

Sales and Use Taxability of Goods Transferred to a Carrier

Sales & Use tax notice

For tax purposes, Tennessee law provides that a sale occurs where title or possession of tangible personal property first passes to the buyer. Tenn. Code Ann. Section 67-6-102(25)(A).

Questions have arisen on the sales or use taxability of goods transferred to a carrier in Tennessee for shipment outside the state. This notice replaces the important notice issued December 1999 regarding this issue. The December 1999 notice is withdrawn.

If a seller located in Tennessee transfers goods in this state to a carrier for shipment to a buyer located outside Tennessee, the following guidelines apply:

1. The seller must collect Tennessee sales tax (unless an exemption applies) if:
 - a. The sales contract specifies that title to the goods passes in Tennessee to the out-of-state buyer;
 - b. The carrier is the buyer of the goods; **or**
 - c. The buyer has hired the carrier to pick up the goods in Tennessee.

2. The seller should not collect Tennessee sales tax if the seller hires the carrier to transport the

goods to the buyer outside Tennessee, even though the terms of sale require the buyer to reimburse the seller for freight charges or the buyer or a third party are to pay those freight charges upon the carrier's delivery of the goods.

If an out-of-state seller, who is registered for Tennessee sales and use tax, transfers goods outside this state to a carrier for shipment to Tennessee, the following guidelines apply:

1. If title to and possession of the goods pass to the buyer in Tennessee, the out-of-state seller must collect Tennessee sales tax unless an exemption from tax applies.

2. If title to or possession of the goods passes outside of Tennessee, but the seller has knowledge that the goods are being shipped to Tennessee, then that seller must collect Tennessee use tax from the buyer unless an exemption from tax applies.

Have questions or comments? Please let us know. [Contact us.](#)

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