



BILL LEE
GOVERNOR

STATE OF TENNESSEE
DEPARTMENT OF REVENUE
ANDREW JACKSON STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37242

DAVID GERREGANO
COMMISSIONER

August 1, 2025

Mr. Craig Johnson
Executive Director
Streamlined Sales Tax Governing Board, Inc.
100 Majestic Drive, Suite 400
Westby, WI 54667

Dear Mr. Johnson:

Pursuant to Section 801.3.B. of the Streamlined Sales and Use Tax Agreement ("Agreement"), on behalf of the State of Tennessee, a Streamlined Sales Tax Governing Board associate member state, and as Commissioner of the Tennessee Department of Revenue, I submit the 2025 Certificate of Compliance and Taxability Matrix (Part 1 – Library of Definitions and Part 2 – Tax Administration Practices) in accordance with Section 801.3.G. of the Agreement. This letter highlights Tennessee Sales and Use Tax statutes involving areas of compliance and non-compliance with the Agreement as of August 1, 2025.

In 2007 and 2008, the Tennessee General Assembly approved numerous Streamlined changes to Tennessee's sales and use tax statutes that became effective on January 1, 2008, and July 1, 2008. In 2009, the General Assembly adopted the Streamlined definition for computer software maintenance contracts. In 2019, the optional 2.25% local tax rate was repealed. Out-of-state dealers must apply the specific local sales and use tax rate in effect for the city or county jurisdiction into which the sale was shipped or delivered. In 2022, Tennessee's drop shipment rule was repealed; therefore, other state resale certificates may be accepted by Tennessee suppliers for goods drop shipped to out-of-state dealer's Tennessee customers. In 2023, the General Assembly adopted a majority of the Streamlined sourcing provisions that became effective on July 1, 2024.

The Streamlined conforming legislation enacted by the Tennessee General Assembly includes:

- adoption of uniform definitions, except the definition of bundled transaction, and repeal of the bundling provision in the sales price definition;
- registration of 93,000 farmers for an exemption to facilitate the repeal of a multiple state tax rate, a threshold, and a non-uniform state and local tax base;
- provisions for the central registration system;
- providing and maintaining a tax rate and jurisdiction boundary database;
- providing relief of liability for erroneous information on rates, boundaries, jurisdiction assignments, and the taxability matrix for sellers, purchasers, and CSPs;
- telecommunications sourcing with the exception of prepaid calling services;
- exemption administration, including drop shipments;
- use of the SER for any Streamlined participating taxpayer with no location in the state;

- uniform remittance procedures;
- uniform recovery of bad debts;
- uniform sales tax holiday definitions and procedures;
- uniform rounding rule;
- uniform customer refund procedures;
- uniform specified digital products provisions;
- providing amnesty pursuant to the SSUTA;
- providing state review and approval of certified automated systems;
- providing SST monetary allowances for CSPs and Model 2 sellers;
- repeal of the optional uniform local tax rate of 2.25%;
- adoption of Section 310.A. destination sourcing for sales of products into Tennessee, and for all sales through a marketplace facilitator's marketplace;
- adoption of Section 310.B. and C. sourcing for lease or rental of tangible personal property and motor vehicles, trailers, semi-trailers, or aircraft into Tennessee, including where the primary property location moves outside Tennessee;
- adoption of Section 310.D. definition and sourcing for transportation equipment;
- adoption of Section 311 sourcing definitions; and
- adoption of Section 313 direct mail sourcing definitions and sourcing advertising and promotional direct mail sales delivered into and outside Tennessee to direct mail recipients' locations.

Areas of non-compliance with the Agreement, include the following:

- Section 302 State and Local Tax Base – single article local tax limitation on tangible personal property, video programming services, interstate telecommunications sold to business, energy fuels that are not delivered by the seller, and effective February 1, 2025, certain items are exempt from the local transit surcharge in Davidson County and its municipalities;
- Section 305.A.-C. Local Rate and Boundary Changes – effective dates of local rate and boundary changes;
- Section 308 State and Local Tax Rates – video programming services, interstate telecommunications, intrastate telecommunications, tangible personal property sold to common carriers for export, specified digital products, additional state tax on single articles of tangible personal property, and effective October 1, 2024, a municipal government may have two local tax rates: one for food and food ingredients, which may not be less than the county rate, and one for all other products;
- Section 310.1 Election for Origin-Based Sourcing – sales, including lease or rental, of tangible personal property, taxable services, except services to tangible personal property or computer software where the serviced property or software is delivered outside Tennessee; and taxable digital goods from a Tennessee business location and delivered by the seller to the purchaser or to a carrier for delivery to a place in Tennessee is sourced to the seller's or lessor's Tennessee business location;
- Section 313 Direct Mail Sourcing – Streamlined Certificate of Exemption – "Direct Mail" "Reason for Exemption" is not available. Purchasers may not claim "direct mail" relieving the seller of all obligation to collect tax for direct mail sent to recipients in Tennessee. "Other direct mail" delivered to Tennessee is sourced to direct mail recipients' locations;

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- Section 313.1 Origin-Based Direct Mail Sourcing – direct mail sales from the seller’s Tennessee business location delivered to direct mail recipients in Tennessee are sourced to the seller’s Tennessee business location. Tennessee sellers may not elect to use Section 313 sourcing instead of origin sourcing;
- Section 314.C.3. Telecommunications Sourcing – sourcing for prepaid calling services;
- Section 318.A. & C. Uniform Tax Returns – one return per entity per reporting period per state, and the option to use the SER by taxpayers that have a location in this state;
- Section 323 Caps and Thresholds – video programming services, additional state rate on single articles of tangible personal property priced in excess of \$1,600 to \$3,200, single article local tax limitation on tangible personal property priced in excess of \$1,600; and
- Section 330.A. Bundled Transaction – adopt and use bundled transaction definition.

As part of the annual recertification, Tennessee updated its Online Certificate of Compliance and Taxability Matrix (Part 1 – Library of Definitions and Part 2 – Tax Administration Practices) that reflect Tennessee’s statutes as enacted through July 31, 2025, and has approved them to be published on the Streamlined Sales Tax Governing Board website beginning August 1, 2025. The documents will be available on Tennessee’s website at www.tn.gov/revenue.

If you have any questions regarding Tennessee’s recertification documents or compliance with the Streamlined Sales and Use Tax Agreement, please contact Michael Ward at Michael.Ward@tn.gov.

As chief executive of the Tennessee Department of Revenue, I certify that the Online Certificate of Compliance and Taxability Matrix (Part 1 – Library of Definitions and Part 2 – Tax Administration Practices) are true, correct, and complete to the best of my knowledge and belief.

Sincerely,

A handwritten signature in black ink that reads "David Gerregano". The signature is written in a cursive, flowing style.

David Gerregano

DG:MW