

March 10, 2015

Sen. Jack Brandenburg  
125 W. Allegan Street  
Lansing 48933

Re: SB 0082 and SB0083

Dear Sen. Jack Brandenburg and members of the Senate Finance Committee;

On behalf of Compuware Corporation ("Compuware") I am writing in support of SB 0082 and SB 0083 pending in the Michigan Senate ("the Senate"). This legislation clarifies that remote access to computer software via Software as a Service ("SaaS") transactions are a service not subject to Michigan's sales and use tax. I urge you to lend support to these bills so they may pass in the Senate.

Headquartered in Detroit, Compuware is the largest high-tech company based in Michigan. With more than 694 employees in the state and over 2,200 worldwide, Compuware solutions make the world's most important technologies perform at their best for leading organizations worldwide, including 46 of the top 50 Fortune 500 companies and 12 of the top 20 most visited U.S. web sites.

As both a provider and consumer of SaaS, Compuware faces uncertainty regarding the proper Michigan sales and use tax treatment of these remote access transactions. In SaaS transactions, the customer does not enter into an agreement to license the software, they are merely subscribing to a service. The customer never downloads any software and never has possession nor control of the software. The provider of the service has full possession and control of the software and uses the software to provide a service to the customer. As such, these transactions are clearly outside the Michigan sales and use tax statutes.

This position has been further supported in three recent Michigan court cases; *Auto Owners Insurance Company v. Department of Treasury*, *Thomson Reuters, Inc. v. Department of Treasury* and *Rehmann Robson & Co., P.C. v. Department of Treasury*. In each case, the Court has ruled that the transactions at issue were primarily the provision of a service and not the transfer of tangible personal property. Therefore, Michigan sales and use tax did not apply.

Michigan currently does not apply sales tax to services; however, it appears that Treasury has extrapolated the current tax law to an information technology area that did not exist when the sales tax authorities were written in regards to software.

Compuware's Dynatrace business unit is constantly transforming in response to the rapid growth in the SaaS arena. As such, we are concerned about the negative impact on our business' future should the legislature not adequately address this tax matter. With the growing demand for SaaS, Senate Bill 0082 and Senate Bill 0083 would establish a clear, pro-business tax environment that will encourage technology companies like Compuware to continue to invest in Michigan as the industry grows in the future.

Compuware strongly believes Senate Bill 0082 and Senate Bill 0083 will positively impact Michigan's business climate and urges your support of these much needed bills.

Respectfully submitted,



Michael D. Lax  
Vice President - Taxes

