

+ "CANNED" COMPUTER SOFTWARE WILL BE SUBJECT TO SALES TAX

<p>+----+ TO: RETAILERS OF +---+COMPUTER SOFTWARE</p> <p>If you do not sell computer software, please disregard this bulletin.</p> <p>Effective October 1, 1989, all prewritten or "canned" computer software will be taxable under both the state sales tax and all local sales taxes reported on your Illinois sales tax return, Form RR-1-A.</p> <p>WHAT WILL BE TAXABLE?</p> <p>Packaged software, including software which is subject to manufacturer licenses restricting the use or reproduction of the software, will be taxable. Examples include commercial software packages for accounting, word processing, educational skill development, gameplaying, etc. Manuals and other materials closely associated with use of the software are also taxable.</p> <p>Charges for updates and maintenance of software are considered to be sales of software. Charges for training telephone assistance, installation, and</p>	<p>canned (i.e., taxable) software, even though it is not packaged and on a retail shelf. See HOW CAN CUSTOM-MADE SOFTWARE BECOME CANNED SOFTWARE? below.</p> <p>WHAT IS NOT TAXABLE?</p> <p>Software is not taxable if</p> <ul style="list-style-type: none"> - it has been adapted or modified by the seller to the specific individualized requirements of a purchaser (This occurs when the seller makes coding changes to canned software and sells the adapted or modified version to the purchaser. See IF I BUY CANNED SOFTWARE...below.) - it has been custom-made for a particular or limited use by a purchaser - it will be used to operate tax exempt machinery and equipment used in the process of manufacturing or assembling tangible personal property (merchandise that is itself normally taxable when sold) <p>HOW CAN CUSTOM-MADE SOFTWARE BECOME CANNED</p>	<p>seller would be required to collect tax on the sales.</p> <p>Also, if the purchaser of a custom-made software package goes back to the programmer and orders a copy of that package, the copy would be considered canned software.</p> <p>IF I BUY CANNED SOFTWARE TO ADAPT OR MODIFY AND THEN SELL TO MY CUSTOMER, WHAT TAX, IF ANY, DO I OWE WHEN I BUY THE CANNED SOFTWARE?</p> <p>If you adapt or modify canned software for a particular customer, you may buy the canned software tax free as a purchase for resale. You do not charge tax to your customer when you sell the adapted or modified software.</p> <p>You will owe tax to your supplier on any canned software that you buy for use and not for resale (unless you will be using it to operate tax exempt manufacturing machinery and equipment, as described above.</p> <p>QUESTIONS?</p> <p>If you have question or need additional information, you may call or write us at the</p>
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consultation are exempt from tax if they are separately stated from the selling price of the software.

Software that was originally custom-made, adapted, or modified for a particular customer can be copied and sold in such a way that it becomes

SOFTWARE?

If software which was originally written for a particular customer is subsequently sold to other customers (either by the original customer or by the programmer) the software would, at that point, be considered canned, and the

phone numbers and address listed at the bottom of this bulletin.

FOR
INFORMATION

CALL: 1 800 732-8866 or
1 217 782-3336
WRITE: Illinois Department of Revenue
101 W. Jefferson St., P.O. Box 19044
Springfield, IL 62794-9044
