

Sales Tax on Software and Digital Products

South Carolina



Item Service	Taxability	Notes & Legal Reference
Digital Products (downloaded software, audio, video)	Non-Taxable	South Carolina generally does not tax electronically delivered software or digital products. These are not considered tangible personal property. [S.C. Revenue Rul. No. 12-1, 2012]
Prewritten Software (Electronically Delivered)	Non-Taxable	Electronically delivered prewritten software is not subject to tax as it lacks a tangible medium. [S.C. Revenue Rul. No. 12-1, 2012]
Custom Software	Non-Taxable	Custom-developed software delivered electronically is not taxable. Tax applies only when delivered via tangible medium or bundled with taxable items. [S.C. Revenue Rul. No. 12-1, 2012]
Software as a Service (SaaS)	Taxable	Charges by an ASP (Application Service Provider) for access to hosted software are considered taxable as communication services. [S.C. Revenue Rul. No. 05-13, 2005; Rul. No. 12-1, 2012]
Platform as a Service (PaaS)	Taxable	PaaS is treated the same as SaaS when it involves remote software access. Charges for access are considered taxable communication services. [S.C. Revenue Rul. No. 05-13, 2005]
Installation or Setup (Separately Stated)	Non-Taxable	Installation services for ASP software are exempt if separately stated and reasonable in amount relative to the sale. [S.C. Revenue Rul. No. 05-13, 2005]
Hardware & Tangible Personal Property	Taxable	Computers and related equipment are taxable. Data centers certified by the SC Dept. of Commerce may qualify for an exemption. [S.C. Code Ann. § 12-36-910]
Onsite Training	Non-Taxable (If Custom Software)	Training is only taxable when tied to tangible personal property. Electronically delivered or custom software training is not taxable. [S.C. Revenue Rul. No. 03-5, 2003]
Live Remote Training	Non-Taxable (If Custom Software)	Treated similarly to onsite training—taxability depends on the nature of the software and whether it's bundled. [S.C. Revenue Rul. No. 03-5, 2003]
Pre-recorded Training	Non-Taxable (If Custom Software)	Same rules apply as live training; tax only applies if training is part of the sale of tangible personal property. [S.C. Revenue Rul. No. 03-5, 2003]
Maintenance Agreements (Optional or Mandatory)	Taxable if Tangible or Bundled	Agreements sold with tangible software are taxable. If the true object is to acquire services, and tangible goods are incidental, the agreement may be exempt. [S.C. Revenue Rul. No. 03-5, 2003]