

Illinois does not tax subscriptions of software as a service. That is, computer software provided through a cloud-based delivery system, a system in which computer software is never downloaded onto a client's computer and is only accessed remotely, is not subject to tax. See 86 Ill. Adm. Code 130.1935(a)(3). (This is a GIL.)

August 19, 2025

NAME
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated June 6, 2025, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://tax.illinois.gov/> to review regulations, letter rulings and other types of information relevant to your inquiry.

Whether to issue a private letter ruling in response to a letter ruling request is within the discretion of the Department. 2 Ill. Adm. Code 1200.110(a)(4). If there is case law or there are regulations dispositive of the subject of the request, the Department will decline to issue a private letter ruling on the subject. 2 Ill. Adm. Code 1200.110(a)(3)(D). Having reviewed your request, the Department notes that there are laws and regulations dispositive of the subject of the request. Thus, the Department is declining to issue a private letter ruling in response to your request. However, the nature of your inquiry and the information you have provided require that we respond with a GIL.

In your letter you have stated and made inquiry as follows:

Pursuant to 2 Ill. Adm. Code 1200.110, we are submitting this request for a Private Letter Ruling with respect to Illinois Service Occupation Tax ("SOT"),

Retailers' Occupation tax ("ROT") and Use Tax (collectively, "sales tax") on behalf of our client, COMPANY1 (referred to herein as "COMPANY1").¹ COMPANY1 is seeking guidance as to whether the COMPANY1 services provided through its website and mobile application (i.e., the "APP"),² as described more fully below, are subject to Illinois sales tax.

General Information:

COMPANY1 is registered to do business in Illinois and presently remits Illinois ROT on the subscription fees paid by customers in Illinois for COMPANY1 "PLAN1" and "PLAN2" services. COMPANY1's sales and use tax returns are not being examined as part of an Illinois Department of Revenue ("the Department") audit and are not part of pending litigation in which the Department is named as a plaintiff or defendant. This Private Letter Ruling request is not based on alternative plans of proposed transactions or a hypothetical situation

To the best of the knowledge of COMPANY1 and COMPANY1's representatives, the Department has not previously ruled on the same or a similar issue for COMPANY1 or a predecessor. In addition, COMPANY1 (or a representative thereof) has not submitted a previous Private Letter Ruling Request to the Department for the same or similar issue. There is no known dispositive case law concerning the transactions that are the subject of this request, and COMPANY1 knows of no authority contrary to the authorities referred to and cited in this request.

Statement of Facts:

COMPANY1 is a member of the COMPANY2 family of businesses. COMPANY1 is headquartered outside of Illinois and has no servers (owned, leased or otherwise) in Illinois.

COMPANY1 provides a cloud-based platform designed to be a one-tap app supporting youth sports teams and their team management of pre-game, in-game, and post-game activities. Features include scheduling communications and messaging between families and coaches, DATA TRACKING and stat tracking, and in-app REAL-TIME CONTENT DELIVERY of youth sports games that is accessible from anywhere. This app is currently

¹ Enclosed as Exhibit A, please find a copy of the Power of Attorney Form IL-2848 authorizing the representation of COMPANY1 in this request.

² [WEBSITE](#)

used primarily for baseball and softball, but other sports are available including basketball, football, volleyball, soccer, and lacrosse.

More specifically, by using COMPANY1 services through the APP or online, “users”³ have access to features and functionality such as (i) easy-to-use DATA TRACKING, (ii) in-app REAL-TIME CONTENT DELIVERY or replay of sporting events; (iii) ability to watch, modify or share generated video clips and save video clips to a player’s “PROFILE” (iv) scheduling practices and games, including RSVP capability and schedule change notifications (iv) connections with other users via video sharing, photo sharing, and in-app messaging (v) game and season stats, box scores, EVENT OVERVIEW, and a play-by-play recap, and (vi) other features functionality that may be made available through the services.

COMPANY1’s services and functions are accessed through the APP downloaded free of charge to a smart device including mobile phone, or online through its website. If users would like additional features, they can also pay to subscribe and access additional “PLAN1” or “PLAN2” services and features, as discussed below. COMPANY1’s cloud-based software is not downloaded to any server or similar platform in Illinois. Most of COMPANY1’s live game services require internet access. However, offline mode is supported for post-game content, for example the DATA TRACKING function.

To access COMPANY1’s services and features, a new user opens COMPANY1 online through its website or downloads the APP for free and is then asked to create a user account by providing an email address and password. (Attached as Exhibit B are screen shots of the “create account” flow.) Once a user has registered online and/or downloaded the APP, if accessing via a mobile application (accessing the platform via a mobile application is preferred for optimal and expanded use as the mobile app has more features), a user can select and start using COMPANY1’s free services, which include access to game and practice schedules, REAL-TIME VIDEO CONTENT DELIVERY, and team messaging, or sign up for one of the following PLAN subscription plans offered on either a monthly or annual basis after a free trial period:

1. PLAN1, provided at \$\$\$/month or \$\$\$/year and includes all features provided for free, plus live play-by-plays, box scores, REAL-TIME AUDIO CONTENT DELIVERY, EVENT OVERVIEW, and live game alerts; or

³ COMPANY1’s “users” include registered users who create an account, team administrators (e.g., coaches or team manager) with administrator access to sports team pages, or a guest, who access only a portion of the services that do not require an account or other login (e.g., COMPANY1’s public facing website).

2. PLAN2, provided at \$\$\$/month or \$\$\$/year and includes all features included in the PLAN1 subscription plan, plus full event videos, season statistic summaries, DATA VISUALIZATION, highlight clipping, and shareable PROFILE.

Attached hereto as Exhibit C, are screenshots of the various services and features that come with the free and PLAN services plans. Users can change their subscription plan whenever they desire.⁴

Features that are provided for free generally require the user to input information and actively interact with the application (e.g., search for a team, message with other users, DATA TRACKING, share calendar schedules, etc.). The additional paid-for services offered in the “PLAN1” and “PLAN2” plans generally provide users with more passive information and functionality, such as additional streaming options, EVENT OVERVIEW, team and players statistics, etc., or PLAN fan experiences, such as no ads, replay, game summaries, etc., with little or no user input (i.e., these PLAN services and features are automatically pushed out or made readily available to the user).

All the additional paid-for services offered in PLAN subscription plans are accessible through the APP or through COMPANY1’s website. The new item transferred to customers participating in these plans is additional digital content (e.g., player statistics, VIDEO CONTENT DELIVERY, video clips), which can be electronically transferred or downloaded to the customer’s smart device. For example, in the PLAN2 subscription plan, subscribers receive player highlight clips. These video clips can be downloaded to the subscriber’s mobile device and accessed through the APP.

Statement of Relevant Authorities

Illinois ROT is imposed on persons engaged in the business of selling tangible personal property at retail. 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. A complimentary Use Tax is imposed on the privilege of using, in Illinois, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. If the retail purchases occur in Illinois, the purchasers must pay Use Tax to the retailer at the time of purchase. 35 ILCS 105/3-45; 86 Ill. Adm. Code 150.401. If the purchases occur outside Illinois, purchasers must self-assess and remit their Use Tax liability directly to the Department. 35 ILCS 105/3-45; 86 Ill. Adm. Code 150.701(a).

⁴ Enclosed as Exhibit D, please find a copy of COMPANY1’s Terms of Use and Privacy Policy with certain relevant language highlighted.

The Illinois SOT, and its complimentary Use Tax, is imposed on persons transferring tangible personal property as an incident to the sale of a service (i.e., “servicemen”). 35 ILCS 115/3. Servicemen may calculate their tax base and liability in one of four ways, depending on how they operate their business. 86 Ill. Adm. Code Sections 140.106-09.

Illinois considers prewritten, or canned software to be tangible personal property and therefore subjects it to taxation, regardless of the method of delivery. 86 Ill. Adm. Code 130.1935(a). Taxable prewritten software includes computer programs held for general or repeated sale or lease. 86 Ill. Adm. Code 130.1935(a). However, if licensed computer software meets certain additional criteria, the software could be considered a nontaxable license of computer software. See 86 Ill. Adm. Code 130.1935(a)(1).⁵

Alternatively, the Department has advised that computer software provided through a cloud-based delivery system (a system in which computer software is never downloaded onto a customer’s computer and is accessed only remotely), such as Software-as-a-Service (“SaaS”), is not subject to tax. See, e.g., Ill. Priv. Ltr. Rul. No. ST 24-0002-PLR, 9/17/2024. The Department has also advised that if a provider of SaaS services, provides a subscriber with an API (Application Programming Interface), applet, desktop agent, or remote access agent (“App”) to enable the customer to remotely access the provider’s network and services, the customer is considered to have received computer software. The transfer of such App (or computer software) would be a transfer of tangible personal property, subject to SOT, even if there is no separate charge to download the App, unless the transaction qualifies as a nontaxable license of computer software pursuant to the five-part test set forth in 86 Ill. Adm. Code 130.1935(a)(1).

However, if a SaaS customer downloads an App for free from an out-of-state service provider’s web site or server that is also located outside of Illinois, the service provider, even though it is donating the App software to the customer,⁶ has exercised no power or control over the property in Illinois. See, e.g., Ill. Priv. Ltr. Rul. No. ST 24-0003-PLR, 9/26/2024; Ill. Priv. Ltr. Rul. No. ST 24-0002-PLR, 9/17/2024; Ill. Gen. Info. Ltr. Rul. No. ST 21-0001-GIL, 1/15/2021; Ill. Gen. Info. Ltr. Rul. No. ST 20-0018-GIL, 9/28/2020. As such, because the service

⁵ Use of the APP and PLAN subscription plans that are paid for do not require a written agreement signed by the licensor and the customer.

⁶ A donor who purchases tangible personal property and gives the tangible personal property to a donee makes a taxable use of the property when making the gift. A donor owes Use Tax on the donor’s cost price of the tangible personal property that is transferred. See 86 Ill. Adm. Code 150.305(c).

provider has not made any taxable use of the software (App) remotely accessed and downloaded for free by the Illinois customer, the service provider incurs no Use Tax. The customer also incurs no use tax because the customer did not acquire the software (App) in a retail transaction. Additionally, because Illinois does not tax SaaS subscriptions, there is no sales tax due to Illinois on the SaaS subscription. As a result, no Illinois sales tax is due on the downloading of the free App or the nontaxable SaaS subscription.

Information services, such as information or data (e.g., video, text, etc.) that is electronically transferred, downloaded or viewed, is not considered the transfer of taxable tangible personal property in Illinois. See 86 Ill. Adm. Code 130.2105(a)(3); see also Ill. Priv. Ltr. Rul. No. ST 24-0002-PLR, 9/17/2024. Downloading digital media is considered an intangible transfer and therefore not subject to sales tax. Ill. Gen. Info. Ltr. Rul. No. Letter ST 06-0071-GIL, 4/19/2006.

Analysis of Relevant Authorities

Access to COMPANY1's core services and the APP are free to COMPANY1 users and guests. Registered COMPANY1 users can also sign up for paid PLAN subscriptions for access to "PLAN1," or "PLAN2" services and functions. COMPANY1 services, including all functionality in each of the three plans (i.e., free, PLAN1 or PLAN2), is hosted in the cloud and accessed remotely by customers through COMPANY1's website or through the free downloaded application.

If COMPANY1 services are accessed by a user through COMPANY1's website, and no API or similar remote access agent is otherwise transferred to the customer by COMPANY1 for access, this should be considered SaaS without the transfer of tangible personal property and therefore, nontaxable in Illinois. See, e.g., Ill. Priv. Ltr. Rul. No. ST 24-0002-PLR, 9/17/2024. To the extent customers access COMPANY1 services by downloading the free mobile application donated to them by COMPANY1, the customer could be considered to have received taxable computer software, unless it qualifies as a nontaxable license of computer software under 86 Ill. Adm. Code 130.1935(a)(1). However, because customers download the APP for free from out-of-state web sites and out-of-state servers, there is no exercise of ownership or control over the property (App) in the state by the vendor, and therefore, no Illinois sales or use tax is incurred on the transactions (i.e., the use of the free APP in Illinois or COMPANY1 paid for services, which are SaaS and/or information services), regardless of whether it's considered a

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nontaxable license of computer software. As discussed above, the only additional feature available to customers participating in a PLAN1 or PLAN2 subscription plan is further digital content (e.g., player statistics, VIDEO CONTENT DELIVERY, video clips), which can be electronically transferred or downloaded to a subscriber's smart device. In Illinois, electronically transferred or downloaded data or information is not deemed to be the transfer of tangible personal property. See Ill. Gen. Info. Ltr. Rul. No. ST 20-0018-GIL, 09/28/2020; Ill. Priv. Ltr. Rul. No. ST 24-0003-PLR, 9/26/2024.⁷ As such, no tangible personal property is transferred to subscribers as part of the additional services provided in COMPANY1's PLAN subscription plans and therefore this additional digital content or features should not be subject to sales tax.

COMPANY1's facts and services are materially similar to the taxpayer's facts and services in Ill. Priv. Ltr. Rul. No. ST 24-0002-PLR, 9/17/2024, where the Department recently ruled that the taxpayer's SaaS subscriptions and free App downloaded from servers located outside of Illinois were not subject to Illinois sales tax. Like the taxpayer in Private Letter Ruling ST 24-0002-PLR, COMPANY1 sells SaaS and/or information service subscriptions to access information hosted in the cloud via its website or APP downloaded for free from servers located outside of Illinois.

Ruling Request

Based on the foregoing authorities, and recent Department letter rulings, COMPANY1 respectfully requests the Department to rule that the revenue generated from COMPANY1's PLAN subscription plans are not subject to sales tax in Illinois, and that its APP remotely downloaded without charge is not subject to Illinois Use Tax.

In the event the Department determines that the revenue generated from PLAN subscriptions is taxable or that the APP is subject to Use Tax, we respectfully request the opportunity to discuss this matter with the Department before a final letter ruling is issued.

We request that the identification of taxpayer and its services be deleted from any publicly disseminated version of this request and/or any associated documentation pursuant to 2 Ill. Adm. Code 1200.110(b)(6). A redacted

⁷ Based on these and other Department letter rulings, the Department does not consider the viewing, downloading or electronically transmitting of video, text and other data over the internet to be the transfer of tangible personal property. Thus, if no tangible property is transferred as part of the services, the transaction is not subject to sales tax.

version of this request will be provided following this request and prior to publication.

Thank you for your consideration and attention to this matter. To the extent you need additional information to provide guidance, please let us know.

DEPARTMENT'S RESPONSE:

I. Retailers' Occupation Tax

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. In Illinois, Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. 35 ILCS 105/3; 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales" tax in Illinois. If the purchases occur in Illinois, the purchasers must pay the Use Tax to the retailer at the time of purchase. 35 ILCS 105/3-45; 86 Ill. Adm. Code 150.401. The retailers are then allowed to retain the amount of Use Tax paid to reimburse themselves for their Retailers' Occupation Tax liability incurred on those sales. 86 Ill. Adm. Code 150.130(b). If the purchases occur outside Illinois, purchasers must self-assess their Use Tax liability and remit it directly to the Department. See 35 ILCS 105/3-45; 86 Ill. Adm. Code 150.701(a).

II. Service Occupation Tax

Retailers' Occupation Tax and Use Tax do not apply to sales of service. Under the Service Occupation Tax Act, businesses providing services (*i.e.*, servicemen) are taxed on tangible personal property transferred as an incident to sales of service. See 86 Ill. Adm. Code 140.101. The transfer of tangible personal property to service customers may result in either Service Occupation Tax liability or Use Tax liability for servicemen, depending upon which tax base they choose to calculate their liability.

Servicemen may calculate their tax base in one of four ways: (1) separately-stated selling price of tangible personal property transferred incident to service; (2) 50% of the serviceman's entire bill; (3) Service Occupation Tax on the serviceman's cost price if the serviceman is a registered de minimis serviceman; or (4) Use Tax on the serviceman's cost price if the serviceman is de minimis and is not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act. See 86 Ill. Adm. Code Sections 140.106; 140.108; and 140.109.

Using the first method, servicemen may separately state the selling price of each item transferred as a result of sales of service. The tax is based on the separately stated selling price of the tangible personal property transferred. If servicemen do not wish to separately state the selling price of the tangible personal property transferred, those servicemen must use the second method where they will use 50% of the entire bill to their service customers as the tax base. Both of the above methods provide that in no event may the tax base be less than the cost price of the tangible personal property transferred. Under these methods, servicemen may provide their suppliers with Certificates of Resale when purchasing the tangible personal property to be transferred as a part of sales of service. They are required to collect the corresponding Service Use Tax from their customers. See 86 Ill. Adm. Code 140.106.

The third way servicemen may account for their tax liability only applies to de minimis servicemen who have either chosen to be registered or are required to be registered because they incur Retailers' Occupation Tax liability with respect to a portion of their business. Servicemen may qualify as de minimis if they determine that their annual aggregate cost price of tangible personal property transferred incident to sales of service is less than 35% of their annual gross receipts from service transactions (75% in the case of pharmacists and persons engaged in graphic arts production). This class of registered de minimis servicemen is authorized to pay Service Occupation Tax (which includes local taxes) based upon the cost price of tangible personal property transferred incident to sales of service. Servicemen that incur Service Occupation Tax collect the Service Use Tax from their customers. They remit tax to the Department by filing returns and do not pay tax to their suppliers. They provide suppliers with Certificates of Resale for the tangible personal property transferred to service customers. See 86 Ill. Adm. Code 140.109.

The final method of determining tax liability may be used by de minimis servicemen that are not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act. Such de minimis servicemen handle their tax liability by paying Use Tax to their suppliers. If their suppliers are not registered to collect and remit tax, the servicemen must register, self-assess, and remit Use Tax to the Department. These servicemen are considered to be the end-users of the tangible personal property transferred incident to service. Consequently, they are not authorized to collect a "tax" from the service customers. See 86 Ill. Adm. Code 140.108.

If an entity provides services that are accompanied with the transfer of tangible personal property, including computer software, such service transactions are generally subject to tax liability under one of the four methods set forth above. If a transaction does not involve the transfer of any tangible personal property to the customer, then it generally would not be subject to Retailers' Occupation Tax, Use Tax, Service Occupation Tax, or Service Use Tax.

III. Computer software.

“Computer software” means a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result in any form in which those statements, data, or instructions may be embodied, transmitted, or fixed, by any method now known or hereafter developed, regardless of whether the statements, data, or instructions are capable of being perceived by or communicated to humans, and includes prewritten or canned software. 35 ILCS 120/2-25. Computer software includes all types of software including operational, applicational, utilities, compilers, templates, shells and all other forms. 86 Ill. Adm. Code 130.1935(a).

Generally, sales or transfers of “canned” computer software intended for general or repeated use are taxable retail sales in Illinois. Canned software is considered to be tangible personal property regardless of the form in which it is transferred or transmitted, including tape, disc, card, electronic means or other media. The sale or transfer by a retailer of computer software which is subject to manufacturer licenses restricting the use or reproduction of the software is also taxable. 86 Ill. Adm. Code 130.1935(a). However, if all of the criteria provided in subsection (a)(1) of Section 130.1935 are met, then neither the sale or transfer of the software nor the subsequent software updates are subject to Retailers’ Occupation Tax. Specifically, a license of software is not a taxable retail sale if:

- A) It is evidenced by a written agreement signed by the licensor and the customer;
- B) It restricts the customer’s duplication and use of the software;
- C) It prohibits the customer from licensing, sublicensing or transferring the software to a third party (except to a related party) without the permission and continued control of the licensor;
- D) The licensor has a policy of providing another copy at minimal or no charge if the customer loses or damages the software, or permitting the licensee to make and keep an archival copy, and such policy is either stated in the license agreement, supported by the licensor’s books and records, or supported by a notarized statement made under penalties of perjury by the licensor; and
- E) The customer must destroy or return all copies of the software to the licensor at the end of the license period. This provision is deemed to be met, in the case of a perpetual license, without being set forth in the license agreement.

86 Ill. Adm. Code 130.1935(a)(1). If a license of canned computer software does not meet all the criteria, the software is taxable.

Please note that it is very common for software to be licensed over the internet and the customer to click “I agree” or to check a box that states that he or she accepts the license terms. Acceptance in this manner does not constitute a written agreement signed by the licensor and the customer for purposes of subsection (a)(1)(A) of Section 130.1935. To meet the signature requirement for an exempt software license, the agreement must contain the written signature of the licensor and customer. An electronic agreement in which the customer accepts the license by means of an electronic signature that is verifiable and can be authenticated and is attached to or made part of the license will comply with this requirement. 86 Ill. Adm. Code 130.1935(a)(1)(A)(i).

A. Digital data or information.

Information or data that is downloaded electronically, such as downloaded books, musical recordings, newspapers or magazines, does not constitute the transfer of tangible personal property. This would also apply to digital content such as player statistics, VIDEO CONTENT DELIVERY, and video clips. These types of transactions represent the transfer of intangibles and are thus not subject to Retailers’ Occupation and Use Tax. However, downloads of canned software, as defined more fully in 86 Ill. Adm. Code 130.1935, are subject to Retailers’ Occupation and Use Tax. 86 Ill. Adm. Code 130.2105(a)(3).

B. Software as a service.

A provider of software as a service is acting as a serviceman. As a serviceman, the seller does not incur Retailers’ Occupation Tax. Service Occupation Tax is imposed upon all persons engaged in the business of making sales of service on all tangible personal property transferred incident to a sale of service, including computer software (35 ILCS 115/3), and is calculated as explained above.

Computer software is defined broadly in the Retailers’ Occupation Tax Act and Service Occupation Tax Act. However, Illinois does not tax subscriptions of software as a service. That is, computer software provided through a cloud-based delivery system, a system in which computer software is never downloaded onto a client’s computer and is only accessed remotely, is not subject to tax. 86 Ill. Adm. Code 130.1935(a)(3).

If a provider of a service provides to the subscriber an API, applet, desktop agent, or a remote access agent to enable the subscriber to access the provider’s network and services, the subscriber is receiving computer software. 86 Ill. Adm. Code 130.1935(a)(4). Although there may not be a separate charge to the subscriber for the API, applet, desktop agent, or a remote access agent, it is nonetheless subject to tax, unless the transfer qualifies as a non-taxable license of computer software. If an Illinois customer downloads computer software for free (such as an App, API, applet, desktop agent, or remote access agent) from

an out-of-State retailer's or serviceman's web site or server that is also located out of State, the retailer or serviceman, even though it is donating tangible personal property to the customer, has exercised no power or control over the property in Illinois. The retailer or serviceman, the donor, would not have made any taxable use of the property in Illinois. The customer, the donee, would incur no Use Tax liability as the customer did not acquire the software from a retail transaction. See 86 Ill. Adm. Code 150.305(c) and ST 24-0003-PLR, ST 24-0002-PLR, ST 21-0008-PLR, ST 20-0004-PLR, ST 24-0006-GIL, ST 23-0002-GIL, ST 22-0027-GIL, ST 21-0001-GIL, and ST 19-0007-GIL.

I hope this information is helpful. If you require additional information, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Katarzyna Kowalska

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