



# This Week in State Tax (TWIST)

June 3, 2024



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## Tennessee: Department Issues Guidance on Revised Sales and Use Tax Sourcing Rules

The Tennessee Department of Revenue recently published [Notice 24-08](#) to summarize the sales and use tax sourcing changes that were made by House Bill 323 enacted last year as Public Chapter 377, “The Tennessee Works Tax Act” (the TWTA). The changes, which are effective on July 1, 2024, are intended to make the majority of Tennessee’s sales and use tax sourcing provisions consistent with the Streamlined Sales and Use Tax Agreement. The Notice explains that the TWTA adopts destination sourcing for interstate sales of services performed on tangible personal property and computer software. Generally, if a service is performed within Tennessee and the serviced property or software is delivered by the seller to the purchaser outside of Tennessee, the sale is no longer sourced to Tennessee and is considered an exempt interstate sale. In contrast, if a service is performed outside of Tennessee and the serviced property or software is then delivered for use or consumption to a purchaser in Tennessee, the sale is sourced to the location where the serviced property or software is received by the purchaser. The new sourcing provisions will affect a number of taxable services, including repairs and installation of computer software, repairs and installation of tangible personal property, and laundering or dry-cleaning of tangible personal property.

For marketplace facilitators, the Notice explains that all sales, including services, made through the marketplace are sourced to the location where the product or service is received by the purchaser.

For leased property, including licensed computer software and specified digital products, the TWTA adopts destination sourcing based on the primary property location of the leased property during the lease period. If the primary property location of the leased property moves from an out of state location into Tennessee, then the periodic lease payments after the move are sourced to Tennessee and are subject to tax. If the primary property location of the leased property is moved out of Tennessee, then the periodic lease payments after the move are no longer sourced to Tennessee and are considered exempt interstate sales. The primary property location is defined as an address for the property provided by the lessee to the lessor.

The TWTA also adopts destination sourcing for sales of direct mail to recipients outside of Tennessee. Sales from a Tennessee business location of direct mail that is distributed to recipients outside of Tennessee is no longer sourced to Tennessee. When direct mail is delivered to recipients located both within and outside of the state, the portion of the sales price that relates to the out-of-state recipients is not sourced to Tennessee and is considered an exempt interstate sale. The purchaser of the direct mail must provide the seller with the delivery information for the recipients or a fully completed Streamlined Sales Tax exemption certificate to claim that the direct mail is distributed to recipients outside of Tennessee.

Finally, under the TWTA, sales into Tennessee of magazines and books by mail or common carrier, when the seller has limited activities in Tennessee, are now sourced to Tennessee and subject to sales tax. For questions regarding Notice 24-08, please contact [Justin Stringfield](#).

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