Interested Parties Meeting Agenda
Application of Sales and Use Tax to Digital Products
September 10, 2026

Welcome and Introduction

Item A – Proposed Amendments to Regulation 1502, Computers, Programs, and Data Processing

- Revises the title from “Computers, Programs, and Data Processing” to “Data Processing.”
- Updates the terms and definitions to be consistent with RTC sections 6010.9 and 6016.
- Deletes the text regarding prewritten programs, including optional maintenance contracts, in subdivision (f)(1).
- Deletes the text regarding custom computer software in subdivision (f)(2) and move to proposed new Regulation 1502.2.
- Deletes subdivisions (c)(7) and (i) regarding the application of tax to charges for remotely accessing computers due to potential confusion.

Item B – Proposed Regulation 1502.2, Custom Computer Software

- Defines the key terms “basic operational program,” “computer,” “computer software,” “custom computer software,” and “prewritten computer software” by reference to proposed new Regulation 1600.
- Incorporates subdivision (f)(2)(A) of former Regulation 1502 as subdivision (b) to explain that tax does not apply to custom computer software.
- Provides an example of what custom computer software is, and an example of what is not custom computer software.
- Incorporates subdivision (f)(2)(B) of former Regulation 1502 as subdivision (c) to specify that custom modifications to prewritten computer software are not taxable when the charges are separately stated.
- Provides an example illustrating the application of tax when the charge for custom modification is separately stated, and an example when the charge is not separately stated.
- Incorporates subdivision (f)(2)(C)-(E) of former Regulation 1502 as subdivisions (e)-(g).

Item C – Proposed Amendments to Regulation 1507, Technology Transfer Agreements

- Adds a reference in subdivision (b)(3), Specific Applications, to specify that proposed Regulation 1600 provides guidance regarding the application of tax to the sale or storage, use, or other consumption of prewritten computer software, including any copyright or patent interests associated therewith.

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Item D – Proposed Regulation 1600, Application of Sales and Use Tax to Digital Products

- Defines terms including "digital products," "accessed remotely," "prewritten computer software," "custom software," "tangible storage media," and "transferred electronically" and provide examples of what is and is not a digital product.
- Clarifies the application of tax to sales or purchases of digital products, whether transferred on tangible storage media, electronically, or accessed remotely.
- Clarifies the determination of when the sale or purchase for digital products occurs, including examples describing when the sale or purchase occurs in various scenarios.
- Provides the rules to determine the place of sale or purchase of a digital product.
- Provides that the place of first use of a digital product is where the purchaser first exercises any right or power over the digital product.
- Specifies the exemptions applicable to the sale or purchase of a digital product.

Item E – Proposed Regulation 1600.1, Tax Liability Threshold for Digital Products

- Clarifies when a retailer is relieved of the liability to pay sales tax or collect use tax on digital products transferred electronically or accessed remotely.
- Clarifies the threshold amount provided by RTC sections 6052 and 6201.55.
- Clarifies when a purchaser is liable for reporting and paying use tax.
- Provides that when the threshold amount is exceeded, a purchaser must either obtain a use tax direct payment permit or a waiver from the Department.
- Prescribes the process to request a waiver from the Department.
- Clarifies that if the purchaser provides the retailer with a waiver, the retailer is liable to pay the sales tax or collect the use tax due.

Item F – Proposed Regulation 1600.2, Digital Products Purchased for Multiple Points of Use

- Defines the terms "computer," "multiple points of use," and "user."
- Specifies the authority for the Department to set forth, authorize, or require alternative methods to calculate the sales or use tax due in this state for any digital product sold or purchased for use in this state.
- Provides an alternative method for calculating the sales or use tax due on any digital product purchased for use in this state.
- Explains that a seller is relieved of the obligation to pay and remit tax on the non-taxable measure based on the use of a digital product outside this state when the seller timely obtains in good faith a written multiple-points-of-use (MPU) certificate from the purchaser.

- Prescribes the essential elements required on an MPU certificate.
- Provides the requirements when a purchaser issues a use tax direct payment permit exemption certificate to the seller.
- Specifies the record keeping requirements to substantiate any claim for digital products sold or purchased for multiple points of use.
- Provides a reference to Regulation 1600.3 for the application of tax to digital products purchased solely for use outside this state or in Interstate or Foreign Commerce.
- Adds an operative date of January 1, 2027, for the regulation.

Item G – Proposed Regulation 1600.3, Digital Products Purchased Solely for Use Outside this State or in Interstate or Foreign Commerce

- Provides that a digital product transferred electronically or accessed remotely when purchased solely for use outside of this state or in interstate or foreign commerce is exempt from sales and use tax.
- Specifies the exemption does not apply to a sale or purchase of a digital product transferred on tangible storage media.
- Explains that a seller is relieved of the burden of proving that a transaction is exempt from tax when the seller timely obtains in good faith an exemption certificate from the purchaser.
- Prescribes the essential elements required on the exemption certificate.
- Explains that a purchaser may issue an exemption certificate when purchasing multiple digital products in the same transaction.
- Provides that if a purchaser certifies in writing to a seller that a purchase of a digital product is exempt pursuant to Revenue and Taxation Code section 6372 and uses the digital product in this state, or in any manner other than in interstate or foreign commerce, the purchaser shall be liable for payment of tax.
- Specifies the record keeping requirements to substantiate any claimed exemption.
- Adds an operative date of January 1, 2027, for the regulation.

Item H – Proposed Amendments to Regulation 1699.6, Use Tax Direct Payment Permits

- Clarifies the required elements of an application for a use tax direct payment permit and provide that an application may be submitted online or via email.
- Clarifies that a use tax direct payment permit shall be issued to any person required to pay use tax directly to the Department on purchases of digital products transferred electronically or accessed remotely pursuant to RTC section 6052 and 6201.55.
- Clarifies that a use tax direct payment permit exemption certificate should only be issued to a retailer of digital products transferred electronically or accessed remotely when the

gross receipts from the sale exceed the threshold amount as provided in Regulation 1600.1.

- Clarifies the meaning of "good faith" for purposes of a use tax direct payment exemption certificate issued for purchases of digital products transferred electronically or accessed remotely.
- Changes references to the "board" to the "Department."
- Makes formatting changes for consistency.

Item I – Conclusion / Next Steps

- Written comments regarding this proposed emergency rulemaking or suggestions for alternative regulatory language are due September 24, 2026.
- Please submit to PPDD-BTC.InformationRequests@cdtfa.ca.gov.

Contact Information

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