sales and Use Tax Quarterly Update - October 2025

Ernst & Young LLP's Sales and Use Tax Quarterly Update provides a summary of recent major legislative, administrative and judicial sales and use tax developments.

California proposes rules for determining proper allocation of Technology Transfer Agreement values

Under California's Sales and Use Tax Law, a technology transfer agreement ("TTA") is defined as a mixed transaction involving the retail sale of tangible personal property together with the assignment or licensing of intangible rights subject to copyright and/or patent interests. Under current precedent,¹ only the reasonable value of the TPP is subject to California sales and use tax, while the value of the intangible rights transferred is excluded from the measure of tax. After challenging this position over the course of several years, the California Department of Tax and Fee Administration ("CDTFA") has proposed regulatory amendments to formalize this position. Specifically, the CDTFA is proposing to clarify how taxpayers may allocate between the value of the tangible and intangible components of a TTA in determining the proper tax base. When a cost-build-up method is used, the CDTFA agrees that the value of the TPP should only include the value of **direct** labor and **direct** materials, as determined by generally accepted accounting principles. The CDTFA now also agrees that intangible rights can successfully be transferred through supply chains, provided that the relevant contracts are clear about the intangible rights being transferred and the authority to assign these rights down to the ultimate retail sale.

For administrative convenience, CDTFA has also proposed two "pre-certification" processes whereby retailers can either:

- 1) elect to exclude up to 20% of the overall TTA value from the measure of tax (subject to audit verification); or
- 2) provide supporting documentation to CDTFA through which CDTFA may certify that a percentage higher than 20% can be excluded from the measure of tax.

¹ *Nortel Networks Inc. v. Board of Equalization*, 191 Cal. App. 4th 1259 (2011); *Lucent Technologies, Inc. v. Board of Equalization*, 241 Cal. App. 4th 19 (2015) (holding that software and associated right-to-use licenses are intangibles).

These proposed pre-certification processes also provide a mechanism through which authorized resellers can rely on the exclusion percentages established through pre-certification processes.

Finalized amendments are expected to be promulgated sometime in 2026. For more information, please see CDTFA's recent discussion paper ([Proposed Amendments to Regulations 1502 and 1507 and New Regulation 1507.1](#)).

Our Observation: The proper treatment of the intangible software component of technology transfer agreements has been an ongoing challenge for the CDTFA over the years. If the proposed rules ultimately are promulgated, the CDTFA would be creating much more certainty for sales and use tax purposes by agreeing to the long-standing classification provisions, and by allowing taxpayers to follow a pre-determined allocation procedure when dealing with these widely employed technology agreements.

Other Recent Sales and Use Tax Developments

Nexus and Marketplace

California: The California Department of Tax and Fee Administration (CDTFA) announced that the Office of Administrative Law approved the CDTFA's [amendments](#) to regulation 1684.5 "Marketplace Sales" to make the regulation consistent with Cal. Rev. & Tax Code Section 6041.6. The amendments incorporate definitions related to vehicle renter brokers and a "vehicle rental broker" as "a person that facilitates, for a commission, fee, or other consideration, passenger vehicle rentals through an online marketplace owned, operated, or controlled by the person or a related person. A person that is a vehicle rental broker is not a marketplace facilitator with respect to the facilitation, for a commission, fee, or other consideration, of a passenger vehicle rental on behalf of a rental company that is not a related person." The amendments also incorporate definitions of the following terms: "optional accessory", "passenger vehicle", "passenger vehicle rental" and "rental company." (Cal. Reg. Notice Register 2025, [Vol. No. 30-Z](#), July 25, 2025).

Georgia: The Georgia Department of Revenue recently adopted amendments to [Rule 560-13-2](#) "State Hotel-Motel Fee." The amended rule adds a definition for "accommodation," defining it as "the 'retail sale' ... of any room or lodging that is furnished for value to the public and provides physical shelter." Amendments also amend the definition of "innkeeper" and "imposition," delete the definitions of "hotel" and "hotel room," and add definitions for "marketplace innkeeper" and "marketplace seller." The amended rule explains the hotel-motel fee liability for innkeepers, customers, marketplace sellers, marketplace innkeepers and third parties. In general, the lease or rental of an accommodation is subject to the fee only if it is

provided by the innkeeper; a marketplace innkeeper is an innkeeper and must remit the fee even if the owner who they are facilitating the sale for is not an innkeeper. The fee also is imposed on rental charges collected by a marketplace innkeeper for leases and rentals of accommodations it facilitates on behalf of a marketplace seller. A marketplace innkeeper may be relieved of liability for failure to collect and remit the fee in limited situations; when a marketplace is relieved of liability, the marketplace seller is liable for the uncollected fee. Third parties that make reservations on behalf of customers must remit all hotel-motel fees it collects. The rule discusses exemptions and exclusions, extended stay rentals, guaranteed no-show revenue, penalties and interest, vendors' compensation, limitation period for assessment of the state hotel-motel fees, and refunds. The amended rule includes examples. Amended Rule 560-13-2 was adopted July 17, 2025 and took effect on August 6, 2025.

Hawaii: The Hawaii Department of Taxation issued a tax information release (TIR) to clarify the general excise tax (GET) obligations of transportation network companies (TNCs) and TNC drivers. For purposes of HRS Section 237-4.5, a TNC is a marketplace facilitator and as such is subject to GET on gross income or gross proceeds of sale (i.e., the total amount collected from a passenger), except for the discretionary tip given to the TNC driver. The GET imposed on the TNC is the 4% retail rate plus the county surcharge. For purposes of HRS Section 237-4.5, a TNC driver is a marketplace seller and as such is subject to GET on its gross income or gross proceeds of sale at the 0.5% wholesale rate. GET also is imposed on discretionary tips at the 4% retail rate plus the county surcharge. The person who ultimately receives the tip is subject to the GET. If the tip is split between the TNC and the TNC driver, both are subject to GET on their respective portion of the tip. The TIR explains when a tip is discretionary versus mandatory and includes examples. Mandatory tip payments are considered part of the gross income or gross proceeds of the sale. In regard to mandatory tips, the TNC is subject to GET at the retail rate on the full amount of the tip, while the TNC driver is subject to the GET at the wholesale rate on the portion of tip they receive. Haw. Dept. of Taxn., [Tax Information Release No. 2025-01](#) (July 30, 2025)(supersedes TIR 2018-01 and supplements TIR 2019-03).

Louisiana: New law ([SB 162](#)) revises the definition of dealer for sales and use tax purposes, provides for vendor compensation, and modifies the definition of a marketplace facilitator. A dealer included any person who sells for delivery in Louisiana tangible personal property, products transferred electronically or services. Effective July 1, 2025, SB 162 changes "products transferred electronically" to "digital products." A similar change was made to the definition of "remote seller." For use tax purposes, the law further defines a "dealer" to mean "any person who is engaged in business in Louisiana through participation in the retail sales market within the state through any means whatsoever or who otherwise avails himself of the substantial privilege or carrying on business within the state, including through virtual or economic contacts." SB 162 provides for vendor compensation in the form of a deduction against tax due on a return timely filed by the 20th day of the month following the month of collection, provided that all tax due on the return is timely remitted. The Louisiana Sales and Use Tax Commission on Remote Sellers will apply each taxing jurisdiction's specific rate of

vendor's compensation as a deduction against tax due. Lastly, SB 162 modifies the definition of a "marketplace facilitator" by repealing language that specifically excluded from the definition of "marketplace facilitator" any person that offered or facilitated the furnishing of sleeping rooms, cottages or cabins by hotels or facilitated the furnishing of rental cars by rental car companies. SB 162 took effect on July 1, 2025. La. Laws 2025, Act 433 (SB 162), signed by the governor on June 20, 2025.

Louisiana: New law ([HB 374](#)) expands the definition of a marketplace facilitator to include an "accommodations intermediary." An "accommodations intermediary" is a person that facilitates the furnishing of an accommodation (e.g., sleeping room, cottage, cabin, room, suite, condominium, townhouse, rental house) to transient guest through a marketplace it owns, operates or controllers. An "accommodations intermediary" is not an owner, operator or manager of such accommodations. A marketplace facilitator does not include a shared hotel brand (i.e., "an identifying trademark that an owner, operator, or manager is expressly licensed to operate a hotel under, in accordance with the terms of a hotel franchise or management agreement"). Starting January 1, 2026, an accommodations intermediary remitting state sales and use tax as a marketplace facilitator also will be required to remit local hotel and motel occupancy tax due upon furnishing sleeping rooms, cottages or cabins by hotels. HB. 374 takes effect on July 1, 2025. La. Laws 2025, Act 82 (HB 374), signed by the governor on June 4, 2025.

Tax Base and Taxability

Hawaii: The Hawaii Department of Taxation issued a tax information release to provide guidance on the general excise tax (GET) exemption for amounts received by certain healthcare providers for healthcare-related goods and services purchased under Medicare, Medicaid or TRICARE. Eligible health care providers include hospitals, infirmaries, medical clinics, health care facilities, pharmacies, licensed physicians or osteopathic physicians, licensed dentists, licensed advanced practice registered nurses, and licensed pharmacists. The exemption applies to amounts received directly from Medicare, Medicaid or TRICARE and amounts received from patients, including deductibles, copayments and coinsurance provided that the healthcare related goods and services are covered by Medicare, Medicaid or TRICARE programs. Taxpayers are required to report gross receipts received from healthcare related goods and services purchased under these programs. Haw. Dept. of Taxn., [Tax Information Release No. 2025-02](#) (August 1, 2025).

Kentucky: In response to an increase in questions regarding tariffs, the Kentucky Department of Revenue (KY DOR) said that charges for tariffs that are passed on to customers as part of the retail sale are subject to sales and use tax. The KY DOR explained that the only taxes excluded under the definition of gross receipts in KRS 139.010(17) are those impose directly on the purchaser. Thus, tariffs imposed on manufacturers or importers that are passed on to the retail customer as part of the sale are subject to sales and use tax. Further, the exemption

for taxes imposed by the United States under KRS 139.010(18) specifically excludes any importer's import duty (tariff) from exempt treatment. Lastly, the KY DOR noted that tariff charges included on a retail receipt are taxable, whether itemized or not. Ky. Dept. of Rev., "[Kentucky sales Tax Facts](#)" (June 2025).

Maine: New law ([LD 210](#)) expands the list of services subject to Maine's sales and use tax to include the following: (1) cable and satellite television or radio services; (2) fabrication services; (3) telecommunications services; (4) installation, maintenance or repair of telecommunications equipment; (5) ancillary services; and (6) digital audiovisual and digital audio services. LB 210 exempts from sales and use tax 95% of the sale price of fabrication services for the production of fuel for use at a manufacturing facility. Beginning January 1, 2026, the following are also exempt from sales and use tax: (1) sales of durable medical equipment for home use and breast pumps for home use, (2) sales of mobility enhancing equipment for home use or use in a motor vehicle; (3) the production of tangible personal property through fabrication services, if the sale to the consumer of such property would be exempt or otherwise not subject to sales and use tax; and (4) sales of international or interstate telecommunications service to a business for use directly in that business. LB 210 establishes specific provisions for sourcing sales of mobile telecommunications services. Effective for sales on or after January 1, 2026, charges for mobile telecommunications services provided to customers whose place of primary use is in Maine, for which the charges are billed by or for the customer's home service provider, are deemed provided at the customer's place of primary use. A home service provider is responsible for obtaining and maintaining a record of the customer's place of primary use; home service providers that rely on such information provided by a customer in good faith will not be held liable for any additional tax if a different place of primary use is determined. If the assessor determines that the address used by the home service provider does not meet the definition of customer's place of primary use, the assessor will notify the customer, who may demonstrate that the address is its place of primary use. If the customer fails to do so, the assessor will provide the home service provider with the proper address, which the home service provider must begin using within 30 days from the date of receiving the notice. LB 210 also provides that otherwise nontaxable charges that are aggregated with, but not separately stated from, the taxable telecommunications charges will be subject to tax unless the home service provider can reasonably identify such charges from their books and records kept in the regular course of its business. LB 210 adds several definitions, including, but not limited to, "ancillary service," "conference bridging service," "digital audiovisual and digital audio services," "digital audiovisual works," "digital audio works," "durable medical equipment," "mobility-enhancing equipment," "place of primary use," "telecommunications services," "telecommunications equipment," "vertical service," and "voice mail service." Maine Laws 2025, ch. 388 (LD 210) signed by the governor on June 20, 2025.

New York: The New York Department of Taxation and Finance (NYDTF) issued a tax bulletin discussing the application of sales tax on the charge for hotel and short-term rental unit occupancy. Hotels, short-term rental units and booking services are required to collect sales

tax on the charge for occupancy when the rental rate is more than \$2.00 per day. Short term rental unit operators that do not use a booking service do not have to collect the tax when the rental unit is its own property and is rented out for 3 or less days during the calendar year. Further, a booking service that facilitates sales of short-term rental unit occupancy in New York for an operator is required to collect sales tax on the occupancy charge for that unit. For purposes of these sales, a booking service does not include a room remarketer. The bulletin also addresses the following topics" (1) hotel and short-term rental unit occupancy, (2) New York City unit fee; (3) local occupancy taxes (e.g., bed taxes); (4) other charges (e.g., parking fees, service fees, rental fees, pet fees, cleaning fees); (5) permanent residents outside and inside New York City; (6) complimentary occupancy; and (7) exempt purchasers (e.g., exempt organizations, government employees, veterans posts). The bulletin describes hotels (e.g., hotel, motel, inn, bed and breakfast, ski lodge, apartment hotel) and short-term rental unit (e.g., house, apartment, condominium, cooperative unit, cabin, cottage, bungalow, furnished living unit). N.Y. DTF, [Tax Bulletin ST-331](#) (July 30, 2025).

Wisconsin: The Wisconsin Department of Revenue (WI DOR) in its July tax bulletin explained that the entire sales price of a taxable product, including any separate charges for tariffs, is subject to sales or use tax. The WI DOR noted that listing the tariff separately on the importer's sales invoice or billing the consumer separately does not change the sales tax treatment. Further, if the importer does not collect the sales or use tax on the sales price, the consumer is liable for use tax on the purchase price, which includes any tariff charges the importer collected from the consumer. When the importer is also the consumer, tariffs they directly or indirectly paid to the customs authority are not subject to sales or use tax. Wis. Dept. of Rev., [Wisconsin Tax Bulletin No. 230](#) (July 2025).

Wisconsin: New law ([SB 45](#)) eliminates the state sales tax on household energy bills, effective October 1, 2025. This permanently implements the exemption that applied only from November 2024 through April 2025. SB 45 also provides an exemption from the sales tax for information products used by insurance companies. This exemption is effective October 1, 2025. Wis. Laws 2025, Act 15 (SB 45), signed by the governor on July 3, 2025. For other tax changes in SB 45, see EY Tax Alert [2025-1504](#) (July 16, 2025).

Exemptions, Exclusions and Refunds

Colorado: New law ([SB 25-320](#)) reinstates and extends the sales and use tax exemption for low-emitting heavy-duty motor vehicles, power sources for these vehicles, and parts used for converting the power source of motor vehicles to a low-emitting power source. The exemption applies on and after August 1, 2025, but before January 1, 2029. SB 25-320 took effect on June 3, 2025. Colo. Laws 2025, ch. 386 (SB 25-320), signed by the governor on June 3, 2025.

Connecticut: New law ([HB 7287](#)) creates a sales and use tax exemption for sales of (1) any ambulance-type motor vehicle used exclusively to transport any medically incapacitated

individual, except any such vehicle used to transport such individual for payment, and (2) any ambulance operating under a license or certificate issued in accordance with Conn. Gen. Stat. Section 19a-180. This provision takes effect on, and applies to sales occurring on or after, July 1, 2025. Conn. Laws 2025, Pub. Act No. 25-168 (HB 7287), signed by the governor on June 30, 2025.

Florida: New law ([HB 999](#)), effective July 1, 2026, exempts from sales and use tax any gold or silver coin recognized as legal tender in Florida that is sold, exchanged or traded. The person claiming the exemption bears the burden of determining whether the gold or silver coins meet the definition of legal tender. Fla. Laws 2025, ch. 100 (HB 999), signed by the governor on May 27, 2025.

Florida: New law ([HB 7031](#)) effective October 1, 2025, repeals Fla. Stat. Section 212.031, which imposed sales and use tax on rental or license fees for use of real property (e.g., tax on commercial rentals). HB 7031 makes conforming changes to various statutory provisions, including amending definitions in Fla. Stat. Section 212.02. Following the law change, the Florida Department of Revenue (FL DOR) issued guidance on this repeal, describing what is excluded from the repeal of the tax on commercial rentals. The FL DOR explained that tax applies to rent/license fee payments made on or after October 1, 2025 that are for rental or occupancy periods through September 2025. Tax also continues to apply to the following: (1) rentals and leases of living, sleeping, or housekeeping accommodations for six months or less; (2) parking or storage spaces for motor vehicles; (3) docking or storage spaces for boats in boat docks or marinas; and (4) tie-down or storage spaces for aircraft and airports. The FL DOR's guidance includes responses to frequently asked questions. Fla. Laws 2025, HB 7031, signed by the governor on June 30, 2025; see also Fla. Dept. of Rev., [TIP No: 25A01-04](#) (July 24, 2025).

Florida: New law ([HB 7031](#)) extends the sales and use tax exemption for data center property through June 30, 2037 (from June 30, 2027) and increases the required power capacity of a data center to qualify for the exemption from 15 megawatts to 100 megawatts of total power capacity. The law also modifies the sales tax exemption for bullion, provides a sales tax exemption for admissions to state parks and certain stock car races, creates a permanent back-to-school sales tax holiday for the month of August, creates a sales tax holiday for outdoor recreations items, and exempts from sales and use tax various items that had previously been included in disaster preparedness and freedom summer sales tax holidays, such batteries, smoke detectors, carbon monoxide alarms, fire extinguishers, portable generators, waterproof tarpaulins and other waterproof sheeting, ground anchor systems and tie-down kits, portable gas cans, life jackets, sunscreen, and insect repellent. Fla. Laws 2025, HB 7031, signed by the governor on June 30, 2025; see also Fla. Dept. of Rev., [TIP No: 25A01-04](#) (July 24, 2025).

Georgia: The Georgia Department of Revenue (GA DOR) adopted amendments to [Rule 560-12-2-.107](#), the sales tax exemption for computer equipment. The Rule was amended to conform

with statutory changes enacted in 2022 (HB 1291). “Computer equipment” is defined as “any individual computer or organized assembly of hardware or software....” The amended rule list items that are “computer equipment,” including, but not limited to: server farms, mainframe or midrange computers, mainframe driven high-speed print and mailing devices, and workstation connected to those devices through a high bandwidth connectivity. “Computer equipment,” starting in 2001, excludes telephone central office equipment or other voice data transport technology and equipment with imbedded computer hardware or software that is primarily used for training, product testing or in a manufacturing process. Starting in 2024, computer equipment also excludes computers or devices issued to employees (e.g., smartphones, tablets, wearables, laptops) and prewritten computer software. Starting July 1, 2024, taxpayers claiming the exemption must pay 10% of all state and local sales and use tax on the first \$15 million of computer equipment purchased each year for which the exemption is claimed. Taxpayers making a tax-free purchase would report and remit the tax to the GA DOR on the sales and use tax return due after the purchase. Taxpayers claiming the exemption by refund will receive 90% of the tax imposed on the first \$15 million of eligible purchases for which the exemption is claimed. Adopted amendments also describe how to calculate the \$15 million threshold, and it sets forth reporting requirements that a taxpayer claiming the exemption must comply with. Amended Rule 560-12-2-.107 was adopted on August 18, 2025 and takes effect on September 7, 2025.

Louisiana: New law ([HB 654](#)), beginning January 1, 2026, requires that any new sales and use tax exemptions, exclusions, credits or rebates enacted by the legislature apply to sales and use taxes levied by all taxing authorities. HB 654 takes effect on June 8, 2025. La. Laws 2025, Act 215 (HB 654), signed by the governor on June 8, 2025.

Louisiana: New law ([SB 243](#)) clarifies that the state and local sales and use tax exemption for certain prescription drugs applies to the sale of prescription drugs to individuals enrolled in the Louisiana Children’s Health Insurance Program under Title XXI of the Social Security Act (SSA) or enrolled in any Louisiana Medicaid program under Title XIX of the SSA. SB 243 took effect on June 11, 2025. La. Laws 2025, Act 339 (SB 243), signed by the governor on June 11, 2025.

Ohio: On June 30, 2025, Ohio Governor Mike DeWine signed into law [Amended Substitute House Bill 96](#) (HB 96), the state’s biennial budget legislation for the fiscal period ending June 30, 2027. HB 96 makes several sales and use tax changes. Effective January 1, 2026, HB 96 repeals sales-and-use-tax exemptions on:

- Rental payments for “loaner” motor vehicles provided to the owner of a vehicle being repaired or serviced
- Refrigerated food vending machines
- Advertising materials or catalogs that price and describe items available for sale
- Items used by direct marketers in printing advertising material

- Equipment primarily used by direct marketers to accept orders
- Digital audio on juke boxes or similar devices in commercial establishments
- Telecommunications services used by qualified call centers
- Tangible personal property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing

Current law also allows an exemption for certain items sold at a casual sale, which is generally a sale of used items sold by either the user or an auctioneer. HB 96 clarifies the definition of a casual sale by explicitly including both in-person and online sales and excluding sales by an auctioneer made at the auctioneers' physical permanent place of business. HB 96 also eliminates interest on refunds for sales tax and use tax paid by a direct-pay permit holder, as well as interest on refunds of county sales and use tax. Interest will continue to be allowed for refunds of state and transit authority taxes. As political subdivisions, port authorities are exempt from sales/use tax on their purchases. Port authorities can use their tax-exempt status to reduce construction costs by leasing a building to a business during construction, which allows the business to benefit from the tax savings on materials incorporated into the project. HB 96 prohibits port authorities from entering into agreements that allow a private party to benefit from the sales tax exemption on construction materials without first obtaining county commissioner approval, if the project is located outside the port authority's territorial jurisdiction. HB 96 also prohibits a port authority from entering into a capital leaseback agreement for a project in its territorial jurisdiction without approval from the board of county commissioners in which the applicable property is located or, if the applicable property is located in more than one county, from each board of county commissioners of each county in which the development is located. For more on this development, including a discussion of vetoed provisions, see EY Tax Alert [2025-1441](#) (July 14, 2025).

Missouri: New law ([HB 594](#)), effective August 28, 2025, exempts from state and local sales and use tax all retail sales of diapers, incontinence products, and feminine hygiene products. (HB 594 defines these terms.) HB 594 also creates for all tax years beginning on or after January 1, 2026, a state and local sales and use tax exemption for all sales, purchases or use of "machinery and equipment used to provide broadband communications services" by a broadband communications service provider. To qualify for the exemption, the broadband communications service provider must give the seller a written certificate indicating that the broadband exemption applies to such machinery and equipment so purchased or used. A broadband communications service provider may enter into a direct pay agreement with the Missouri Department of Revenue, under which the provider may directly pay any applicable sales and use tax on such equipment directly to the Department. Mo. Laws 2025, HB 594, signed by the governor on July 10, 2025. See also, Mo. Dept. of Rev., "[Diapers, Feminine Hygiene, & Incontinence Products Exemption FAQs](#)" webpage.

Texas: On June 17, 2025, Texas Governor Greg Abbott signed a bill ([SB 2206](#)), replacing the research and development (R&D) franchise tax credit for certain R&D expenses with a new

franchise tax credit for R&D expenses² and repealing the sales and use tax exemption for depreciable tangible personal property directly used in R&D activities. These changes take effect on January 1, 2026. For additional information on this development, see EY Tax Alert [2025-1301](#) (June 19, 2025).

Transactions and Services

Louisiana: New law ([HB 404](#)) provides for the sourcing of drop shipment sales and the creation of title abstracts. Drop shipment sales will be sourced to the location of the transfer of title or possession, whichever occurs first. HB 404 defines a “drop shipment sale” as “a sales transaction in which goods are shipped directly to the customer by a third party.” Such sales include those in which a dealer accepts an order for goods from a customer and places the order with a third party and the third party delivers/causes to be delivered the goods directly to the dealer’s customer. Abstracts of title created by a person with a place of business in Louisiana will be sourced to the location of the person’s principal place of business in the state. These changes took effect upon becoming law. La. Laws 2025, Act 498 (HB 404), became law without the governor’s signature on July 1, 2025.

Maine: New law ([LD 936](#)) provides a sales tax refund for purchases or leases of depreciable machinery or equipment for use in commercial mining. In addition, a purchaser will not have to pay sales tax on purchases of electricity, fuel or a single item of machinery or equipment if the purchaser has received from the assessor a certificate stating that the purchaser is engaged in commercial mining. To qualify for the exemption the electricity, fuel or depreciable machinery and equipment must be used directly in commercial mining. The law expands the definition of “depreciable machinery and equipment” to include “new or used machinery and equipment for use directly and primarily in commercial mining.” These provisions apply to purchases made on or after January 1, 2026. Maine Laws 2025, ch. 469 (LD 936), signed by the governor on July 1, 2025.

Maryland: On August 15, 2025, the U.S. Court of Appeals for the Fourth Circuit held that Maryland’s Digital Advertising Tax, which took effect in 2022, violates the First Amendment to the U.S. Constitution by prohibiting companies from visibly passing on the tax as a separate “fee, surcharge, or line-item” on customer invoices. The ruling reverses a decision by the U.S. District Court for the District of Maryland, which concluded that while the prohibition restricted certain types of speech, it was not unconstitutional. On appeal, the Fourth Circuit concluded that the prohibition impermissibly regulates protected speech; namely, the court explained that while the prohibition did not forbid companies from passing on the tax, it “restricts the ways that a price increase can be communicated.” The court noted that under the current law “[i]f companies pass on the cost of the tax, they must do so in silence - keeping customers in the dark about why prices have gone up and thereby insulating Maryland from political responsibility.” The court remanded the case to the District Court to determine an appropriate

² SB 2206 accelerates the sunset of the R&D credit, which was scheduled to expire on December 31, 2026.

remedy for this single issue. The court previously had ruled that the federal courts lacked jurisdiction to decide the validity of the tax as-a-whole, and that such challenges should be brought in state court. At present, a number of constitutional and federal law-based challenges to the tax are before the Maryland Tax Court. [*Chamber of Commerce of U.S.A. v. Lierman*](#), (4th Cir. August 15, 2025).

Rhode Island: New law ([HB 5076Aaa](#)) expands the definition of “services” to include parking services, effective October 1, 2025. For purposes of this provision, parking services means offering a parking space in a parking facility in exchange for a parking fee for a duration of less than one month. Effective for tax periods beginning on or after January 1, 2026, HB 5076 increases the rate of the local hotel tax from 1% to 2% and imposes and a new 5% whole home short-term rental tax. This new tax is imposed on the total consideration charged for occupancy of a house, condominium, mobile homes or other resident dwelling in Rhode Island that is rented in its entirety. As explained by the Rhode Island Department of Taxation (RI DOR), a short-term rental is a rental for 30 or fewer days without a signed, active, rental agreement. Such rentals include rentals offered through an online hosting platform. The RI DOR noted that the whole home short-term rental tax is distinct from the state hotel tax on single room short-term rentals and that no rental is subject to both the state hotel tax and the whole home short-term rental tax. R.I. Laws 2025, ch. 278 (HB 5076Aaa), became law without the governor’s signature on June 29, 2025. See also, R.I. Dept. of Rev., Div. of Taxn., “[Summary of Legislative Changes](#)” (July 18, 2025).

Washington: In response to the enactment of SB 5814, which subjects several services to Washington’s retail sales tax beginning October 1, 2025 (see EY Tax Alert [2025-1125](#) (May 22, 2025)), the Washington Department of Revenue created a [webpage](#) to provide guidance in the form of Special Notices, FAQs, Interim Guidance Statements, Excise Tax Advisories and Rulemaking. Newly taxable services include the following: sales of custom software and customization of prewritten software; custom website development services; information technology services; advertising services; temporary staffing services; live presentations; modification of digital automated services exclusions; investigation, security and armored car services.

Technology and Digital Taxes

Minnesota: New law ([HF 9](#)) repeals the sales and use tax exemption for electricity used or consumed in the operation of a qualified data center or qualified refurbished data center, effective for sales and purchases made after June 30, 2025. A separate bill ([HF 16](#)) makes broad-based changes to data centers requirements and extends the sunset date of the data center sales tax exemption to the later of June 30, 2042, or 35 years after the first qualified purchase. HF 16 also adds new provisions for “qualified large-scale data centers,” which must invest \$250 million within a five-year period beginning after June 30, 2025, meet prevailing wage and labor requirements for construction or refurbishment, and meet applicable

sustainable design/green building standards. HF 16 also establishes a new water use permit process for data centers that propose to use more than 100 million gallons per year and requires the public utility commission (PUC) to establish a new subclass of electric utility service users for "very large" customers. The PUC may approve, modify or reject a proposed tariff or electric service agreement between utilities and very large customer, with some exceptions. Lastly, HF 16 imposes a new qualified large-scale data center fee. The annual fee will be collected from large-scale data centers based on the data center's peak electric service demand forecast, ranging from \$2 million for peak demand of 100 to 250 megawatts (MW) up to \$5 million for peak demand of 750 MW or more. An exemption from this fee is provided for large-scale data centers for energy conservation optimization plans. Minn. Laws 2025, ch. 13 (HF 9) and ch. 12 (HF 16), both bills signed by the governor on June 14, 2025. For a discussion of other tax changes included in HF 9, see EY Tax Alert [2025-1349](#) (June 24, 2025).

Practice, Procedure, Policy, Controversy and Compliance

Colorado: New law ([SB 25-018](#)), subject to confidentiality requirements, allows every sales and use tax license and exemption certificate to be searchable by the name and identification number of the sales and use tax licensee or exemption certificate holder. SB 25-018 takes effect on August 6, 2025. Colo. Laws 2025, ch. 361 (SB 25-018), signed by the governor on June 3, 2025.

District of Columbia: Emergency law ([B26-0340](#)) eliminates the previously enacted sales and use tax rate increase from 6.0% to 6.5% that is set to take effect on October 1, 2025 (see Laws 2024, [L25-0217](#)). The 6.0% rate will remain through September 30, 2026. B26-0340 does not change the scheduled sales and use tax rate increase to 7.0%, which is set to take effect on October 1, 2026. B26-0340 also extends the sunset date of the temporary increase to the rate of the additional sales and use tax on gross receipts for transient lodgings or accommodations through September 30, 2027 (from March 31, 2027). (Law enacted in 2023 temporarily increase the rate from 0.3% to 1.3%). As an emergency bill, B26-0340 is only effective for a 90-day period and will expire on December 2, 2025. B26-0340 (A26-0146) was signed by the mayor on September 3, 2025. The non-emergency, permanent bill, [B26-0265](#), which contains the same language but does not expire as it goes through the full legislative process, was approved by DC Council on July 28, 2025. The bill has been approved by the Mayor and has been sent to the U.S. Congress for a mandatory review period.

Florida: The Florida Department of Revenue issued a tax information publication explaining that legislation enacted in 2025 prohibits any increase to the local communications services tax (CST) rates in effect as of January 1, 2023 before January 1, 2031. In addition, any increase to the discretionary sales surtax under Fla. Stat. Section 212.055 may not be added to the local CST before January 1, 2031. These prohibitions had been set to end on December 31, 2025. Fla. Dept. of Rev., [TIP No. 25A 19-01](#) (July 22, 2025).

Florida: New law ([HB 7031](#)) modifies sales and use tax provisions related to forwarding agents. Under the law change, a forwarding agent that applies for and receives a certificate will be registered as a dealer with the FL DOR. Applicants do not have to resubmit a dealer application when applying for a certificate, or the renewal of a certificate, if they are already registered as a dealer with the FL DOR and have been granted a certificate of registration for a place of business where the designated address is located. A forwarding agent must surrender its certificate to the FL DOR within 30 days after any of the following: the forwarding agent ceased doing business, changed its address or changed its principal business activity to something other than facilitating the international export of property owned by another person, or the certified address is not used for export. The FL DOR will report the state's sales tax rate and discretionary sales surtax rate as zero for special five-digit zip codes provided by the US Postal Service, with some exceptions. HB 7031 also prohibits dealers, except for forwarding agents required to remit tax, from collecting sales tax on tangible personal property shipped to a certified address listed on the FL DOR's website or in its electronic database. These changes take effect on January 1, 2026. Fla. Laws 2025, HB 7031, signed by the governor on June 30, 2025; see also Fla. Dept. of Rev., [TIP No: 25A01-04](#) (July 24, 2025).

Illinois: The Illinois Department of Revenue (IL DOR) adopted amendments to the Illinois Retailers' Occupation Tax (ROT) rules [86 Ill. Adm. Code 130.225](#), 130.530, 130.175 and 130.2075, to implement a statutory change (Pub. Act 103-983) that deems a retailer maintaining a place of business in Illinois and making retail sales of tangible personal property to Illinois customers from a location outside Illinois to be engaged in selling at retail in Illinois for ROT purposes. Starting January 1, 2025, such retailers must use Form ST-2 to report these sales, listing the Illinois location where the tangible personal property was shipped or delivered or where the purchaser took possession (i.e., destination sourcing). Pursuant to Rule 130.175, the IL DOR provides registered taxpayers that sell tangible personal property from more than one location a sub-certificate of registration for each additional place of business. The amended rule provides that the sub-certificate of registration provisions do not apply to the out-of-state locations of retailers maintaining a place of business in Illinois who must file using destination sourcing for sales to Illinois customers from outside the state. Amendments to the rule make clear that use tax continues to apply to tangible personal property purchased outside the state by an Illinois or out-of-state construction contractor or builder in such a way that the seller does not incur ROT and such property is used in Illinois for building purposes. The amended rule includes examples of when ROT liability is not incurred, such as when a builder purchases property from a remote retailer and the property was shipped to the builder in Illinois. Lastly, amendments provide that when a purchaser buys tangible personal property from an out-of-state retailer that maintains a place of business in Illinois, the out-of-state retailer should remit applicable state and local ROT unless the purchaser is also a retailer and elects to assume responsibility for such tax.

The IL DOR also adopted amendments to the Leveling the Playing Field for Illinois Retail Act rules [86 Ill. Adm. Code 131.105](#), 131.107, 131.110, 131.150, 131.155 and 131.110.

A, to implement a statutory revision (Pub. Act 103-983) that changed the tax obligations for retailers maintaining a place of business in Illinois and making sales to Illinois customers from outside the state. The amended rules reflect that on and after January 1, 2025 such retailers with a physical presence in Illinois incur destination-based state and local ROT on sales they make outside Illinois and ship or deliver to Illinois purchasers. Such sellers that maintain a place of business in Illinois with a physical presence in the state incur state and local ROT using origin sourcing for sales for which the selling activities occur in Illinois. If the seller also makes sales over a marketplace, they will be considered a marketplace seller and the marketplace facilitator. If they have met the remittance threshold, they will incur state and local ROT liability based on destination sourcing. Remote retailers that have not met the remittance threshold and do not have a physical presence in Illinois will not incur state or local ROT on sales made outside Illinois that are shipped or delivered to Illinois purchasers. The remote retailer, nevertheless, may register with the IL DOR as a voluntary use tax collector. The amendments add new and update several examples to reflect the statutory changes.

The IL DOR adopted amendments to the Use Tax rules [86 Ill. Adm. Code 150.801](#), 150.802 and 150.1305. The changes reflect that on and after January 1, 2025, retailers maintaining a place of business in Illinois making retail sales to Illinois customers must register under the ROT and incur state and local ROT on all retail sales to Illinois customers, including retail sales from locations outside the state. Amendments provide that every retailer maintaining a place of business in Illinois continues to act as a Use Tax collector for the state and include examples of when a retailer is required to collect and remit Use Tax while also incurring state and local ROT liability on a transaction.

Lastly, the IL DOR adopted amendments to the Home Rule Municipal Retailers' Occupation Tax rules [86 Ill. Adm. Code 270.115](#) to implement statutory changes to the tax obligation for retailers that maintain a place of business in Illinois and that make sales to Illinois customers from outside the state. The retailer is engaged in the business of selling at the Illinois location where the property is shipped or delivered or where the purchaser takes possession. Amendments also modify sourcing rules for leasing tangible personal property in the state. Beginning on and after January 1, 2025, the Home Rule Municipal Retailers' Occupation Tax applies to leases of tangible personal property in effect, entered into or renewed on or after that date and the business of selling includes leasing tangible personal property. Amendments provide sourcing guidance for (1) leases that require recurring periodic payments and for which the property is delivered to the lessee by the lessor, and (2) all other leases. For leases requiring periodic payments, the payment will be sourced to the primary location for each period covered by the payment. For all other leases, the payment is sourced as otherwise provided by applying the Composite of Selling Activities Test and the other Presumptions Applying to Certain Selling Operations under 270.115(c) and (d), respectively. The amended rules took effect on June 13, 2025. Ill. Dept. of Rev., Adopted Rules 86 Ill. Adm. Code 130, 86 Ill. Adm. Code 131, 86 Ill. Adm. Code 150, and 86 Ill. Adm. Code 270 (Ill. Register, Vol 49, Issue 26, June 27, 2025).

Illinois: On June 16, 2025, Illinois Governor JB Pritzker signed Public Act 104-0006 ([HB 2755](#), the Bill), which establishes three separate tax amnesty programs, including a remote retailer amnesty program that will run August 1, 2026 through October 31, 2026. During this amnesty program, the Department will accept returns and payment of state and local retailers' occupation taxes (ROT) at the simplified ROT rate³ for eligible transactions occurring during the eligibility period – i.e., the period from January 1, 2021 through June 30, 2026. For remote retailers that satisfy their state and local ROT during the amnesty program, the Department will abate and not seek to collect interest or penalties on eligible transactions and it will not seek civil or criminal prosecution of the remote retailer for the period for which amnesty has been granted. For more on this development, see EY Tax Alerts [2025-1373](#) (June 27, 2025) and [2025-1374](#) (June 27, 2025).

Louisiana: New law ([HB 610](#)) requires an online platform in regard to short-term rentals located in the city of New Orleans rented through its platform, to provide the renting party with a line-by-line itemization of all assessments, fees and taxes owed by the party. This information must be provided on the online platform's website as well as on the final bill issued to the renting party. This requirement takes effect on January 1, 2026. La. Laws 2025, Act 387 (HB 610), signed by the governor on June 20, 2025.

Louisiana: New law ([HB 578](#)) makes several changes to the state's sales and use tax provisions. Select changes do the following: (1) add references to "digital products" to various definitions, including "cost price," "dealer," "sales price," "use" and the "imposition of tax" provision under R.S. 47:321.1; (2) modify sale for resale provisions related to "retail sale" or "sale at retail"; (3) revise the description of "providing of information services"; (4) source purchases of multiple listing services by real estate licensees and brokers to the location of the licensee's or broker's Louisiana regional real estate association office; (5) modify the imposition of various sales and use taxes under R.S. 47:321 to remove the exclusion for prepaid calling service and prepaid wireless calling service; (6) cap the sales and use tax levied on boats registered in the state to \$20,000 if the tax is paid within 90 days of purchase; and (7) reinstate certain state and local tax exemptions that were repealed by Act 11 (Laws 2024 Third Extraordinary Session) and create new exemptions. For instance, an exemption applies to computer software or prewritten computer software access services or information services that are used by licensed healthcare facilities and providers for storing or transmitting healthcare information for the diagnosis or treatment of medical conditions (this exemption already applies to digital products used for such.) An exemption is created for the lease or rental of motor vehicles by licensed motor vehicle dealers or vehicle manufacturers for their use in furnishing such vehicles to their customers in certain situations. These changes have various effective dates. La. Laws 2025, Act 384 (HB 578), signed by the governor on June 20, 2025.

³ The simplified ROT rate is 9% of the gross receipts from sales of tangible personal property that are subject to the 6.25% state rate or 1.75% of the gross receipts from sales of tangible personal property that are subject to the 1% state rate and food for human consumption that is to be consumed off the premises where it is sold.

Louisiana: New law ([SB 112](#)) authorizes compensation for certain dealers and remote sellers for collecting and remitting tax levied by the state as well as by a local ordinance. Such compensation will be in the form of a deduction equal to the rate specified in the local ordinance, provided that the amount due was not delinquent at the time of payment. The deduction will be claimed against tax due if the return is timely filed by the 20th day of the month following the month of collection and all tax due as shown on the return is remitted by that date. The amount of tax already paid to a wholesaler is not included in computing the amount of compensation. SB 112 takes effect on, and applies to tax periods beginning on and after, July 1, 2025. La. Laws 2025, Act 327 (SB 112), signed by the governor on June 11, 2025.

Maine: New law ([LD 936](#)) imposes an annual excise tax on a mining company for the privilege of conducting mining in Maine, applicable to tax years beginning on or after January 1, 2026. The annual excise tax rate is 0.05 multiplied by the mining company's gross proceeds. In calculating tax due, a mining company's gross proceeds must be computed as if each mining property were separate taxpayers. If the company's property is located in Maine and other states or Canada, gross proceeds must be allocated or apportioned in a reasonable manner. A taxpayer will be required to file an amended return if the IRS changes or corrects any item on the federal return that affects the taxpayer's liability under this provision. Such amended return must be filed within 180 days from the final determination of the change or corrections or the filing of the amended return. The amended Maine return must describe the change or correction and the reason for the change or correction. The law includes provisions for the taxpayer's accounting periods and methods of accounting and making estimated tax payments. Maine Laws 2025, ch. 469 (LD 936), signed by the governor on July 1, 2025.

Maryland: The Maryland Department of Treasury issued a technical bulletin on the digital advertising gross revenues tax. The bulletin provides an overview and statutory history of the tax, includes definitions of various terms (such as advertising, advertising services, digital advertising services), and explains digital advertising service. The bulletin also discusses the following general information: (1) persons subject to the tax; (2) filing, payment and recordkeeping requirements; (3) calculating the tax; (4) filing a refund for overpayment of tax; and (5) exclusions from the tax. Md. Dept. of Treas., [Tech. Bulletin No. 59](#) "Digital Advertising Gross Revenues Tax" (July 11, 2025).

Maryland: The Maryland Department of Treasury issued a technical bulletin on multiple points of use (MPU) certificates. Maryland law allows a buyer who knows when purchasing data and information technology services, software publishing services, digital codes, or digital products that it will be used concurrently both inside and outside the state, or resold to a member of an affiliated group, to present the vendor with an MPU certificate. A valid MPU certificate relieves the vendor of the obligation to collect and remit sales and use tax, and instead, requires the tax be remitted by either the buyer or member of the affiliated group the items were resold to. The

bulletin provides an overview of MPU certificates, includes definitions of key terms, explains the process for requesting an MPU certificate, and describes the duties of buyers and vendors when an MPU certificate is used. Md. Dept. of Treas., [Tech. Bulletin No. 54](#) "Multiple Points of Use Certificates (MPU)" (July 1, 2025).

Minnesota: New law ([HF 9](#)) requires vendors with sales and use tax liabilities of \$250,000 or more in a fiscal year to remit 5.6% of their June liabilities two business days before June 30, beginning in calendar year 2027. The remaining amount not remitted in June must be paid on or before August 20 of the calendar year. A penalty of 10% of the actual required June liability minus the amount actually remitted in June will be assessed on vendors who fail to pay the required estimated liabilities. The penalty does not apply if the amount remitted in June equals the lesser of 5.6% of the preceding May's liability or 5.6% of the average monthly liability for the previous calendar year. These changes are effective for taxes remitted after May 31, 2027. Minn. Laws 2025, ch. 13 (HF 9), signed by the governor on June 14, 2025. For a discussion of other tax changes included in HF 9, see EY Tax Alert [2025-1349](#) (June 24, 2025).

Ohio: On June 30, 2025, Ohio Governor Mike DeWine signed into law [Amended Substitute House Bill 96](#) (HB 96), the state's biennial budget legislation for the fiscal period ending June 30, 2027. Effective for returns filed after January 1, 2026, HB 96 caps the discount for vendors that promptly pay sales and use tax at \$750 per vendor's license per month covered by the return. Motor vehicle leases are exempt from the discount cap.

Oklahoma: New law ([HB 1183](#)) modifies how the value of a vehicle is determined for purposes of the motor vehicle excise tax. Effective July 1, 2026, the value of any vehicle will be the actual sales price of the vehicle, eliminating the provision that the value of the vehicle before the subtraction of discounts or credits for trade in be within 20% of the average retail price value of such vehicle. Okla. Laws 2025, HB 1183, signed by the governor on May 21, 2025.

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