



Josh Stein
Governor

McKinley Wooten, Jr.
Secretary

July 16, 2026

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RE: [REDACTED]
Private Letter Ruling
FEIN: [REDACTED]

Dear [REDACTED]

The Department has completed its review of your request for a private letter ruling on behalf of [REDACTED] ("Taxpayer"). In making this written determination, the Department has considered the facts presented in your initial request as well as any supplemental information provided to the Department.

This private letter ruling is a written determination issued under N.C. Gen. Stat. § 105-264.2 and applies the tax law to a specific set of existing facts furnished by you on behalf of Taxpayer. This written determination is applicable only to Taxpayer and as such has no precedential value except to Taxpayer.

Overview and Relevant Facts

You advised that "[Taxpayer] is an out-of-state video game publisher. [Taxpayer], through a related entity, sells the video game in electronic format through third-party vendors...directly to customers." Taxpayer itself does not sell the video game and Taxpayer's related party and or its wholesalers collect applicable sales tax on the sale of the video game to the purchaser.

"To play the game, players must first purchase the video game from either the [Taxpayer's] related party or a third-party wholesaler. Then, at the player's option, the player can enter into a monthly subscription plan offered by the [Taxpayer]. The subscription plan may be terminated at any time by the player. Upon termination the player will still retain access until the subscription term ends. The player at all times maintains ownership rights to the previously purchased video game."

"The monthly subscription plan is required to access the online functionality of the video game, including playing the video game in a multiplayer setting. Without the monthly subscription plan, the video game cannot be played online."

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Issue

Is the monthly subscription fee subject to North Carolina sales and use tax?

Applicable Statutes and References

North Carolina imposes State, local, and transit rates of sales and use tax on a retailer engaged in business in the State based on the retailer's net taxable sales of, or gross receipts derived from, tangible personal property, certain digital property, and taxable services. N.C. Gen. Stat. §§ 105-164.4, 105-164.6, 105-467, 105-468, 105-483, 105-498, 105-507.2, 105-509.1, 105-537 and Chapter 1096 of the 1967 Session Laws.

N.C. Gen. Stat. § 105-164.3(183) defines the term "prewritten computer software" as "[c]omputer software, including prewritten upgrades, that is not designed and developed by the author or another creator to the specifications of a specific purchaser. The term includes software designed and developed by the author or another creator to specifications of a specific purchaser when it is sold to a person other than the specific purchaser."

N.C. Gen. Stat. § 105-164.3(235) defines the term "sale or selling", in part, as "[t]he transfer for consideration of title, license to use or consume, or possession of tangible personal property or certain digital property or the performance for consideration of a service. The transfer or performance may be conditional or in any manner or by any means."

N.C. Gen. Stat. 105-164.3(261) defines the term "tangible personal property," in part, to include prewritten computer software.

Ruling

Based on the information provided by Taxpayer, the Department understands that Taxpayer publishes video games. Generally, customers download Taxpayer's video games. These video games meet the definition of prewritten computer software.

In addition, based on the information provided by Taxpayer, the monthly subscription fee at issue in this ruling is required to access certain functionality of the downloaded video games. As noted above, the video games are prewritten computer software.

North Carolina imposes sales and use tax, in part, on the sales price of tangible personal property sold at retail. The sale of tangible personal property includes the sale of prewritten computer software. In addition, sales include the transfer for consideration of title, license to use or consumer, or possession of prewritten computer software.

Here, the Department determines taxpayer is making sales of prewritten computer software because the subscription fee is the sale of a license to use portions of the downloaded video game, which is prewritten computer software. The subscription facilitates the right to use aspects of prewritten computer software. As a result, the Department determines, based on the information furnished, that the subscription fee constitutes a taxable sale.


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This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then Taxpayer may not rely on it. If Taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the Taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford Taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Issued on behalf of the Secretary of Revenue
By the Sales and Use Tax Division