701—211.53(423) Software as a service.

211.53(1) *In general.* Persons engaged in the business of providing software as a service are selling a service subject to sales tax. The content or material accessed by way of software as a service does not impact the taxability of the software itself.

211.53(2) *Definitions.* For purposes of this rule:

"Software as a service" means the sale, storage, use, or other consumption of vendor-hosted computer software, such as but not limited to software accessible on the cloud. "Software as a service" does not include services commonly understood to constitute "infrastructure as a service" but may include what is described as "platform as a service" based on the facts and circumstances relating to that particular service. A relevant declaratory order, *In the Matter of study.com, LLC*, Iowa Dep't of Revenue Declaratory Order No. 2020-310-2-0649 (Apr. 20, 2021), provides further discussion of software as a service.

"Vendor-hosted computer software" means computer software that is accessed through the Internet or a vendor-hosted server whether the access is permanent or temporary, whether any downloading occurs, or whether the software is hosted by the retailer of the software or by a third party.

211.53(3) *Exemptions.* Software as a service may be exempt from sales tax in accordance with Iowa Code section 423.3(104) and rule 701—225.8(423).

This rule is intended to implement Iowa Code section 423.2(6)*"bu."*

[**ARC 6704C**, IAB 11/30/22, effective 1/4/23]