



This Week in State Tax (TWIST)

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Indiana: DoR finds chatbot services not taxable

The Indiana Department of State Revenue (Department) recently issued [Revenue Ruling #2025-02-RST](#), concluding that a company's artificial intelligence (AI) chatbot services accessed via a web interface or application programming interface (API) are not subject to Indiana sales or use tax. The Department determined the offering would be considered a type of service, rather than prewritten software or a specified digital product.

The company's primary service is an AI chatbot that is hosted on third-party cloud infrastructure, and customers cannot download the chatbot onto their computers. The chatbot can perform various functions and communicate with the user in a human-like manner. In addition, customers can utilize the chatbot's API to integrate its capabilities into their own applications. The company does not deliver any software to its customers.

Indiana imposes tax on retail transactions that involve the sale of tangible personal property and certain enumerated services. Software-as-a-Service is not a taxable service in Indiana, nor are charges for accessing prewritten computer software over the internet. Certain specified digital products are taxable only when electronically transferred for permanent use and limited to defined categories such as digital audio works, digital audiovisual works, or digital books. The Department ruled that because the AI chatbot is accessed over the internet and does not grant the user permanent ownership, the service is not considered taxable in Indiana. For additional information on this ruling and further questions regarding taxability in Indiana, please contact [Dave Perry](#) or [Reid Okimoto](#).

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