This Week in State Tax (TWIST)

September 21, 2026

Rhode Island – Tax Division rules that reports generated from electronic intake form are taxable use of hosted software

The Rhode Island Division of Taxation recently issued a declaratory order in response to a taxpayer ’s request for guidance on the sales tax treatment of reports generated through artificial intelligence and human review. The taxpayer produces reports intended to help neurodivergent individuals communicate their needs and support requirements to schools, clinicians, relatives, and others. Customers complete an online intake questionnaire through the taxpayer’s dashboard, and the taxpayer uses those responses to generate a personalized report that is reviewed by humans and made available for download through the dashboard for a one-time fee. The taxpayer requested a ruling on whether the reports were taxable and, if so, how they should be classified.

Rhode Island law imposes tax on the sale, use, or other consumption of vendor-hosted prewritten computer software that is accessed through the internet or a server hosted by a vendor. The Division concluded that what the taxpayer sells is access to and use of its dashboard, explaining that the taxpayer could not receive responses to the questionnaire or deliver the finished report without the dashboard. The software qualifies as prewritten because it was not designed and developed to the specifications of a specific purchaser, and the individualized content of the reports did not convert the software into custom software because the reports were distinct from the software used to generate and deliver them. As customers accessed the software through the taxpayer's internet-hosted platform, the product met the definition of vendor-hosted prewritten computer software and was therefore subject to sales and use tax. The Division interpreted the scenario as one in which taxpayer “sells access to software that allows customers to provide information for, and obtain, the report;” it did not address the role played by the human reviewer in producing the final report.

Please contact Ryanne Tannenbaum and Jon Benson with questions about Declaratory Order 2026-01.

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