

It is important to note that sales tax is already collected on sales of digital equivalents of books, music and movies. The department's proposed technical correction bill will ***not*** affect the way these items are currently taxed.

The proposed language updates Tennessee's sales tax law by specifically defining digital equivalents of books, movies and music. As digital sales continue to increase, the need for clear language that defines what is taxable and what is exempt is needed for accurate sales tax collection.

Digital equivalents are currently taxed as prewritten computer software, effective Jan. 1, 2008. Previous confusion about the current taxability of digital equivalents highlighted the need to modernized Tennessee's sales tax definitions to more accurately reflect the present day reality of digital music, books and movies. The department's goal is to create understandable, effective tax policy by adopting uniform definitions that are easy to understand and explicitly define what is taxable and what is exempt.