



This Week in State Tax (TWIST)

August 26, 2024



Tennessee: Department Issues Ruling Noting New Sourcing Rules

The Department of Revenue (Department) recently issued a [letter ruling](#) regarding whether the repair of traffic cameras performed within the state of Tennessee and subsequently shipped back to customers outside Tennessee were subject to sales and use tax. Prior to July 1, 2024, repairs of tangible personal property performed in Tennessee were subject to Tennessee sales tax unless a specific exemption applied. The taxpayer inquired whether it qualified for an exemption for repairs of machinery and equipment necessary for building and improving roadways when the services were performed in Tennessee and the equipment was subsequently shipped out of state. The Department determined that the taxpayer did not qualify for the exemption because the cameras, while enhancing the roads by regulating the flow of traffic through intersections based on travel density, were not necessary for building or improving roads. Thus, for transactions occurring prior to July 1, 2024, the repairs were subject to tax when performed in Tennessee.

The Department reminded the taxpayer, however, that effective July 1, 2024, repairs to tangible personal property are no longer sourced to Tennessee for sales tax purposes if the repair is performed in in the state, but the property is subsequently shipped or delivered outside the state. For more information about recent Tennessee sales tax law changes in the [Tennessee Works Act](#), please contact [Justin Stringfield](#).

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