

12A-1.032 Computers and Related Systems.

(1) Computer "hardware" is defined as the machine and all of its components. Computer "software" is the programming needed to make computers operate.

(2) The sale to a consumer of a computer and its related components is taxable when delivered to a customer in this state. The rental of a computer and its related components, including terminal equipment (hardware) which is physically located in this state, is taxable.

(3) When computers are accessed by customers through terminal devices which are connected to the computer, each customer is in effect using a portion of the computer. A customer is able to compile programs, provide a variety of computations, have computational results printed out on his terminal and keep data stored within the computer file for future use. This produces basically the same results as if the customer had processed the same data on his own computer; i.e., the customer performs the tasks of entering data into the computer and all processing is accomplished under his control.

The charge for such use of the computer may include, among other things:

- (a) Average amount of computer storage used.
- (b) Computations performed by the computer.
- (c) Time connected to the computer.

The above is sometimes referred to as "Time-Sharing Plan" and such charges are construed to be the rental of the computer, not service charges, and are taxable when the computer is physically located in this state. When the computer is located outside this state, the rental of the computer is not taxable.

(4) The charge which a computer technician makes for a customized software package which includes such items as instructional material, pre-punched cards or programmed tapes is construed to be a service charge and exempt. Retail sales of pre-packaged programs for use with audio/visual equipment or other computer equipment, where the programs are fully useable by the customer without modifications and the vendor does not perform a detailed analysis of the customer's requirements in selecting or preparing the programs, are taxable as sales of tangible personal property. However, where the vendor, at the customer's request, modifies or alters a pre-packaged program to the customer's specification and charges the customer for a single transaction, the charge is for a customized software package and is exempt as a service transaction.

(5) When a computer technician surveys a customer's needs and as a result makes recommendations which may include instructional material, diagrams and layouts, a software package, including pre-punched cards or programmed tapes, the charge made is construed to be for professional services and is exempt.

(6) When a Service Bureau performs a bookkeeping service for a client, such as keeping a set of records and the furnishing of financial statements, payrolls, tax reports, accounts receivable and accounts payable statements, etc., the charge therefor is for a professional service and is exempt. The various statements furnished are construed to be sales as inconsequential elements for which no separate charges are made.

(7) Blank key-punch cards and blank magnetic tapes are tangible personal property and are taxable when purchased by a customer who will use them in programming his own computer or when purchased by a computer technician or Service Bureau who uses them in developing a software package for a customer. The charge made for key-punching cards furnished by a customer is a service charge and is exempt.

Specific Authority 212.17(6), 212.18(2), 213.06(1) FS. Law Implemented 212.02(15), (16), 212.05(3), (4), 212.08(7)(v) FS. History-New 12-11-74, Amended 5-10-77, 6-29-80, Formerly 12A-1.32.

