



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

TAX POLICY BUREAU

651 BANNON STREET, SUITE 100, SACRAMENTO, CA 95811

PO BOX 942879, SACRAMENTO, CA 94279-0092

1-916-309-5397 • FAX 1-916-322-2958

www.cdtfa.ca.govGAVIN NEWSOM
GovernorNICOLAS MADUROS
Secretary, Government Operations AgencyTRISTA GONZALEZ
Director

July 7, 2026

To Whom It May Concern:

The California Department of Tax and Fee Administration will be hosting a workshop to discuss and receive input regarding the application of sales and use tax to digital products. (See enclosed Digital Products Workshop Agenda for additional information.) We invite you to participate in this workshop and present any suggestions or comments that you may have on this topic. Accordingly, a workshop is scheduled as follows:

July 21, 2026
Room SE 245 at 10:00 a.m.
May Lee State Office Complex
651 Bannon Street, Sacramento, CA

You may also join us on your computer or mobile app through [Microsoft Teams](#) or by calling 1-916-535-0987 and then entering the phone conference identification number 795 119 846#. You are also welcome to submit your written suggestions or comments to me at the address in this letterhead or via email at PPDD-BTC.InformationRequests@cdtfa.ca.gov prior to the workshop. Copies of the materials you submit may be provided to others; therefore, please ensure your comments do not contain confidential information. Please feel free to publish this information on your website or distribute it to others who may be interested in the workshop.

We appreciate your consideration and look forward to your participation. Should you have any questions, please contact Business Taxes Committee team member Robert Wilke at 1-916-309-5302.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Barrow".

Sandy Barrow, Chief
Tax Policy Bureau
Processing, Policy, and Data Division

SB:rsw

Enclosure
Digital Products Workshop Agenda

Digital Products Workshop Agenda

July 21, 2026

Welcome and Introduction

Item A – Senate Bill No. (SB) 122 (Stats. 2026, ch. 23)

Beginning January 1, 2027:

- Expands the definition of “tangible personal property” to include “digital products” and any copyright or patent interests associated therewith.
 - Defines “digital products” to mean prewritten computer software transferred on tangible storage media, transferred electronically, or accessed remotely.
 - Digital products do not include a digital asset, digital audio work, digital audiovisual work, digital book, digital infrastructure, digital video game, or digital visual work.
- Establishes sourcing rules for determining the place of sale or purchase for digital products.
- Shifts the imposition from sales tax to use tax when the sales of digital products transferred electronically or accessed remotely to a purchaser exceed \$5 million in a calendar year (or beginning January 1, 2028, in the current or the preceding calendar year).
- Establishes rules for determining the place of use for digital products.
- Specifies that “storage” and “use” do not include the keeping, retaining, or exercising of any right or power over a digital product for the purpose of installing or deploying the digital product for use thereafter solely outside the state.
- Provides an exemption on sales of the right to reproduce or copy a digital product in order for copies of the digital product to be distributed for consideration to third parties.
- Specifies exemptions for digital products purchased solely for use outside of California or in interstate or foreign commerce for digital products transferred electronically or accessed remotely. The burden of proof is on the seller, unless they take an exemption certificate from the purchaser.
- CDTFA may set forth, authorize, or require alternative methods to calculate the sales or use tax due in this state, including on licenses of digital products concurrently available for use in multiple locations.
- Establishes an exemption for digital products that represent a service provided in electronic form when the service primarily involves the application of human effort by the service provider and the human effort originated after the customer requested the service.

Digital Products Workshop Agenda

July 21, 2026

- Defines “custom computer software” to mean computer software prepared to the special order of a single customer. Services represented by separately stated charges for modifications to existing prewritten software that are prepared to the special order of the customer is custom computer software only to the extent of the modification.
- Prohibits retailers and purchasers and local agencies from entering into agreements that divert local tax revenue from the sale or purchase of a digital product that is transferred electronically or accessed remotely.
- Specifies that any emergency regulation adopted by CDTFA may remain in effect for two years and may be readopted.

Item B – Open Discussion

- What areas of the new and amended statutes need clarification by regulation?
- Which topics are a priority for emergency rulemaking?
- What topics can be addressed through regular rulemaking after January 1, 2027?

Item C – Other Topics

We welcome participants’ comments or suggestions on any other related topic not already covered.

Item D – Next Steps

- CDTFA team to consider the verbal and written comments from the workshop.
- As needed, CDTFA will initiate the informal rulemaking (Interested Parties) process by distributing a Discussion Paper and conducting an Interested Parties meeting. (Estimated August 2026.)

Other Contact Information

Ms. Sandy Barrow, Chief
Tax Policy Bureau (MIC 92)
E-Mail: Sandy.Barrow@cdtfa.ca.gov
Phone: (916) 309-0376
California Department of Tax & Fee Administration
PO Box 942879
Sacramento, CA 94279-0092

Mr. Robert Wilke
Program Policy Specialist
E-Mail: Robert.Wilke@cdtfa.ca.gov
Phone: (916) 309-5302