Tax Compliance Guide

Digital Goods

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Digital goods are products that exist in digital form and are exchanged under current technology using a variety of means which include, but are not limited to, compact disc, electronic download, and internet streaming. Digital goods have become increasingly popular in recent years, as the internet has enabled new forms of content creation, distribution, and consumption.

The purchase of digital goods is subject to Aurora sales tax as they are considered a purchase of tangible personal property per Sec. 130-31 of the Aurora Municipal Code which defines tangible personal property as the following:

Tangible personal property means personal property that can be one or more of the following: seen, weighed, measured, felt, touched, stored, transported, exchanged, or that is in any other manner perceptible to the senses.

In other words, the Aurora Municipal Code treats digital goods the same way it treats similar non-digital goods for tax purposes and their method of delivery does not impact the taxability of the sale of goods even if said method is through online channels.

When digital goods are sold or transferred, they are subject to sales or use tax. The tax is based on the purchase price of digital goods.

DIGITAL GOODS EXAMPLES

There are many examples of digital goods. Included here are summaries of commonly purchased digital goods:

*The list below is for example purposes only and is not all inclusive.*

1. E-books: These are digital versions of books that can be read on e-readers, tablets, or smartphones.
2. Music: Digital music files can be purchased and downloaded from online music stores, such as iTunes or Amazon. This includes music subscription services that provide unlimited music for a monthly fee, such as Spotify or Apple Music. Also includes music and
3. Movies and TV shows: Streaming video services, such as Netflix and all other streaming video services that offer access to movies and TV shows that can be viewed on computers, TVs, or mobile devices.
4. Podcasts: Digital audio files that can be downloaded and listened to on-demand from podcast platforms, such as Spotify or Apple Podcasts.
5. Online courses: educational courses, such as those offered on platforms like Udemy or Coursera, are delivered entirely online and can be accessed via the internet.
6. Video games: Digital versions of video games can be purchased and downloaded from online stores, or played through streaming services, such as Google Stadia or GeForce Now.
7. Photography and artwork: Digital images can be purchased and downloaded for personal or commercial use, from platforms such as Shutterstock or Getty Images.
8. Mobile applications: Mobile apps, such as games, social media, or productivity tools, can be downloaded from app stores, such as Google Play or the Apple App Store.
9. Templates and digital assets: Digital files, such as graphic design templates, website themes, or stock photos, can be purchased and downloaded for use in various digital projects.
10. Digital subscriptions: Access to digital content or services, such as online newspapers and magazines.
11. Online databases or database subscriptions, such as research publications and materials or technical manuals.
12. Software: All software, subscription software, or software as a service (SAAS) delivered electronically.

Examples

1. Company A sells digital music downloads on its website. Because digital music files are tangible personal property, the company is required to collect sales tax from customers who purchase the downloads.
2. Individual B buys a digital book on Amazon for their mobile device. The purchase price of the digital book is subject to Aurora tax.
3. Company C is an auto repair shop in Aurora that purchases a subscription to an online database containing repair manuals and instructions for vehicles. The cost for the online research database is subject to Aurora tax.
4. Company D is a photographer in Aurora that provides only digital copies of their pictures to their customer. The digital pictures are considered a sale of tangible personal property subject to Aurora tax.
Related Topics

Advertising
Software
Pay Television and Entertainment Services

Citations

Aurora Municipal Code
§ 130-31. Definitions
§ 130-33. Legislative Intent
§ 130-156. Taxable Items
§ 130-160. Responsibility for payment
§ 130-161. Schedule of Taxes
§ 130-196. Levy
§ 130-199. Use tax credit

Contact Us

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