City and County of Denver, Colorado  

TAX GUIDE  

Topic No. 98  

Digital Products

The Denver Revised Municipal Code (DRMC) imposes sales or use tax on the purchase price for Digital Products. See DRMC §§ 53-25(7) and 53-96(6).

The DRMC defines “Digital Products” as an electronic product including, but not limited to:

1. "Digital Images" which means works that include, but are not limited to, the following that are generally recognized in the ordinary and usual sense as "photographs,” "logos,” "cartoons,” or "drawings."

2. "Digital Audio-Visual Works" which means a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

3. "Digital Audio Works" which means works that result from the fixation of a series of musical, spoken, or other sounds, including ringtones. For purpose of this definition, “ringtones” means digitized sound files that are downloaded onto a device and that may be used to alert the customer with respect to a communication.

4. "Digital Books" which means works that are generally recognized in the ordinary and usual sense as "books."

When Denver’s sales or use tax applies?

As a general matter, the DRMC imposes sales or use tax on the purchase price of Digital Products purchased at retail within the City or used within the City. If the vendor of the Digital Product is a licensed Denver vendor, the vendor should collect Denver’s sales tax for all its retail sales made within the City and for retail sales made to customers located within the City. If the vendor is not a licensed Denver vendor, and if the purchaser is a business purchaser located within the City, the purchaser should obtain a Denver use tax license and should remit Denver’s use tax on the purchase price of digital product.

EXAMPLES

1. Tom Shoe lives in Denver and purchases Digital Books from Company A to be read through an application on his smartphone or tablet. These purchases of Digital Books are taxable in Denver. If Company A is licensed Denver vendor, Company A should charge Denver’s sales tax.

2. Customers of Telephony XYZ purchase ringtones for their phones. Telephony XYZ is a licensed Denver vendor and charges tax on these purchases of the ringtones are taxable as a Digital Audio Work when sold to customers located in Denver.

3. A Denver company purchases a Season Pass from an app store that allows them to pay in advance for an entire season’s worth of television content and have the episodes delivered as they become available to play in their lobby for entertainment in the waiting area. These digital product purchases are subject to Denver sales/use tax.
4. A Denver natural gas exploration company purchases digital images of maps showing potential reserves in the San Juan Basin within Colorado and New Mexico. The digital images are subject to Denver sales/use tax.

5. Bob, a Denver customer, purchases a digital magazine subscription from A. Publishing, Inc for a monthly subscription fee. A. Publishing, Inc. is a licensed Denver vendor, it would be responsible for collecting sales tax on the monthly subscription fee for the digital magazines.

 **Disclaimer:** For the examples below, taxability would ultimately be determined by the specific terms of the agreement between the transacting parties.

6. A public relations firm is retained by a Denver business to create a documentary film on the history of its business. The firm digitizes the film and transfers it to the customer. This is considered a non-taxable service because the customer’s primary objective is to acquire the creative talent and expertise needed to produce the film. The digitized product is incidental in relation to the service provided. However, if copies of the digitized product are sold to third parties, the transactions would be subject to Denver sales/use tax.

7. Big Brand Company, a Denver big box store, hires Mega Marketing to develop a new branding and marketing campaign including the creation of new logos, a redesigned website, and video advertisements. Although, some items were delivered as digital products (i.e. a digital image of the logo) the service contract for the branding and marketing services would remain non-taxable. Mega Marketing must pay sales or use tax for any taxable purchases related to the rending of their services.

**RELATED TAX GUIDE TOPICS**
Entertainment Services  
Informational Services  
Software  
Advertising Agencies  
Graphic Design and Composition

**REFERENCES**
DRMC Section 53-24(11) Definitions – Digital Products  
DRMC Section 53-25(6) Imposition of tax.  
DRMC Section 53-95(12) Definitions – Digital Products  
DRMC Section 53-96(5) Imposition of tax.

*The complete Denver Tax Guide, the Denver Revised Municipal Code (DRMC), tax forms, and other related information and forms are available on-line at [www.denvergov.org/treasury](http://www.denvergov.org/treasury)*.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.

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