



# This Week in State Tax (TWIST)

September 23, 2024



## Texas: Comptroller Issues Guidance on Membership Fee Combined with Other Services

The Comptroller of Public Accounts (Comptroller) recently issued a letter [ruling](#) on the taxability of membership fees for a product that combined nontaxable business consulting services with taxable data processing and information services. The taxpayer provides “consulting and coaching services” to contractors in the HVAC, electrical, plumbing and roofing industries. The services include assistance in identifying and executing strategic business goals; website creation and maintenance; and access to a library of tools such as call scripts, dispatching procedures, and budget templates.

In its decision, the Comptroller identified the assistance in making and meeting strategic goals as a nontaxable business consulting service. However, website creation was identified as a taxable data processing service, and access to the library of assistance tools was identified as a taxable information service. The Comptroller rejected the taxpayer’s argument that access to the library of tools was an “inconsequential perk” with only “nominal value” because it was advertised as a valuable benefit on the taxpayer’s website. After determining the membership fees were paid for both taxable and nontaxable services, the Comptroller applied its rules for determining taxability of the transaction. Under the rules, the business consulting service could not be treated as an unrelated service because the taxpayer did not also provide it on a stand-alone basis. Considering the entire transaction, the Comptroller determined that the entire transaction was presumed taxable because the taxable component reflected more than five percent of the total charge. As a result, the entire membership fee was subject to tax. For questions about Private Letter Ruling No. PLR20230117142804, please contact [Karey Barton](#).

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