



This Week in State Tax (TWIST)

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Colorado: Sales of Streaming Platform Credits Not Subject to Sales Tax

In a recent private letter ruling, the Colorado Department of Revenue (Department) addressed the taxability of streaming platform credits. The taxpayer, a streaming platform, allowed viewers of its streaming content to purchase so-called platform credits. The platform credits could be used to show support for a particular streamer (a third party whose video content was streamed on the platform) and essentially allowed the viewer enhanced interaction with streamers. The ruling addressed whether the company's sales of platform credits and/or the subsequent redemption of platform credits, were subject to state and state administered sales tax.

Under Colorado law, sales tax is imposed on the purchase of tangible personal property, which includes all tangible or corporeal things that are capable of being possessed and exchanged. Sales tax is not imposed on intangibles that provide a mere right of action without intrinsic value, like a contract. Colorado taxes digital goods as tangible personal property, however, electronically delivered computer software is statutorily excluded from the definition of tangible personal property.

The Department analogized the sales tax considerations of streaming platform credits to those arising from the sale of a gift card. Because a gift card is a representation of the issuer's agreement to provide goods or services, then sales tax is imposed only when the card is redeemed and not when the gift card itself is acquired. A subsequent transaction in which a viewer redeems a gift card is not immune from sales tax if the individual receives anything taxable in the exchange, such as tangible personal property or services. On the contrary, if the gift card is redeemed to acquire an intangible that is otherwise not subject to sales tax, then the redemption does not have sales tax consequences. Much like a gift card, the Department determined that a viewer's purchase of platform credits entitled it to receive the benefits and rewards of the credits when the viewer elected to redeem them at a later date. As a result, purchases of the streaming credits were not subject to sales and use tax. Likewise, when the credits were redeemed, a viewer was receiving services that were non-taxable, such as emphasizing a chat message to the streamer or other viewers. A viewer might also redeem the credits to compensate the streamer, which was treated as a non-taxable gratuity. Other nontaxable services received in exchange for platform credits included third party enhancements that altered the appearance or functionality of the live stream. These enhancements, in the Department's view, were similar to exempt electronically received computer software. The Department concluded that sales and use tax also did not apply when the credits were redeemed. Please contact [Steve Metz](#) with questions on [PLR-22-005](#).



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