



# This Week in State Tax (TWIST)

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MASSACHUSETTS



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## Massachusetts: Certain Software Providers will be Manufacturing Corporations

The Massachusetts Department of revenue recently issued TIR 23-8, which sets forth the Commissioner's interpretation of the Appellate Tax Board's decision in *Akamai Technologies*. In *Akamai*, the issue was whether the taxpayer was developing and selling standardized computer software so that it was classified a manufacturing corporation. The Board ruled in the taxpayer's favor, holding that it was engaged in manufacturing through the development and sale of remotely accessed software. As such, the taxpayer was classified as a manufacturing corporation for local property tax and corporate excise tax purposes; in computing Massachusetts taxable income, the taxpayer was required to use single-sales factor apportionment.

In the TIR, the Department concludes that corporations that develop and sell access to software that allows customers to input their own information, manipulate the software, and run reports without interaction with the software provider or its employees, are engaged in the manufacture and sale of tangible personal property. Therefore, such corporations are manufacturing corporations for purposes of property and sales tax benefits and are required to use single sales factor apportionment for corporate excise tax purposes. While beneficial for in-state businesses, this decision/interpretation is generally not beneficial for out of state software providers. Please contact [Sarah McGahan](#) with questions on TIR 23-18.



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