

ST 26-0026-GIL 07/01/2026 COMPUTER SOFTWARE

Software as a Service is generally not subject to Illinois sales tax. When customers download software from a provider of software as a service separate from their subscription and free of charge, and the provider, as well as its website or servers, are located outside Illinois, the free download is not a retail transaction and is not subject to Illinois Use Tax. Information or data that is transferred electronically is the transfer of intangible personal property and is not subject to Illinois Retailers' Occupation Tax or Use Tax. See 86 Ill. Adm. Code 130.2105(a)(3). (This is a GIL).

July 1, 2026

NAME
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated May 28, 2026, 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.

The nature of your inquiry and the information you have provided require that we respond with a GIL.

INQUIRY:

Pursuant to Illinois Administrative Code Section 1200.120 we respectfully request a General Information Letter concerning the application of Illinois sales and use tax law to the issue described below. We would like to confirm whether sales or use tax applies to subscription-based access to a cloud-hosted educational platform, where users download a mobile application interface and access content on remotely hosted, out of state servers.

Facts

The Company is a corporation headquartered outside of the state of Illinois. The Company's software is hosted on servers located exclusively outside the state of Illinois. The Company does not maintain any office, employees, assets, or other physical presence in Illinois.

The Company operates in the ed-tech industry, offering a business-to-consumer ("B2C") subscription-based digital microlearning platform (the "Platform") designed to provide interactive and accessible learning experiences. The Platform delivers bite-sized, interactive educational content across a range of subjects, including History, Logic, Mathematics, Physics, Communication, and Biology, among others.

Content and Delivery - Content on the Platform is delivered in textual, audio, and interactive formats, and is designed to enable users to build knowledge in a few minutes per day in a personalized manner. Each lesson incorporates practical examples, enabling users to apply historical insights, logical reasoning, and other skills to everyday situations. In addition, the Platform makes available concise, original summaries of popular nonfiction books covering topics such as Life Balance, Parenting, Personal Finance, and Productivity.

The content is accessed exclusively via an active internet connection, either through the Company's website or through a mobile application (the "Mobile App") available on Apple iOS and Android devices. The servers hosting the Platform are located outside the state of Illinois.

To access the Platform on a mobile device, the Mobile App is downloaded at no charge from the Apple App Store or Google Play Store. Upon downloading the Mobile App, a user receives a limited remote complimentary access consisting of one lesson from each available subject area.

The underlying software that operates the Platform is not downloaded onto the user's device. All processing occurs on the Company's out-of-state servers.

Subscription - To access the full library of lessons within the Platform, a user must purchase a subscription. The subscription grants the user a non-transferable, non-exclusive right to access the services for the duration of the subscription period. If the subscription expires or is terminated, access to the

services is immediately terminated. The subscription fee does not include any charge for the Mobile App download, which remains available at no charge after the subscription expires. The base subscription fee is the same regardless of access channel; a single subscription entitles the user to access the Platform through both the mobile device and the Company's website.

In addition to the subscription-based Application, the Company offers educational guidebooks (the "Guidebooks") for an additional fee. The Guidebooks are standalone PDF documents containing educational and informational content on discrete topics, such as health and personal development. The Guidebooks are not part of the Platform subscription and are sold independently for a separate charge. Upon purchase, the Guidebooks' content is delivered to the customer via email. The customer may download and save the PDF file to their device for offline access. The Company's servers from which the Guidebooks are sent are located outside the state of Illinois.

Issues

1. Mobile App - Does the Company incur any obligation to collect or remit Illinois Retailers' Occupation Tax, Use Tax, Service Occupation Tax, or Service Use Tax in connection with (i) the free download of the Company's Mobile App to a customer's device and (ii) the limited, complimentary remote access provided to Illinois customers to one lesson from each subject area of the Company's cloud-based microlearning Platform and content?
2. Subscription Fee - After an Illinois customer pays a subscription fee and is granted full access to the Company's cloud-based microlearning Platform and its full content, are the subscription fees subject to Illinois Retailers' Occupation Tax, Use Tax, Service Occupation Tax, or Service Use Tax?
3. Guidebooks - Are the fees charged to Illinois customers for Guidebooks that are separately sold and delivered electronically via email—consisting solely of informational PDF documents transmitted from servers located outside Illinois—subject to Illinois Retailers' Occupation Tax or Use Tax?

Rule

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in Illinois in the business of selling tangible personal property to purchasers for use or consumption. Use Tax is a privilege tax imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased

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anywhere at retail from a retailer. Both taxes are predicated on a retail sale or purchase of tangible personal property.

Canned computer 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.

“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.

Pursuant to Private Letter Ruling ST 24-0002-PLR, (Sept. 17, 2024) Computer Software, and 86 Ill. Adm. Code § 130.1935(a)(4) if a provider of a service provides to the subscriber an App, 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. However, 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.

The Company’s Platform falls within this framework. The underlying software that operates the Platform and its content delivery is not downloaded to the customer’s device. Access is possible only through an active internet connection via the Mobile App or a website. All processing occurs on the Company’s servers located outside of Illinois. The subscription fee terminates access upon expiration, and customers receive no tangible personal property in exchange for the subscription fee — they receive only the right to access remotely hosted services.

These facts are materially identical to those addressed in Private Letter Ruling ST 24-0002-PLR, (Sept. 17, 2024), Computer Software. In this ruling, the Department concluded that a health and fitness application delivered through a similar architecture — cloud-hosted, internet-required, no download of the underlying software — was “software as a service” and the subscription fees were not subject to Retailers’ Occupation Tax or Use Tax.

With respect to the Mobile App, pursuant to ST 24-0002-PLR, where an Illinois customer downloads computer software for free from an out-of-state

serviceman's website or server that is also located out of state, the serviceman has exercised no power or control over the property in Illinois and has not made any taxable use of the property in Illinois. The customer incurs no Use Tax liability as the customer did not acquire the software from a retail transaction. Based on the foregoing facts, the Mobile App is available to Illinois customers at no charge, the Company's servers are located outside of Illinois and the software that operates the Platform is not downloaded on the customers' computer or device. Accordingly, the Company has exercised no power or control over the Mobile App in Illinois and has not made any taxable use of the property in Illinois.

Furthermore, pursuant to General Information Letter, ST 25-0057-GIL (11/10/2025) Computer Software, the Illinois Department of Revenue confirms that computer software provided separately from a subscription of software as a service, free of charge from an out-of-state retailer's website or server also located out of state, is not subject to tax¹. The Mobile App download is not a component of the paid subscription for the cloud-based learning software as a service, which is equally accessible through the Company's website.

Accordingly, the subscription charges for access to the Platform and its content are not subject to Retailers' Occupation Tax or Use Tax in Illinois.

With respect to the Platform content (including lesson modules, audio content, interactive exercises, and book summaries), and Guidebooks — the same conclusion follows on an independent basis. Information or data that is downloaded electronically, such as books, musical recordings, newspaper or magazines, does not constitute the transfer of tangible personal property. In ST 24-0002-PLR, the Department expressly found that subscription fees paid for health content including articles, meal plans, and workout plans were not subject to Retailers' Occupation Tax because such content constitutes electronically delivered information services. The Company's educational content is no different in character: it is informational in nature, delivered electronically over the internet, and does not constitute canned or prewritten computer software intended for general or repeated sale.

Conclusions

1. Mobile App – Neither the Company nor the customer incurs any tax liability with respect to it since the Mobile App is provided free of

¹ General Information Letter, ST 25-0057-GIL, (Nov. 10, 2025), Computer Software, superseding ST25-0050-GIL (Sept. 16, 2025)

charge and is downloaded from a website or servers located out of state.

2. Subscription Fees – Retailers’ Occupation Tax and Use Tax do not apply to sales of service. A provider of software as a service is acting as a serviceman and does not incur Retailers’ Occupation Tax. Service Occupation Tax is imposed on all tangible personal property transferred incident to a sale of service. If a transaction does not involve the transfer of any tangible personal property to the customer, it is not subject to Service Occupation Tax, or Service Use Tax. As established above, the Company does not transfer any taxable tangible personal property incident to its service transactions: (i) the subscription delivers only remote access to cloud-hosted services and no underlying software is downloaded; (ii) the content delivered through the Platform constitutes electronically delivered information rather than tangible personal property; and (iii) the Mobile App is provided free of charge from out-of-state servers, and neither the Company nor the customer incurs any tax liability with respect to it. No Service Occupation Tax is therefore due with respect to the subscription services.
3. Guidebooks - The separately sold Guidebooks are not subject to Retailers’ Occupation Tax or Use Tax on two independent grounds:
 - a. First, under 86 Ill. Adm. Code § 130.2105(a)(3), information or data that is electronically transferred or downloaded is not considered a transfer of tangible personal property in Illinois. These types of transactions represent the transfer of intangibles and are thus not subject to the Retailers’ Occupation and Use Tax. The Guidebooks are standalone PDF documents containing educational and informational content. They contain no software code, perform no computing function, and have no capability beyond presenting text and images to the reader.
 - b. Second, the Guidebooks do not meet the statutory definition of “computer software” under 35 ILCS § 120/2-25 and 86 Ill. Adm. Code § 130.1935(a). Computer software is defined as a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result. A PDF document containing educational text and images is not a set of statements or instructions designed to bring about a computing result. The fact that the Guidebook is downloadable and saveable to the customer’s device does not bring it within the definition of computer software under 35 ILCS § 120/2-25.

For these reasons, we respectfully request the Department provide written guidance confirming the Company's interpretation of Illinois law. The Company would be happy to provide additional facts at the Department's request.

We look forward to your response. Please contact NAME1, Partner at PHONE or me at PHONE1 with questions, concerns or requests for clarification or elaboration on this request.

DEPARTMENT'S RULING:

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.

Effective January 1, 2025, persons engaged in the business of leasing tangible personal property at retail ("lessors") in Illinois are subject to State and local retailers' occupation tax on the gross receipts from leases of tangible personal property made in the course of business. See 35 ILCS 120/2. A "lease" is defined as a transfer of the possession or control of, the right to possess or control, or a license to use, but not title to, tangible personal property for a fixed or indeterminate term for consideration, regardless of the name by which the transaction is called, but does not include a lease entered into merely as a security agreement that does not involve a transfer of possession or control from the lessor to the lessee. On and after January 1, 2025, for purposes of State and local retailers' occupation taxes, the term "sale" includes a lease. See 35 ILCS 120/1. This includes the extension of all exemptions from retailers' occupation tax and use tax to leases. See 35 ILCS 120/2-5. The tax applies to lease receipts received on or after January 1, 2025 for leases in effect, entered into, or renewed on or after that date. The lessor must remit for each tax return period the tax applicable to lease receipts received during that tax return period. See 35 ILCS 120/2.

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., servicepersons) 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 servicepersons, depending upon which tax base they choose to calculate their liability.

Effective January 1, 2025, persons engaged in the business of making sales of service are subject to State and local service occupation tax on all tangible personal property transferred by lease as an incident of a sale of service. See 35 ILCS 115/3. A “lease” is defined as a transfer of the possession or control of, the right to possess or control, or a license to use, but not title to, tangible personal property for a fixed or indeterminate term for consideration, regardless of the name by which the transaction is called, but does not include a lease entered into merely as a security agreement that does not involve a transfer of possession or control from the lessor to the lessee. On and after January 1, 2025, for purposes of State and local service occupation taxes, the term “transfer” includes a lease. See 35 ILCS 115/2. The tax applies to tangible personal property transferred by lease by persons engaged in the business of making sales of service in which leases are in effect, entered into, or renewed on or after January 1, 2025. The serviceperson who is a lessor must remit for each tax return period only the tax applicable to that part of the selling price actually received during such tax return period. See 35 ILCS 115/3.

Servicepersons may calculate their tax base in one of four ways: (1) Service Occupation Tax on separately-stated selling price of tangible personal property transferred incident to service; (2) Service Occupation Tax on 50% of the serviceperson’s entire bill; (3) Service Occupation Tax on the serviceperson’s cost price if the serviceperson is a registered de minimis serviceperson; or (4) Use Tax on the serviceperson’s cost price if the serviceperson 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, servicepersons 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 servicepersons do not wish to separately state the selling price of the tangible personal property transferred, those servicepersons 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, servicepersons 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 servicepersons may account for their tax liability only applies to de minimis servicepersons 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. Servicepersons 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 servicepersons 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. Servicepersons 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 servicepersons that are not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act. Servicepersons may qualify as de minimis if they determine that the annual aggregate cost price of tangible personal property transferred as an incident of sales of service is less than 35% of the serviceperson's annual gross receipts from service transactions (75% in the case of pharmacists and persons engaged in graphic arts production). Such de minimis servicepersons handle their tax liability by paying Use Tax to their suppliers for the tangible personal property subsequently transferred to their customers. If their suppliers are not registered to collect and remit tax, the servicepersons must register, self-assess, and remit Use Tax to the Department. The servicepersons 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 by 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 would not be subject to Retailers' Occupation Tax, Use Tax, Service Occupation Tax, or Service Use Tax.

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); 35 ILCS 120/2-5(51). 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 for the customer to check a box that states that the customer 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).

A provider of software as a service is acting as a serviceperson. As a serviceperson, 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). Illinois generally does not tax subscriptions of software as a service. That is, computer software provided through a cloud-based delivery system – a system in which the 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 the subscriber with 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 computer software, it is nonetheless subject to tax, unless the transfer qualifies as a non-taxable license of computer software. Conversely, if an Illinois customer downloads computer software, separate from their subscription of software as a service, for free from an out-of-State retailer's website or server that is also located out-of-State, the retailer, even though it is providing tangible personal property to the customer, has exercised no power or control over the property in Illinois. In this instance, the retailer would not have made any taxable use of the property in Illinois. The customer would incur no Use Tax liability as the customer did not acquire the software from a retail transaction.

Transfers of Data Downloaded Electronically

Regarding your educational guidebooks, in Illinois, "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. These types of transactions represent the transfer of intangibles and are thus not subject to Retailers' Occupation and Use Tax." 86 Ill. Adm. Code 130.2105(a)(3). Note, however, that downloads of canned software are subject to Retailers' Occupation and Use Tax. See 86 Ill. Adm. Code 130.2015(a)(3). Computer software differs from "information or data" because computer software's definition includes a purpose requirement: computer software is "a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result..." 35 ILCS 120/2-25. This means that while data could be software or could be part of software, not all data is software. An educational book represented in electronic format and not designed to be used in a computer to bring about a certain result, even if it is "canned" in that it is held for repeated sale or lease, would not qualify as computer software and would not be subject to Retailers' Occupation Tax or Use Tax.

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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 Assistance Division at 800-732-8866.

Very truly yours,

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