

# Sales Tax on Software and Digital Products

## Illinois



Item Service	Taxability	Notes & Legal Reference
Digital Products – Business, Permanent Use	Non-Taxable	Permanent downloads of digital products remain exempt, not classified as tangible personal property. [Ill. Gen. Info. Ltr. No. ST 07-0068-GIL]
Software as a Service (SaaS)	Non-Taxable	SaaS accessed through the cloud without downloading is not considered a taxable transfer of property. [IL Dept. of Rev. GIL ST 17-0006-GIL, March 2, 2017]
Platform as a Service (PaaS)	Non-Taxable	PaaS follows the same position as SaaS—non-taxable if the software is not delivered or controlled by the user. [IL Dept. of Rev. GIL ST 17-0006-GIL]
Installation/Implementation (separately stated)	Non-Taxable	Services such as training, telephone assistance, and setup are not taxable when itemized separately. [Ill. Admin. Code 130.1935(b)]
Hardware	Taxable	Sales of physical equipment including computers and networking devices are taxable retail sales. [35 Ill. Comp. Stat. sec. 110/2]
Onsite Training	Non-Taxable	Training charges related to software are not taxable if separately stated. [Ill. Admin. Code tit. 86, pt. 130.450(b)]
Remote Live Training	Non-Taxable	Live, instructor-led remote training is exempt under the same treatment as onsite training. [Ill. Admin. Code tit. 86, pt. 130.450(b)]
Pre-recorded Webinars	Non-Taxable	Pre-recorded, self-paced software training is not taxable when separately invoiced. [Ill. Admin. Code tit. 86, pt. 130.450(b)]
Optional Maintenance	Non-Taxable	Agreements tied to custom software or limited to support services are not subject to tax. [Ill. Admin. Code tit. 86, pt. 130.1935]
Mandatory Maintenance	Non-Taxable	Similar to optional agreements, these are not taxed when involving custom software or exempt maintenance services. [Ill. Admin. Code tit. 86, pt. 130.1935]