

## The Wall Street Journal, Forbes, BusinessWeek and Fortune 500 Companies All Agree: No One Knows Taxing the Cloud Like Reed Smith State Tax!

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### News & Knowledge

Cloud computing has emerged as a fundamental shift in the IT industry, creating a new paradigm for access to computing, data storage, and communications. Reed Smith's State Tax Group has become a recognized leader in understanding and keeping its clients abreast of rapidly changing state tax policies regarding the tax treatment of various cloud computing platforms.

### Practice Areas

#### Advertising, Technology & Media

Cloud Computing Initiative

#### State Tax Practice

Multistate Tax Services

Two members of our State Tax Group, Dan Dixon and Kelley Miller, have become go-to experts in this arena, keeping a close watch on 50 state tax departments and the quickly changing landscape with respect to cloud computing. Dan and Kelley have extensive experience dealing in this area and have handled several recent high-profile matters, including:

- Assisted a Fortune 100 company with state tax planning and multi-state audit defenses related to their cloud-based, Internet retail business
- Obtained numerous multi-state and multimillion-dollar sales tax refunds for a major Internet technology service provider on its purchases of digital products used to provide IT services
- Advised a public company with the launch of its cloud-based, Internet e-commerce platform
- Obtained refund for government contractor on all of its purchases of software hosting and disaster recovery services based on a unique interpretation of Pennsylvania, Texas, and Illinois state laws

### Offices

Philadelphia

As highlighted below, Dan and Kelley have recently been widely quoted in several media sources, including *Forbes*, *The Wall Street Journal*, *NetworkWorld*, *NPR*, *E-Commerce Times*, *The Hartford Courant*, *State Tax Notes* and *BusinessWeek*, about the attention states are paying to cloud commerce, as they seek ways to force online retailers to collect sales tax from their customers:

#### **Forbes**

"How the Tax Man Followed Amazon and Apple to the Cloud Computing Party," (April 7, 2012)

- "When companies like Apple start promoting the cloud to every day consumers on television that tends to get the attention of state tax officials." – Dan Dixon
- "In July of last year only four states were looking at the cloud for tax issues...I wouldn't be surprised if half of the states will have something moving in this area by the end of the year." – Kelley Miller

#### **NPR**

"Taxing Boston," (August 20, 2012)

- "...In the next five to 10 years the box of software, if it hasn't already, will simply become obsolete and states are really looking to what has the cloud replaced." – Kelley Miller

#### **Network World**

"Massachusetts: Cloud is Taxed When There's a Software License," (August 20, 2012)

- "The essence of the question is, are you buying software that people bought in a box at the store 10 or 15 years ago?" – Kelley Miller

"Cloud Services Face Taxing Dilemma," (March 28, 2012)

- "This could really be a harbinger for cloud computing taxation...Many states may look to Utah's ruling as a template of how to tax

cloud services into the future." – Kelley Miller

#### **State Tax Notes**

"Will PaaS Get a Pass From Sales and Use Tax" (July 23, 2012)

- "Kelley Miller, an associate at Reed Smith LLP, explained that SaaS functions more like downloaded software or load and leave software than does any other cloud service model."
- "Daniel Dixon, an associate with Reed Smith LLP, said that some vendors will need to consider only whether their customers have provided them with a resale certificate and won't need to get into the finer details of whether the sales transaction is subject to sales tax."

#### **The Wall Street Journal**

"Idaho Wants to Tax the Cloud" (February 6, 2013)

- "For so many to act in just over two years is lightning quick for the states." – Dan Dixon

#### **BusinessWeek**

"Idaho Further Stirs Debate Over Taxing Cloud-software Services," (February 6, 2013)

#### **The Hartford Courant**

"Legislature Considers Taxing Digital Downloads: Music, E-books, Smartphone apps," (March 14, 2012)

- "A consumer might really take offense at paying a new sales tax. The burden of that tax is often outweighed by the convenience — the instant nature of downloads." – Dan Dixon
- "The taxation of electronic goods and services is probably the fastest-growing new tax that's been imposed in the last five years." – Kelley Miller

#### **E-Commerce Times**

"Colorado Ruling May Hamstring E-commerce Tax Collection Efforts," (April 5, 2012)

Our state tax team members stand ready to help clients weather the tax-related storm associated with cloud computing matters. To listen to Dan and Kelley discuss cloud computing in a recent teleseminar, [click here](#).

For the latest information on the taxation of emerging technologies, visit our blog at [taxingtech.com](http://taxingtech.com) or our [Twitter feed](#).

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