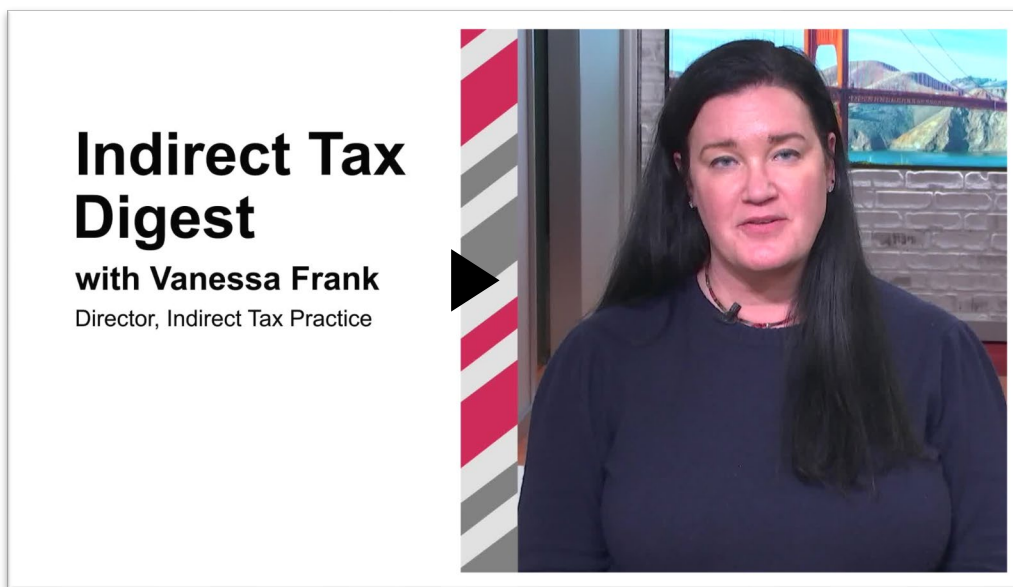


March 2025

Highlighting indirect tax developments



Welcome to the US Indirect Tax Digest. We highlight significant sales and use tax legislative enactments, regulatory adoptions, judicial decisions, and administrative guidance. We hope that you find the digest valuable and look forward to your feedback.

Jennifer Jensen
Andrew Nunes

Several states introduce digital tax legislation

During the 2025 legislative session, several states have introduced legislation to impose tax on digital advertising, the usage of consumer data, or digital services

Digital advertising

Michigan introduced [H.B. 4142](#) on February 26 to impose a tax on the annual gross revenues of a person derived from digital advertising services, after apportionment to Michigan, at rates ranging from 2.5% to 10%, effective January 1, 2026.

Observation: Michigan's proposal is similar to Maryland's enacted digital advertising tax that is subject to litigation at the federal and state levels. Maryland has proposed an appeals process for the digital advertising tax ([H.B. 546](#) and [S.B. 605](#)).

Additional states introducing legislation to impose tax on digital advertising include [Massachusetts](#), [Montana](#), [New York](#), and [Rhode Island](#).

Data usage

Maryland introduced [S.B. 904](#) on January 28, 2025, and [H.B. 1089](#) on February 6, 2025, to impose a "data broker gross income tax" on 6% of a data broker's apportioned gross income. The bill would be effective July 1, 2025, and apply to tax years on or after December 31, 2026.

The tax would apply to businesses that engage in collecting, aggregating, analyzing, buying, selling, and sharing brokered personal data. The apportionment formula is based on receipts (gross income from engaging in data brokering in Maryland / everywhere). This location would be determined by "addresses in the personal data," although a population or other method may be allowed.

Observation: Maryland's proposal does not indicate how the data broker tax would function along with the digital advertising tax. Additional states introducing legislation to impose tax on the usage of data include the [District of Columbia](#), [New York](#), [Tennessee](#), and [Washington](#).

Digital services

Virginia introduced [H.B. 1755](#) on January 8, 2025, to impose sales and use tax on digital services, defined as "software application services, computer-related services, website hosting and design, data storage, and digital subscription services."

Observation: Although Virginia's proposal did not advance beyond committee, this is the second year the state has introduced a tax on digital services. Additional states introducing legislation to impose tax on digital services include [Hawaii](#), [Maryland](#), [New Jersey](#) (in budget summary although "digital services" is not defined), and [New York](#).

Indiana rules that video game subscriptions, in-game items, and virtual currency are not taxable

The Indiana Department of Revenue issued a revenue ruling on January 7, 2025, clarifying that sales and use tax does not apply to online video game subscriptions, in-game items, or virtual currency.

The taxpayer is an out-of-state video game publisher that, through a related entity, sells a video game in electronic format directly to customers and through third-party vendors. While the company does not sell the game directly, it offers additional items for purchase: (1) a monthly subscription required to access multiplayer features, (2) in-game items such as cosmetic enhancements and expansion packs, and (3) virtual currency that can be used to purchase in-game items or subscriptions.

The taxpayer inquired whether sales and use tax is imposed on the subscriptions, in-game items, and virtual currency.

Indiana imposes sales tax on retail transactions involving tangible personal property, including prewritten computer software. However, software-as-a-service (SaaS) and electronically accessed software without ownership transfer are not taxable. Similarly, digital products are taxable only if they meet the statutory definition of "specified digital products," such as digital books, audio works, or audiovisual works.

The Department ruled that none of these offerings are considered taxable tangible property or specified digital products.

Observation: Indiana has provided further clarity around what qualifies as a specified digital product (does not include online video game subscriptions, in-game items, or virtual currency). Companies should be aware of Indiana's definition of specified digital products to determine if tax applies when selling services along with tangible personal property.

[Revenue Ruling #2024-04-RST, Indiana Department of Revenue issued 1/7/25 \(published 1/22/25\)](#)

South Dakota establishes 30-day grace period for remote seller tax registration

South Dakota enacted [S.B. 43](#) on February 18, 2025, modifying the registration and remittance requirements for remote sellers and marketplace providers by providing a 30-day grace period before tax obligations take effect.

Observation: Prior to enactment, businesses exceeding \$100,000 in gross sales into South Dakota in the previous or current calendar year were required to register and remit sales tax immediately upon reaching the threshold. The Department of Revenue acknowledged in [Remote Seller Bulletin \(July 2023\)](#) that "there are preparatory steps remote sellers need to take before collections begin," but the statute did not formally provide a transition period.

Effective July 1, 2025, S.B. 43 provides that a remote seller or marketplace provider that meets the economic nexus threshold no longer is required to register and remit sales tax until the first day of the first month that begins at least 30 days after meeting the criteria.

Observation: With the enactment of S.B. 43, companies may reduce the risk of penalties charged for delayed registration due to administrative challenges. Businesses should closely monitor their sales in South Dakota and initiate registration within the 30-day period to avoid penalties.

Wyoming manufacturing exemption sunset date extended

Wyoming enacted [H.B. 11](#) on March 3, 2025, to extend the sunset date of the manufacturing sales and use tax exemption from December 31, 2027, to December 31, 2042, and repeal specific manufacturing category requirements in the use tax exemption to align with changes made to the sales tax exemption in 2024.

Wyoming provides an exemption from sales and use tax for machinery used directly and predominantly in Wyoming for manufacturing tangible personal property.

Observation: The use tax manufacturing exemption currently is limited to manufacturers classified under certain NAICS codes (sector 31-33 covering industries primarily engaged in the chemical, mechanical, or physical transformation of materials or substances into new products). The exemption also does not include noncapitalized machinery except machinery expensed in accordance with IRC Section 179. Effective July 1, 2025, H.B. 11 removes these use tax manufacturing exemption limitations.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

Jennifer Jensen
Partner/Principal
+1 240-599-6537
jennifer.jensen@pwc.com

Andrew Nunes
Partner/Principal
+1 617-372-6486
andrew.l.nunes@pwc.com

© 2025 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Solicitation