Website Designers and Software Developers: Don’t Miss Out on Potential Tax Break

NYS Tax Department highlights sales tax exemption for certain computer system hardware components

The New York State Department of Taxation and Finance today reminded software and website professionals that the purchase of computer hardware may be exempt from sales tax. The exemption can be worth up to several hundred dollars in savings when purchasing laptops or desktop computer systems.

In general, no state or local sales tax will be charged on the purchase of computer system hardware when it’s used more than 50% of the time to:

- design and develop computer software for sale;
- provide website design and development services for sale; or
- provide a combination of the two uses described above.

Computer systems that are rented or leased may qualify for the exemption as well.

“This tax exemption should be especially appealing to self-employed freelancers involved in website development and software-related services,” said Acting Commissioner Nonie Manion. “At the same time, it enhances New York’s reputation as an attractive destination for an array of high-tech businesses.”

The exempt hardware runs the gamut from laptops to external hard drives. Designing and developing services include system analysis, program design, coding, testing, debugging, and documentation activities.

The use of computer system hardware for administration, production, or distribution activities isn’t eligible for this exemption. According to the Bureau of Labor Statistics, there are nearly 65,000 software developers in New York State and more than 10,000 website designers.
To claim the exemption, the purchaser must provide a completed Form ST-121.3 to the computer hardware seller.

For more information
Exemptions for Computer System Hardware
Form ST-121.3