

**TENNESSEE DEPARTMENT OF REVENUE  
REVENUE RULING # 02-33**

**WARNING**

**Revenue rulings are not binding on the Department. This presentation of the ruling in a redacted form is information only. Rulings are made in response to particular facts presented and are not intended necessarily as statements of Departmental policy.**

**SUBJECT**

The application of the sales and use tax to goods shipped from Tennessee to destinations outside of Tennessee.

**SCOPE**

Revenue rulings are statements regarding the substantive application of law and statements of procedure that affect the rights and duties of taxpayers and other members of the public. Revenue rulings are advisory in nature and are not binding on the Department.

**FACTS**

The taxpayer is a [TYPE OF COMPANY] company that ships merchandise from its Tennessee facility to its customers located outside of Tennessee. The carriers are hired by the taxpayer to transport the goods to the customers outside of Tennessee. The terms of sale require the customer to reimburse the taxpayer for the freight charges. The terms and conditions of sale clearly state that title to all products sold to the customer passes from the taxpayer to the customer upon shipment from the taxpayer's facility in Tennessee. Any damage that occurs during shipping is covered by the product warranty provided by the taxpayer.

**QUESTION**

Are the sales subject to the sales tax?

**RULING**

Yes. The sales are subject to the sales tax.

## ANALYSIS

Tennessee taxes the sale of tangible personal property in this State. Tenn. Code Ann. § 67-6-202. "Sale' means any transfer of title or possession, or both, ... of tangible personal property for a consideration ... ." Tenn. Code Ann. § 67-6-102(25)(A). If either title to or possession of the tangible personal property passes in Tennessee for a consideration, the sale is subject to the sales tax. Eusco, Inc. v. Huddleston, 835 S.W.2d 576, 579 (Tenn. 1992). According to the facts provided by the taxpayer, the terms and conditions of sale clearly state that title to all products sold to the customer passes from the taxpayer to the customer upon shipment from the taxpayer's facility in Tennessee. Therefore, because title to the goods passes in Tennessee for a consideration, the sales are subject to the sales tax. Id.

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