



This Week in State Tax (TWIST)

October 2, 2023



To listen to the podcast please [click here](#)

Texas: Comptroller Issues Guidance on Taxability of Electronic Games and Content

Under Texas law, taxable amusement services include the provision of amusement, entertainment, or recreation. Amusement services also include membership in a private club or organization that provides entertainment, recreational, sports, dining, or social facilities to its members. On September 25, 2023, the Texas Comptroller updated a policy memo reiterating that the purchase of electronic games, subscriptions, and membership fees for electronic games and game communities are taxable as amusement services. Electronic games may be operated on or through the use of a personal computer, game console, mobile telephone, or other device by which gameplay is accomplished through a connection to the Internet. Electronic games do not include video games received entirely on physical media, free-to-play video games, or Internet access services.

The new policy memo augments current guidance. It starts by noting that electronic games have evolved into more of an interactive virtual gaming experience by offering “associated content” to enrich gameplay. Purchases of associated content for electronic games, such as virtual goods for use within a game, additional game content, gameplay enhancements, and aesthetic enhancements within a game are also taxable as amusement services. The guidance further notes that purchases of electronic games and associated content through the use of redeemable, physical cards are taxable as amusement services. Finally, the previous policy memo did not directly address the taxability of virtual currencies that may be used in an electronic game; the updated guidance makes clear that purchases of such virtual currencies are taxable as amusement services. Please contact Sarah Vergel de Dios with questions on the updated policy memo addressing the Taxability of Electronic Games and Associated Content.

kpmg.com/socialmedia



© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS000670-1N

The following information is not intended to be “written advice concerning one or more federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.