

TTARA Update From the Tax Front

Comptroller Announces End to Controversial Data Processing Tax Interpretation

We wanted to share important news from the Texas Comptroller's Office regarding the state's application of sales tax to certain data processing services.

Today, Texas Comptroller Don Huffines announced that the agency is ending what he described as a hidden double tax affecting Texas families and businesses. The announcement follows a comprehensive review of the Comptroller's interpretation and administration of the state's data processing tax rule.

TTARA has been actively engaged on this issue for some time, working with the Comptroller's Office and other stakeholders to raise concerns about the expanding application of the sales tax to transactions where data processing is incidental to the primary service being provided. Many members expressed concerns that recent interpretations created uncertainty, increased compliance burdens, and in some cases resulted in multiple layers of taxation on the same transaction.

We are encouraged by the Comptroller's actions and his willingness to review concerns raised by taxpayers and the business community.

The announcement was made during the Texas Comptroller of Public Accounts Annual Briefing, which brings together taxpayers, business organizations, tax practitioners, consultants, and state tax officials to discuss developments in Texas tax policy and administration. The TTARA team is attending the briefing and will continue monitoring developments related to this announcement. We will provide members with additional updates as warranted.

Full announcement: <https://comptroller.texas.gov/about/media-center/news/20260930-comptroller-don-huffines-ends-hidden-double-tax-on-texas-families-and-small-businesses-1790708719803>