



The Taxation of Cloud Computing

IT Tip Corner

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Cloud computing and its various delivery methods continue to grow at an impressive rate. A potent example of this growth is "software as a service," or SaaS, a product that allows consumers to access software remotely over the Internet for a fee.

Unfortunately, state tax laws have not kept pace with the rapid growth of cloud computing. Only a few states have addressed the taxation of cloud computing for purposes such as state sales, use and income taxes. Not surprisingly, the majority of states that have addressed this issue have determined that cloud computing, including SaaS, should be subject to their taxes. Michigan has yet to address this issue, so Michigan taxpayers are left to rely on the general principles of Michigan's sales, use and income tax laws and regulations. Accordingly, until official guidance is available on this issue, a professional tax advisor should be consulted regarding the taxation of cloud computing under Michigan law.

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