

City and County of Denver, Colorado

TAX GUIDE

Topic No. 42

INFORMATIONAL SERVICES

The Denver Revised Municipal Code (DRMC) imposes sales/use tax on the sale or purchase of informational services wherein the relay or transmission of electromagnetic waves is necessary for the informational service to be received. Informational services, include, but are not limited to, the right to access databases, digital products, digital images, audio works, audio-visual works, digital books, internet subscription services, and electronic or internet purchases of data, data research, data analysis, data filtering, or record compiling.

“Informational services” include the furnishing of information of any kind, which has been generated, collected, compiled, or analyzed by the seller and which is made available through electromagnetic waves. Examples include: on-line credit reports; on-line subscriptions, including, newsletters, newspapers, magazines, and reports; on-line libraries, including Lexis and Westlaw; and financial data retrieval and research, including stock, bond, and mutual fund quotes. The tax is imposed on the purchase price for the right to access, use, or receive such informational services.

Taxable Tangible Personal Property and Products. If additional consideration is paid to receive downloads of the information available via the informational service, such downloads are subject to sale/use tax. Taxable downloads, include, but are not limited to, information stored on tangible personal property, including on a disk, flash media, Compact Disc (CD), Digital Versatile Disc or Digital Video Disk (DVD), paper, and tape; as well as downloadable digital products, including digital images, audio files, and digital books.

Sale of Personal Services. The sale of personal services is not subject to Denver’s sales or use taxes. A distinction exists between the retail sale of informational services and the sale of personal services. A sale of personal services exists when the service provider performs custom research for a single client and the results are proprietary to that client.

EXAMPLES

1. Metrodemographics maintains an electronic database containing information about the population of the metro area. It also performs custom studies, marketing research, etc. A client of Metrodemographics who is a candidate for political office requests Metrodemographic provide the following information:
 - A. A list on paper and mailing labels of the registered voters in the county who had previously contributed to a political campaign.
 - B. Internet access to Metrodemographic’s electronic database so the candidate can search it and extract information.
 - C. A custom political poll specific to the political office for which the candidate is running, to be updated weekly, with results reported on paper and also maintained in an electronic database so the candidate can access and analyze the poll results.

Item A: The list and labels are taxable as tangible personal property.

Item B: Internet access to the electronic database is taxable as an informational service.

Item C: The custom political poll and results electronic database are not taxable because they involve producing research for a single client. This is a sale of a personal service performed by Metrodemographics. The initial copy of the report and the initial copy of each of the updates given to the candidate are also not subject to sales/use tax. However, subsequent sales of the report and each of the updates would be subject to sales/use tax, and recurring or subsequent charges to access the database would also be subject to sales/use tax.

2. Attorneys Inc., a Denver law firm, has recently replaced its legal library with a subscription to an on-line database that provides similar information with more capabilities. Attorneys Inc. can access the on-line database at any time and print the information accessed. This internet subscription service is a purchase of informational service and the fee for access and use is taxable.
3. ACME Service Corp is doing a nationwide recruitment to select their new CEO. As part of the selection process ACME hires Employment Research Company (ERC) to perform background checks on the candidates. ERC compiles credit reports, criminal histories, employment histories, and educational information on each of the candidates and provides the reports to their clients through an on-line database. ERC is not creating information that was previously not in existence, rather, they are providing centralized access to data reports and this would be considered taxable.

Down to their final three candidates, ACME re-hires ERC to perform more detailed research. This time, ERC interviews neighbors, co-workers, and old classmates to produce an in-depth background report. The initial charge for this personal research, which was previously not in existence, would not be taxable.

4. Arbuckle CPAs purchases on-line webinars to provide continuing education for its staff. Some of the webinars are recorded (historical), while others are live presentations. These are purchases of informational services and are taxable purchases.

* DRMC Section 53-53(a)(10),(15) & (21). Definitions.

* DRMC Section 53-54(a)(1),(6) & (7). Imposition of tax.

* DRMC Section 53-103(a)(11),(16) & (23). Definitions.

* DRMC Section 53-104(a)(1),(6) & (7). Imposition of tax.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.

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