



US Indirect Tax Digest

Highlighting indirect tax developments

2nd Quarter 2026



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

In this issue

- [Colorado expands sales/use tax to software downloads, apps and remote access](#)
- [Illinois enacts budget bill with new digital taxes and social media platform fee, among other items](#)
- [Kentucky expands sales and use tax to data brokering services, makes additional changes](#)
- [Maryland enacts statutory framework for MPU certificates effective January 1, 2027](#)
- [Tennessee Court of Appeals finds software licenses exempt from business tax; cloud-based hosting and services taxable](#)

Colorado expands sales/use tax to software downloads, apps and remote access

Colorado enacted [HB26-1223](#) on June 4, 2026. Effective January 1, 2027, the bill expands sales and use tax to computer software, regardless of method of delivery including downloaded “apps”, as well as software accessed remotely through the internet. Custom software remains exempt. An exemption is also provided for software governed by a negotiable license agreement.

The bill also expands and codifies the exemption for sales tax on gas and electric utilities for certain prepared food retailers. It also provides a limited sales tax deduction for certain food services and hospitality industries for specified periods in 2027 and 2028.

HB26-1223 contains the safety clause, which exempts the legislation from the constitutional right of referendum.

For more information, see [Colorado expands sales and use tax to software downloads, apps, and remote access](#).

Illinois enacts budget bill with new digital taxes and social media platform fee, among other items

Budget-related tax legislation signed by Governor JB Pritzker on June 16, 2026 includes the following significant changes, effective January 1, 2027:

- imposes a new tax on providers of targeted advertising services at a rate of 10% of the gross receipts derived from these services provided in Illinois, whose receipts exceed \$1 million during the preceding 12-month period, determined quarterly
- establishes a monthly social media platform fee for platforms with more than 100,000 Illinois users from whom the platform collects data, and requires a report of average monthly Illinois users to the Secretary of State within 14 days after the start of each month
- applies a new privilege tax at the rate of 0.2% of the value of digital asset business activity received by Illinois customers collected by digital asset brokers who maintain a place of business in Illinois, including remote brokers meeting a \$100,000 Illinois gross receipts threshold.

[SB 3019, enacted 6/16/2026]

Beginning July 1, 2026, the bill:

- imposes marketplace facilitator collection obligations on hotel booking platforms
- imposes a new 15% privilege tax on fantasy contest receipts
- consolidates the fee imposed on new or used tires sold and delivered in Illinois
- suspends the previously scheduled July 1, 2026 Consumer Price Index (CPI) inflation adjustment to the motor fuel excise tax rate for the period beginning July 1, 2026 and ending January 1, 2027.

In addition, SB 3019 creates a sales tax holiday for 10 days in August 2026.

For more information, see [Illinois legislature passes budget bill with new digital taxes and social media platform fee, among other items.](#)

Kentucky expands sales and use tax to data brokering services, makes additional changes

Kentucky [HB 757](#), enacted on April 14, 2026, adopts several sales and use tax changes. The following changes are effective on August 1, 2026:

- Data brokering services (the act of collecting, aggregating, and analyzing personal data for sale) are defined as a new service category and added to the list of enumerated services subject to tax.
- Eliminates the 200-transaction threshold requirement for economic nexus registration and collection
- Amends definition of “communication services” to include separately stated charges for pay telephone (previously excluded)
- Defines “educational or charitable institution” and makes change to expand the definition of “religious institutions” and provides sales and use tax exemptions for sales and purchases.

The following changes were effective upon enactment:

- Provides a sales tax incentive for certain professional sporting event qualifying attractions for events held on or after July 1, 2026 (expires November 30, 2036)
- Extends the motion picture refundable credit program application window through June 30, 2030
- Extends the \$2 fee on sales of new tires for transactions occurring prior to July 1, 2034

For more information, see [Kentucky expands sales and use tax to data brokering services, makes additional changes.](#)

Maryland enacts statutory framework for MPU certificates effective January 1, 2027

Maryland [Senate Bill 644](#), enacted on April 28, 2026, establishes a statutory framework for the issuance, use, renewal, rescission, and revocation of multiple points of use (MPU) certificates for sales and use tax purposes, effective January 1, 2027. The legislation applies to MPU certificates for digital codes, digital products, and taxable data and information technology services.

SB 644 supersedes or modifies key elements of prior Comptroller guidance, creating a two-year authorization cycle, vendor-level certificates that may apply to future purchases, streamlined certificate generation requirements, and statutory procedures for revocation and vendor notification.

For more information, see [Maryland enacts statutory framework for MPU certificates effective January 1, 2027.](#)

Tennessee Court of Appeals finds software licenses exempt from business tax; cloud-based hosting and services taxable

The Tennessee Court of Appeals on May 13, 2026, held that receipts from computer software licenses are exempt from Tennessee business tax as sales of intangible personal property. The court found that cloud hosting and related cloud-based services are taxable when electronically delivered to Tennessee locations.

SAP America, Inc. v. David Gerregano, Commissioner of Revenue, State of Tennessee, No. M2024-01399-COA-R3-CV, Tenn. Ct. App. (5/13/26)

For out-of-state service providers, the decision emphasizes that Tennessee business tax exposure is dependent on the customer's delivery or access location rather than the provider's performance location. Electronic access by Tennessee users establishes in-state delivery, making customer, billing, "ship-to," and service-location data important support for sourcing positions. It also highlights that prewritten computer software is considered intangible personal property for purposes of the business tax, despite being defined as tangible personal property under the sales and use tax statutes.

For more information, see [Tennessee Court of Appeals finds software licenses exempt from business tax; cloud-based hosting and services taxable](#).

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

© 2026 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