

Income/Franchise:

Tennessee: Updated Manual Reflects Ruling on Sourcing Sales of TPP Involving Distributors and Wholesalers

Franchise and Excise Tax Manual, Tenn. Dept. of Rev. (updated 12/24); *Tax Manual Updates*, Tenn. Dept. of Rev. (12/24). The Tennessee Department of Revenue (Department) updated its Tennessee franchise and excise tax manual to reflect a 2024 revenue ruling on whether (or not) certain receipts from the sale of tangible personal property to intermediaries (such as distributors or wholesalers) may be sourced to the ultimate end-users [see Revenue Ruling No. 24-06, Tenn. Dept. of Rev. (7/31/24) and *State Tax Matters*, Issue 2024-37, for more details on this ruling]. The Department generally explains that in cases where the intermediary is the “purchaser” of tangible personal property sold by a taxpayer, the taxpayer must source these sales to the location of the intermediary; and if the property is delivered or shipped to an intermediary located in Tennessee, then the sale is sourced to Tennessee. Under the 2024 revenue ruling, the Department explains that:

URL: https://www.tn.gov/content/dam/tn/revenue/documents/tax_manuals/december-2024/Franchise-Excise-Tax-Manual.pdf

URL: https://www.tn.gov/content/dam/tn/revenue/documents/tax_manuals/december-2024/Tax-Manual-Updates.pdf

URL: <https://www.tn.gov/content/dam/tn/revenue/documents/rulings/fae/24-06fe.pdf>

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240913_6.html

1. The taxpayer must source the sales to the location of the “wholesale distributors” to whom the taxpayer sells its products;
2. Sales and deliveries of the taxpayer’s products to wholesale distributors located in Tennessee are considered Tennessee sales; and
3. The subsequent sales from the wholesale distributors to retail customers and end-users are considered separate transactions that are not attributable to the taxpayer.

Please contact us with any questions.

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