

MOTOR VEHICLE SALES TO MEMBERS OF THE ARMED FORCES

Notice #07-07

Sales and Use Tax

December 2007



Highlights

➤ *Effective June 28, 2007*

➤ *Members of the armed forces stationed at Fort Campbell, Kentucky are considered stationed in Tennessee*

➤ *Leased or rented motor vehicles remain titled in the name of the lessor, therefore the exemption does not apply to leased or rented motor vehicles*

INTRODUCTION

This notice is intended to provide taxpayers and the general public with information concerning changes to the sales and use tax statutes regarding the application of sales and use tax to the purchase of motor vehicles by certain members of the armed forces.

Effective June 28, 2007, Chapter 602 of the Public Acts of 2007 amends Tenn. Code Ann. § 67-6-303 regarding the application of sales and use tax to the purchase of motor vehicles by certain members of the armed forces.

DISCUSSION

Purchasers who are Eligible for the Exemption

Tenn. Code Ann. § 67-6-303 exempts from sales and use tax the sale of motor vehicles to members of the armed forces who fall into any one of the following five categories:

1. Members of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard who are engaged in active, full-time military service and are stationed in Tennessee.
2. Members of the Tennessee National Guard who are engaged in active, full-time military service as participants in the Active Guard and Reserve Program (AGR) and are stationed in Tennessee. This category does not include any member who serves on a part-time basis or who is otherwise not a participant in the Active Guard and Reserve Program.
3. Reserve members of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard, who are engaged in active, full-time military service as participants in the Active Guard and Reserve Program (AGR) and are stationed in Tennessee. This category does not include any member who serves on a part-time basis or who is otherwise not a participant in the Active Guard and Reserve Program.
4. Members of the Tennessee National Guard who have been called into active military service of the United States and are stationed in a combat zone; provided that the exemption will commence from the effective date of official military orders assigning such individual to the combat zone and will expire ninety (90) days after the effective date of official military orders releasing him or her from the combat zone.

5. Reserve members of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard who have been called into active military service of the United States and are stationed in a combat zone; provided that the exemption will commence from the effective date of official military orders assigning such individual to the combat zone and will expire ninety (90) days after the effective date of official military orders releasing him or her from the combat zone.

Members of the armed forces stationed at Fort Campbell, Kentucky are considered stationed in Tennessee.

Qualify for Exemption

- *Automobiles*
- *Trucks*
- *Motorcycles*
- *ATVs*

Vehicles that Qualify for the Exemption

In order for a vehicle to qualify for the exemption, it must meet three requirements.

1. The vehicle must meet the definition of a "motor vehicle" under Tenn. Code Ann. § 55-1-103(3).
2. The vehicle must be registered in Tennessee pursuant to Tennessee Code Annotated, Title 55.
3. The vehicle must be both titled and registered in the name of the qualifying individual, either alone or jointly with a spouse or lineal relative.

Generally, automobiles, trucks, and motorcycles must be registered. Each of these vehicles meets the definition of "motor vehicle." As such, if they are properly titled and registered as otherwise set out in this notice, they can be purchased by eligible members of the armed forces without payment of sales or use tax.

"Off-highway motor vehicles," as defined under Tenn. Code Ann. § 55-3-101(c), can be purchased exempt from sales and use tax by eligible service members. These "off-highway motor vehicles" must be subject to the certificate of title and special identification device provisions of Title 55. Such vehicles are specifically limited to: all terrain vehicles (ATV's), dirt bikes, dune buggies, and similar vehicles.

"Mobile homes and house trailers" are specifically included in the definition of "motor vehicle" whether they are self-propelled or not. They may be purchased exempt from sales and use tax by an eligible service member if they are titled and registered as otherwise set out in this notice.

Do Not Qualify for Exemption

- *Leased vehicles*
- *Rented vehicles*
- *Trailers and semi-trailers*
- *Manufactured homes*

Vehicles that Do Not Qualify for the Exemption

Leased or rented motor vehicles remain titled in the name of the lessor, therefore, the exemption does not apply to leased or rented motor vehicles.

Certain vehicles are subject to registration in Tennessee but do not meet the definition of a "motor vehicle." Registered vehicles that do not meet the definition of a "motor vehicle" do not qualify for the exemption. Examples include trailers and semi-trailers.

Likewise, vehicles that meet the definition of a “motor vehicle” but are not registered under Title 55 do not qualify for the exemption. Examples include vehicles used exclusively for agricultural purposes, such as a farm tractor.

A “manufactured home” is a special type of mobile home or house trailer built on a permanent chassis that is at least eight feet wide and forty feet long when it is in its transport mode or is at least three hundred twenty square feet when it is erected. A manufactured home is not subject to the exemption because it is not registered under Title 55.

Documentation

- *Copy of orders*
- *Proof of status as active guard and reserve*

Documentation Required for the Exemption

In order to be eligible for the exemption, the purchaser must provide to the seller, or to the county clerk when applicable, a copy of the official orders indicating where the individual is stationed.

If the purchaser qualifies for the exemption because he or she is a participant in the Active Guard and Reserve Program (see categories 2 and 3 above), then the purchaser must also provide documentation of his or her status as a member of the Active Guard and Reserve Program.

Such orders and documentation must be retained in the seller’s files, and a copy must accompany the application for registration.



References:

- PC 602 (2007)*
- T.C.A. § 55-3-101(c)*
- T.C.A. § 55-3-103(3)*
- T.C.A. § 67-6-303*

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.