



MICHIGAN

To: Honorable Members of the House Committee on Tax Policy

From: Charles Owens, State Director

Date: February 4, 2015

RE: Cloud Computing Exemption from Sales and Use Tax

We are writing to ask your support for House Bills 4018 and 4019 that would clarify the sales and use tax status of cloud based services involving remotely accessed software. This type of service is being used more and more by Michigan's small business community and most tax professionals agree that it should not be treated as a tangible product for purposes of taxation.

Recent court decisions have been consistent with this position and, until recently, even past guidance within the Department of Treasury itself considered remotely accessed software to be a service and not a product.

It would appear that Treasury is more concerned with revenue enhancement via "fishing expeditions" such as this than they are with maintaining a consistent and fair tax climate in our state. Such actions undermine the hard work of the legislature and Governor in trying to improve Michigan's overall business climate and send a clear "not welcome here" signal to high tech software development companies and the jobs they provide.

Again, we ask for your support of House Bills 4018 and 4019.

Thank you for your support of small business.