



This Week in State Tax (TWIST)

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Rhode Island: Access to Ancestral Data Held Taxable Sale of Vendor-Hosted Software

The Rhode Island Division of Taxation (Division) determined that a taxpayer's service of providing online ancestral and health history reports to customers constituted the sale of vendor-hosted prewritten computer software and was subject to Rhode Island sales and use tax. The taxpayer analyzed customers' DNA based on customers' saliva specimens provided via a kit supplied by the taxpayer and returned to it by the customer. The shipment and return of kits and the analysis of the specimen all occurred outside Rhode Island. To receive the results of the analysis, customers were required to purchase a subscription and access their personalized reports through the taxpayer's website, hosted outside Rhode Island.

In Rhode Island, tax is imposed on "sales at retail," which include the sale, lease, or rental of tangible personal property...or services for any purpose other than resale. "Sale" includes any transfer of tangible personal property for consideration, specifically including the sale, use, or other consumption of vendor-hosted prewritten computer software that is accessed through the internet or a vendor-hosted server. The Division determined that the taxpayer's service was a sale of computer software in that the taxpayer could not share the ancestral and health history information with its clients if the taxpayer's product was not computer software. It further determined that the software was vendor-hosted prewritten computer software because the taxpayer's service was accessed through the internet and/or a vendor-hosted server regardless of whether access was permanent or temporary and regardless of whether downloading occurred. In addition, taxpayer's software was prewritten software because it was not designed to the specifications of a specific purchaser. As such, the taxpayer was selling vendor-hosted prewritten computer software subject to Rhode Island sales and use tax. Contact [Ryanne Tannenbaum](#) for more information on [RI Ruling Request No. 2025-01](#)

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