

TENNESSEE DEPARTMENT OF REVENUE
REVENUE RULING # 24-02

Revenue rulings are not binding on the Department. This ruling is based on the particular facts and circumstances presented, and is an interpretation of the law at a specific point in time. The law may have changed since this ruling was issued, possibly rendering it obsolete. The presentation of this ruling in a redacted form is provided solely for informational purposes, and is not intended as a statement of Departmental policy. Taxpayers should consult with a tax professional before relying on any aspect of this ruling.

SUBJECT

The application of Tennessee sales and use tax to window labels sold to auto dealers.

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 sells information labels to auto dealers. The label is placed in the car in one of the rear windows and shows various information, sometimes as required by law. The information includes the warranty, if any, fuel economy figures, and other information related to the vehicle.

The label is either sold with the car or removed by the dealer and discarded according to customer preference.

RULINGS

1. Is the Taxpayer's sale of the label to car dealers subject to Tennessee sales and use tax?

Ruling: No. The label is exempt.

ANALYSIS

Under the Retailer's Sales Tax Act,¹ the retail sale in Tennessee of tangible personal property is subject to sales and use tax, unless an exemption applies. TENN. CODE ANN. § 67-6-102(97)(A) (Supp. 2023) defines "tangible personal property" as property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. The label sold by the Taxpayer meets the definition of tangible personal property and will be subject to sales and use tax unless an exemption applies.

¹ Tennessee Retailer's Sales Tax Act, ch.3, §§ 1-18, 1947 Tenn. Pub. Act Ch. 22-54 (codified as amended at TENN. CODE ANN. §§ 67-6-101 to -907 (2022 and Supp. 2023).

Tenn. Code Ann. § 67-6-329(13) (Supp. 2023) provides an exemption from Tennessee sales and use tax for “[m]aterials, containers, labels, sacks, bags or bottles used for packaging tangible personal property when the property is either sold in the containers, sacks, bags or bottles directly to consumers, or when such use is incidental to the sale of the property for resale.”

The statute expressly exempts “labels” used for packaging. Merriam-Webster defines a “label” as “a slip (as of paper or cloth) inscribed and affixed to something for identification or description” or “written or printed matter accompanying an article to furnish identification or other information”.² The stickers at issue clearly meet this definition and are attached to tangible personal property sold to consumers. Under these facts, the absence of a container, bag, or sack does not defeat the exemption under TENN. CODE ANN. § 67-6-329(13). As such, the label is exempt from Tennessee sales and use tax.

APPROVED: David Gerregano
Commissioner of Revenue

DATE: March 20, 2024

² Merriam-Webster, Incorporated, *Label*, MERRIAM-WEBSTER.COM (2024), <https://www.merriamwebster.com/dictionary/label> (last visited March 18, 2024).