

## Repossession Sales and Use Tax Credit

### Repossession Credit Eligibility Expanded

Effective July 1, 2023, Public Chapter 467 (2023) expands the eligibility of the repossession sales and use tax credit. To qualify for the expanded credit, the dealer must:

- Principally (50% or more) sell used automobiles;
- Collect a down payment averaging not more than 5% of the automobile's sales price;
- Assign 100% of its security instruments to an affiliated finance company that occupies the same physical headquarters location in Tennessee as the dealer;
- Advance from its own funds the sales tax amount on each purchase; and
- Reimburse the finance company for the sales tax the finance company is unable to collect from the purchaser.

The affiliated finance company must also have the right to repossess or enforce any lien against an automobile for which it financed.

### Definition of "Affiliate"

A finance company is an affiliate of the dealer if the finance company controls the dealer, the dealer controls the finance company, or they are under common control. "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

### Commissioner Approval

Before a dealer utilizes the repossession credit under this expanded criteria, the dealer must first obtain the Commissioner of Revenue's written approval that the dealer and the assignee finance company are affiliates and satisfy the requirements listed above.

### For More Information

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents. Additional information is also available in the Department's [Sales and Use Tax Manual](#).

### References

Tenn. Code Ann. §§ 67-6-507, 48-103-102, Pub. Ch. 467 (2023)