



STATE OF TENNESSEE
DEPARTMENT OF REVENUE
LEGAL OFFICE
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6TH FLOOR ANDREW JACKSON BUILDING
NASHVILLE, TN 37242
(615) 741-2348

August 29, 2008

Mr. Scott Peterson
Executive Director
Streamlined Sales Tax Governing Board, Inc.
4205 Hillsboro Pike, Suite 305
Nashville, Tennessee 37215

Dear Mr. Peterson:

On August 17, 2007, Tennessee filed a petition for membership pursuant to Section 801 of the Streamlined Sales and Use Tax Agreement (SSUTA). In conjunction with the filing of its petition, Tennessee submitted a completed certificate of compliance and taxability matrix. As a result of the compliance review, Tennessee was approved as an associate member state pursuant to Section 801(C) of the SSUTA by a unanimous vote of Streamlined Sales Tax Governing Board. Pursuant to the associate membership requirements of Section 801(C), Tennessee is subject to the re-certificate requirements provided for in Section 803 of the SSUTA.

Tennessee has completed the 2008 certificate of compliance and taxability matrix which were submitted August 1, 2008. This letter is being provided to highlight the changes in Tennessee Sales and Use Tax statutes since the filing of the 2007 certificate of compliance and to assist with re-certification of Tennessee as an associate member state.

Amendments to the SSUTA that member states must comply with by January 1, 2009, were included in Tennessee's streamlined legislation adopted June 2007 and included in the certificate of compliance filed August 17, 2007. The 2008 re-certification documents incorporate the most recent changes to Tennessee's sales and use tax statutes that were included in Public Chapter 1106 (2008) signed into law by Governor Phil Bredesen June 5, 2008. Changes in Tennessee sales and use tax statutes that are included in this 2008 certificate of compliance include the following:

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- 1) adoption of the Streamlined definitions for specified digital product definitions;
- 2) adoption of language imposing tax on retail sales of specified digital products apart from statutes imposing tax on tangible personal property or computer software in accordance with Section 333 and incorporating the provisions of Section 332 of the SSUTA related to sales for resale (end user), permanent use, less than permanent use, and use conditioned on continued payment by a subscriber;
- 3) amending the definition of durable medical equipment to exclude repair and replacement parts that are for single patient use consistent with the new optional provision available in the Streamlined definition of durable medical equipment; and
- 4) accelerating the effective date for the repeal of a threshold exemption for the first \$150 of the sales price for annual club memberships to July 1, 2008.

In addition, as part of the statute changes for specified digital products, Tennessee statutes provide the tax applies to retail sales of specified digital products in this state, "indicated by the residential street address or the primary business street address of the subscriber or consumer" and local tax applies at a state-wide local tax rate of 2.5%. Pursuant to Public Chapter 602 Sections 173 and 174 (2007), Tennessee statute changes to adopt Streamlined uniform sourcing pursuant to Sections 309 and 310 of the SSUTA are scheduled to take effect July 1, 2009, and will apply to specified digital products effective July 1, 2009. The state-wide local tax rate of 2.5% on retail sales of specified digital products is a multiple local tax rate prohibited by the provisions of Section 308 and is repealed in conjunction with the repeal of other multiple state and local sales tax rates pursuant to Public Chapter 602 Section 164 (2007) that is effective July 1, 2009.

I hope this information is helpful as you proceed with the 2008 re-certification process. If you have additional questions, please do not hesitate to give me a call (615) 532-6021.

Sincerely,



Sherry Harrell
Revenue Policy Analyst
Tennessee Department of Revenue