



# This Week in State Tax (TWIST)

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## Indiana: Video Game Revenue Streams not Taxable

The Indiana Department of State Revenue (Department) held that a taxpayer's service offerings were not subject to sales and use tax. The taxpayer sold video games through a related entity, as well as third party vendors; it did not sell video games directly to customers. The taxpayer did offer three items to enhance the purchasers' gaming experience: 1) monthly online subscriptions; 2) in-game items that may be purchased; and 3) virtual currency. The monthly online subscription is required to play the game online, including in a multiplayer setting. Without the subscription, purchasers can play the game only on their individual devices. The in-game items allowed purchasers to customize their character's appearance through cosmetic items, save time through gameplay advantages or shortcuts, change the name of their character, and expand the realms of the originally purchased video game through expansion packs. The virtual currency allowed purchasers to pay for their online subscription or purchase in-game items but could not be exchanged for legal tender.

The Department explained that Indiana imposes sales tax on retail transactions that involve the transfer of tangible personal property in the ordinary course of a taxpayer's business for consideration. Tangible personal property includes prewritten software, charges for access to prewritten computer software electronically via the internet where no permanent ownership interest, control, or possession is acquired are not subject to tax. Sales and use tax are also imposed on products transferred electronically only if the products are specified digital products, defined as electronically transferred digital audio works, digital audiovisual works, or digital books. The DoR determined that the taxpayer's services were not subject to Indiana sales tax because they were not tangible personal property or specific digital goods. For more information on [Indiana Revenue Ruling RST 2024-04](#), contact [Dave Perry](#).

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