CLIENT NOTICE · TAX & BILLING

A Change in California Sales Tax for Digital Products

What it means for your OMTI account, effective January 1, 2027

We want to keep you informed well ahead of a change in California tax law that may affect your invoices starting next year. Below is a plain-language overview, along with what it means for your relationship with OMTI. As always, our team is here to walk through any questions specific to your account.

What's Changing

Effective January 1, 2027, California is expanding its sales and use tax law to include "digital products" — a category that includes prewritten software and Software-as-a-Service (SaaS) products like the ones OMTI provides. This change comes from California Senate Bill 122, signed into law on June 29, 2026. It is a change in state tax policy, not a change made by OMTI, and it applies broadly across the software industry — not to us specifically.

Frequently Asked Questions

Will this affect my invoice?

If your OMTI products or services are classified as a digital product under this law and you're located in California, yes — California sales and use taxes will generally apply beginning with invoices dated January 1, 2027. We'll handle the calculation and collection on our end; you won't need to do anything differently when receiving an invoice. OMTI products and services that fall under this classification include RB9, MR9, MR8, and all of their plug-ins.

Does this apply to everyone?

Not necessarily. Several categories are exempt or excluded, including:

- Subscriptions purchased and used solely outside California. Subscriptions that are used partially in California will be taxed based on the number of named user licenses used in California.[1]
- Repository storage
- Custom software built specifically for your organization that you are invoiced for separately from your subscription[2]
- Consulting services and custom training programs
- MR8 premium support

1. If your use of OMTI products and services is outside of California — either wholly or in part — you must complete and submit our exemption or MPU forms before January 1, 2027 to claim any exemption from California sales tax. You are also responsible for keeping us informed of any changes in your tax exemption by filing updated forms with OMTI.
2. If your engagement with OMTI is primarily custom development work, it's worth a conversation with your account contact to confirm how your services are classified.

Who is responsible for collecting and paying the tax?

In almost all cases, OMTI will collect the tax as part of your invoice and remit it to the state, just as any retailer would. There is one narrow exception: if a client's cumulative purchases of electronically delivered or remotely accessed digital products from OMTI exceed $5 million within a calendar year, responsibility for reporting and paying the tax can shift to the purchaser directly. This threshold affects very few accounts, and if it applies to yours, we will reach out individually well before it becomes relevant with guidance for handling the sales tax remittance.

Why is this happening?

This is a statewide policy change, not an OMTI decision. California's Department of Tax and Fee Administration (CDTFA) has updated the legal definition of taxable property to catch up with how software is actually delivered and consumed today — electronically and remotely, rather than solely on physical media.

What do I need to do right now?

Nothing yet. If you believe you are entitled to a full or partial exemption from California sales taxes you can fill out one of our exemption or MPU forms before we invoice you for January 2027. As the effective date approaches, we'll follow up directly if anything about your specific account requires action or documentation on your end.

Where can I learn more?

The full CDTFA Special Notice (L-1036) is publicly available at **cdtfa.ca.gov,** under the Tax Guide for Retailers and Purchasers of Digital Products. Of course, you're always welcome to reach out to your OMTI Client Services contact directly — we'll be happy to explain what this means for your account specifically.

We're Here to Help

Navigating a regulatory change like this shouldn't add friction to your experience with us. Our goal, as always, is to make sure you have clear, accurate information well before it affects you — and a real person to talk to if you have questions. Please don't hesitate to reach out to your Client Services contact with any questions.

Source: California Department of Tax and Fee Administration, Special Notice L-1036, September 2026