

202005016L [Tax Type: Sales] [Document Type: Letter/Memo]

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Texas Comptroller of Public Accounts STAR System

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Tax Policy News

May 2020

Sales and Use Tax

Sales and Use Tax

[Internet Access Charges – Not Taxable Beginning July 1, 2020](#)

Beginning July 1, 2020, Texas will no longer impose sales tax on separately stated internet access charges due to the Internet Tax Freedom Act (ITFA) of 2016.

Federal law included a grandfather clause for those state and local governments, including Texas, who imposed a tax on internet services prior to October 1, 1998. This clause expires on June 30, 2020.

Bundled Charges

Effective July 1, 2020, when a service provider bundles the internet access with another taxable service, such as telecommunications service or cable television service, the service provider should not collect tax on the amount allocated to internet access if the service provider can establish through their books and records a reasonable allocation for the taxable service and for the nontaxable internet access. See [Texas Tax Code Section 151.025\(d\)](#) and [Rule 3.313\(b\)\(2\), Cable Television Service and Bundle Cable Service. Rule 3.366, Internet Access Services, Rule 3.334 Telecommunication Services](#) and Rule 3.313 are being amended to reflect this change in the taxability of internet access services.

If the service provider cannot establish a reasonable allocation for the nontaxable internet services, the entire charge for the bundled services is taxable.

ACCESSION NUMBER: 202005016L

SUPERSEDED: N

DOCUMENT TYPE: L

DATE: 2020-05-22

TAX TYPE: SALES