

**TENNESSEE DEPARTMENT OF REVENUE
LETTER RULING # 12-12**

WARNING

Letter rulings are binding on the Department only with respect to the individual taxpayer being addressed in the ruling. 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 the Tennessee sales and use tax to various transactions between a third party contractor and a manufacturer.

SCOPE

This letter ruling is an interpretation and application of the tax law as it relates to a specific set of existing facts furnished to the Department by the taxpayer. The rulings herein are binding upon the Department, and are applicable only to the individual taxpayer being addressed.

This letter ruling may be revoked or modified by the Commissioner at any time. Such revocation or modification shall be effective retroactively unless the following conditions are met, in which case the revocation shall be prospective only:

- (A) The taxpayer must not have misstated or omitted material facts involved in the transaction;
- (B) Facts that develop later must not be materially different from the facts upon which the ruling was based;
- (C) The applicable law must not have been changed or amended;
- (D) The ruling must have been issued originally with respect to a prospective or proposed transaction; and
- (E) The taxpayer directly involved must have acted in good faith in relying upon the ruling; and a retroactive revocation of the ruling must inure to the taxpayer's detriment.

FACTS

[TAXPAYER NAME] (the "Taxpayer") manufactures [PRODUCTS] that are sold to [PURCHASERS] for resale to consumers [REDACTED]. The Taxpayer manufactures [PRODUCTS] at its manufacturing facilities, including facilities in Tennessee, using labor provided by the Taxpayer's employees as well as third party contractors. [REDACTED].

Third party contractors provide the following to the Taxpayer, incidental to the manufacturing process: 1) the fabrication of portions of [PRODUCTS] as part of the manufacturing process; 2) the installation of parts on [PRODUCTS]; 3) production reworking, *i.e.*, reworking, cleaning, or repairing defective parts purchased by the Taxpayer from parts suppliers;¹ and 4) the repair and cleaning of inventories of direct materials, work in process, finished goods,² and [REDACTED] that are damaged during or subsequent to the manufacturing process and before delivery to [PURCHASERS].

[PRODUCTS] are sometimes damaged in the manufacturing process, or following the manufacturing process and before delivery of the product to the [PURCHASER]. Repairing those manufactured [PRODUCTS] during and after the manufacturing process is an essential step in the process of producing a finished product for sale.

RULINGS

1. Are charges made by third party contractors to the Taxpayer for the fabrication of tangible personal property, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, subject to the Tennessee sales and use tax?

Ruling: No. Charges made by third party contractors to the Taxpayer for the fabrication of tangible personal property, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, are exempt for purposes of the Tennessee sales and use tax as sales of industrial materials

2. Are charges made by third party contractors to the Taxpayer for the installation of tangible personal property, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, subject to the Tennessee sales and use tax?

Ruling: No. Charges made by third party contractors to the Taxpayer for the installation of tangible personal property, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, are exempt for purposes of the Tennessee sales and use tax as sales of industrial supplies used in the manufacture of tangible personal property for resale.

3. Are charges made by third party contractors for reworking parts purchased by the Taxpayer from parts suppliers, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, subject to the Tennessee sales and use tax?

¹ Production rework involves cleaning and/or repairing defective parts purchased by the Taxpayer so that the parts are suitable for installation as component parts of the [PRODUCTS] manufactured by the Taxpayer. [REDACTED].

² In the case of finished goods, the repair services are necessary to place the finished [PRODUCTS] in a condition so that they can be sold to [PURCHASERS] for subsequent resale to the [PURCHASERS'] customers.

Ruling: No. Charges made by third party contractors for reworking parts purchased by the Taxpayer from parts suppliers, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, are exempt for purposes of the Tennessee sales and use tax as sales of industrial supplies used in the manufacture of tangible personal property for resale.

4. Are charges made by third party contractors to the Taxpayer for repairing and cleaning inventories of direct materials, work in process, and finished goods, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, subject to the Tennessee sales and use tax?

Ruling: Charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property during the process of manufacturing [PRODUCTS] are exempt for purposes of the Tennessee sales and use tax as sales for resale.

The Taxpayer is the end user and consumer of repair services performed with respect to its finished goods inventory. Charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property after completion of the manufacturing process are therefore subject to the sales and use tax.

ANALYSIS

Retail sales of tangible personal property and specifically enumerated services in Tennessee are subject to the sales and use tax under the Retailers' Sales Tax Act, TENN. CODE ANN. §§ 67-6-101 to -907 (2011), unless an exemption from taxation applies.

1. Charges for the fabrication of tangible personal property

Charges made by third party contractors to the Taxpayer for the fabrication of tangible personal property, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, are exempt for purposes of the Tennessee sales and use tax as sales of industrial materials.

The Taxpayer has indicated that third party contractors fabricate tangible personal property for it as part of the manufacturing process.

Retail sales in Tennessee of tangible personal property are subject to the sales and use tax under TENN. CODE ANN. § 67-6-202(a) (2011), unless an exemption from taxation applies.³ In the Taxpayer's case, charges for the fabrication of tangible personal property are exempt for purposes of the Tennessee sales and use tax as sales of industrial materials.

TENN. CODE ANN. § 67-6-329(a)(12) (2011) exempts from the Tennessee sales and use tax "industrial materials ... for future processing, manufacture or conversion into articles of tangible personal property for resale where the industrial materials ... become a component part of the finished product or are used directly in fabricating, dislodging, or sizing." TENN. COMP. R. &

³ [REDACTED].

REGS. 1320-5-1-.40(1) (1974) (“Rule 40(1)”) explains that “[m]aterials and taxable services bought for future processing, manufacturing or conversion into articles of tangible personal property for resale, where such materials become a component part of the finished products,” are not subject to the sales and use tax. Note that 2010 Tenn. Pub. Acts, Chapter 1134, § 1 (effective July 1, 2010) amended the definition of “resale” to exclude certain transactions from the scope of the definition of “sale for resale.” However, this amendment has no effect on the exemption for industrial materials under TENN. CODE ANN. § 67-6-329(a)(12).

In the Taxpayer’s case, the fabricated item of tangible personal property is an industrial material. The Taxpayer purchases the fabricated item for the manufacture of, or conversion into, articles of tangible personal property for resale. Additionally, the fabricated item becomes a component part of the Taxpayer’s finished products, *i.e.*, its [PRODUCTS]. Accordingly, charges for the fabrication of tangible personal property are exempt for purposes of the Tennessee sales and use tax under TENN. CODE ANN. § 67-6-329(a)(12) as sales of industrial materials.

2. Charges for the installation of tangible personal property

Charges made by third party contractors to the Taxpayer for the installation of tangible personal property, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, are exempt for purposes of the Tennessee sales and use tax as sales of industrial supplies used in the manufacture of tangible personal property for resale.

As explained above, retail sales of specifically enumerated services in Tennessee are subject to the sales and use tax. TENN. CODE ANN. § 67-6-205(c)(6) (2011) imposes the sales tax on the “installing of tangible personal property that remains tangible personal property after installation and the installing of computer software, where a charge is made for the installation, whether or not the installation is made as an incident to the sale of tangible personal property or computer software, and whether or not any tangible personal property or computer software is transferred in conjunction with the installation service.”

Thus, charges for the installation of tangible personal property that remains tangible personal property after installation are subject to taxation. Here, the third party contractor charges the Taxpayer for the installation of tangible personal property that remains tangible personal property after installation. Therefore, the transaction will be subject to taxation unless an exemption applies. In the Taxpayer’s case, charges for such installation are exempt for purposes of the Tennessee sales and use tax because such services are bought for future processing, manufacturing or conversion into articles of tangible personal property for resale, and become a component part of the finished products.

TENN. CODE ANN. § 67-6-102(78) (2011) defines a “retail sale” as any “sale, lease, or rental for any purpose *other than for resale*, sublease, or subrent.” (Emphasis added.) Sales for resale are therefore exempt for purposes of the Tennessee sales and use tax.⁴ TENN. CODE ANN. § 67-6-

⁴ The phrase “for any purpose other than for resale” has been construed as an exemption that excludes sales for resale from taxation. *See Walker’s, Inc. v. Farr*, 2010 WL 3488631, 3 (Tenn. Ct. App. 2010) (citing *Nashville Clubhouse Inn v. Johnson*, 27 S.W.3d 542, 544 (Tenn. Ct. App. 2000) and *Colemill Enters., Inc. v. Huddleston*, 967 S.W.2d 753, 756 (Tenn. 1998)). Note that TENN. CODE ANN. § 67-6-102(77) requires that all sales for resale be in

102(77)(A) provides that the term “resale” means “a subsequent, bona fide sale of the property, services, or taxable item by the purchaser.” A “sale for resale” is defined under TENN. CODE ANN. § 67-6-102(77)(A) as “the sale of the property, services, or taxable item intended for subsequent resale by the purchaser.” TENN. COMP. R. & REGS. 1320-5-1-.62 (1974) (“Rule 62”) explains that “sales for resale” include “those whereby a supplier of materials, supplies, equipment and services makes such tangible personal property or services available to legitimate dealers actually selling such property or services as such, *or which becomes an industrial material or supply in a manufacturing or processing operation.*” (Emphasis added.) In other words, a sale for resale may include a service that becomes a supply in the manufacture, processing, or fabrication of tangible personal property.

In particular, a sale for resale may include a service that will be used in the processing or manufacture of tangible personal property for resale. TENN. CODE ANN. § 67-6-329(a)(12) exempts “[i]ndustrial materials and explosives for future processing, manufacture or conversion into articles of tangible personal property for resale where the industrial materials and explosives become a component part of the finished product or are used directly in fabricating, dislodging, or sizing.” Rule 40(1) explains this exemption, stating that “[m]aterials *and taxable services* bought for future *processing, manufacturing or conversion* into articles of tangible personal property *for resale*, where such materials become a component part of the finished products are not subject to Sales or Use Tax.” (Emphasis added.) Note that 2010 Tenn. Pub. Acts, Chapter 1134, § 1 (effective July 1, 2010) amended the definition of “resale” to exclude certain transactions from the scope of the definition of “sale for resale.” However, this amendment has no effect on the exemption for industrial materials under TENN. CODE ANN. § 67-6-329(a)(12).

Thus, for a particular transaction to qualify as a sale for resale, the third party contractor must be a supplier of materials, supplies, equipment, or services. Additionally, one of the following requirements must also be met: either 1) the Taxpayer must be a legitimate dealer actually selling the installation services it purchases from the third party contractor as such; or 2) the installation services sold to the Taxpayer must become a supply that will be used in the processing or manufacture of tangible personal property for resale.

In the Taxpayer’s case, the third party contractor installs tangible personal property, and is thus properly characterized as a supplier of services. Such installation services are used by the Taxpayer incidental to its manufacturing process; therefore, the installation services sold by the third party contractor become a supply that will be used in the processing or manufacture of tangible personal property for resale.

Accordingly, charges for such installation of tangible personal property are exempt for purposes of the Tennessee sales and use tax as sales of industrial supplies used in the manufacture of tangible personal property for resale.

strict compliance with the rules and regulations promulgated by the Commissioner of Revenue. A dealer must obtain a resale certificate from the purchaser in order to make an exempt sale for resale of tangible personal property or services in Tennessee. *See* TENN. COMP. R. & REGS. 1320-5-1-.68(1) (2008). Alternatively, the purchaser may present a Streamlined Sales and Use Tax Certificate of Exemption or a Tennessee Sales and Use Tax Blanket Certificate of Resale in lieu of a certificate of resale.

3. Charges for reworking parts purchased from parts suppliers

Charges made by third party contractors for reworking parts purchased by the Taxpayer from parts suppliers, incidental to the process of manufacturing [PRODUCTS] by or at the direction of the Taxpayer for sale to customers in the ordinary course of business, are exempt for purposes of the Tennessee sales and use tax as sales of industrial supplies used in the manufacture of tangible personal property for resale.

As noted above, retail sales in Tennessee of specifically enumerated services are subject to the sales and use tax. Such taxable services include the repair of certain tangible personal property. Specifically, TENN. CODE ANN. § 67-6-205(c)(4) imposes the sales tax on the “performing, for a consideration, of any repair services to any kind of tangible personal property or computer software.” TENN. COMP. R. & REGS. 1320-5-1-.54 (2000) (“Rule 54”) further explains and clarifies this provision. In particular, Rule 54(2) provides that the terms “repair services” and “repairs” of tangible personal property include the following, when provided to a user and consumer: mending, correction, or adjustment made for any defect or defective portion; refinishing; and any cleaning that is a necessary part of any repair work.

The Taxpayer has indicated that production rework involves reworking, cleaning, and repairing defective parts purchased by the Taxpayer so that the parts are suitable for installation as component parts of the [PRODUCTS] manufactured by the Taxpayer. Such parts are received in a defective state by the Taxpayer from the supplier and must be reworked in order to be used in the manufacturing process.

The production rework services are properly characterized as a repair service, because such services include the mending, correction, or adjustment of defective parts; the refinishing of such defective parts; and/or cleaning that is a necessary part of the reworking. The Taxpayer is the user of such services. Therefore, the transaction will be subject to taxation unless an exemption applies.

In the Taxpayer’s case, charges for the production reworking services are exempt for purposes of the Tennessee sales and use tax because such services are bought for future processing, manufacturing or conversion into articles of tangible personal property for resale.

TENN. CODE ANN. § 67-6-102(78) defines a “retail sale” as any “sale, lease, or rental for any purpose *other than for resale*, sublease, or subrent.” (Emphasis added.) Sales for resale are therefore exempt for purposes of the Tennessee sales and use tax. TENN. CODE ANN. § 67-6-102(77)(A) provides that the term “resale” means “a subsequent, bona fide sale of the property, services, or taxable item by the purchaser.” A “sale for resale” is defined under TENN. CODE ANN. § 67-6-102(77)(A) as “the sale of the property, services, or taxable item intended for subsequent resale by the purchaser.” Rule 62 explains that “sales for resale” include “those whereby a supplier of materials, supplies, equipment and services makes such tangible personal property or services available to legitimate dealers actually selling such property or services as such, *or which becomes an industrial material or supply in a manufacturing or processing operation.*” (Emphasis added.) In other words, a sale for resale may include a service that becomes a supply in the manufacture, processing, or fabrication of tangible personal property.

In particular, a sale for resale may include a service that will be used in the processing or manufacture of tangible personal property for resale. TENN. CODE ANN. § 67-6-329(a)(12) exempts “[i]ndustrial materials and explosives for future processing, manufacture or conversion into articles of tangible personal property for resale where the industrial materials and explosives become a component part of the finished product or are used directly in fabricating, dislodging, or sizing.” Rule 40(1) explains this exemption, stating that “[m]aterials *and taxable services* bought for future *processing, manufacturing or conversion* into articles of tangible personal property *properly for resale*, where such materials become a component part of the finished products are not subject to Sales or Use Tax.” (Emphasis added.) Note that 2010 Tenn. Pub. Acts, Chapter 1134, § 1 (effective July 1, 2010) amended the definition of “resale” to exclude certain transactions from the scope of the definition of “sale for resale.” However, this amendment has no effect on the exemption for industrial materials under TENN. CODE ANN. § 67-6-329(a)(12).

Thus, for a particular transaction to qualify as a sale for resale, the third party contractor must be a supplier of materials, supplies, equipment, or services. Additionally, one of the following requirements must also be met: either 1) the Taxpayer must be a legitimate dealer actually selling the repair services it purchases from the third party contractor as such; or 2) the repair services sold to the Taxpayer must become a supply that will be used in the processing or manufacture of tangible personal property for resale.

In the Taxpayer’s case, the third party contractor repairs tangible personal property, and is thus properly characterized as a supplier of services. Such repair services are used by the Taxpayer incidental to its manufacturing process; therefore, the repair services sold by the third party contractor become a supply that will be used in the processing or manufacture of tangible personal property for resale.

Accordingly, charges for such repairs of tangible personal property are exempt for purposes of the Tennessee sales and use tax as sales of industrial supplies used in the manufacture of tangible personal property for resale.

4. Charges for repair and cleaning of direct materials, work in process and finished goods

Charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property during the process of manufacturing [PRODUCTS] are exempt for purposes of the Tennessee sales and use tax as sales for resale. Charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property after completion of the manufacturing process are subject to the sales and use tax.

As noted above, retail sales of specifically enumerated services in Tennessee are subject to the sales and use tax. Such taxable services include the repair or cleaning of certain tangible personal property.

Specifically, charges for the repair and/or cleaning of tangible personal property are subject to the Tennessee sales tax, unless an exemption applies. TENN. CODE ANN. § 67-6-205(c)(4) imposes the sales tax on the “performing, for a consideration, of any repair services to any kind of tangible personal property or computer software.” Rule 54(2) explains that the terms “repair services” and “repairs” of tangible personal property include the following, when provided to a

user and consumer: mending, correction, or adjustment made for any defect or defective portion; refinishing; and any cleaning that is a necessary part of any repair work. Additionally, TENN. CODE ANN. § 67-6-205(c)(5) imposes the sales tax on the “laundering or dry cleaning of any kind of tangible personal property, excluding coin-operated laundry, dry cleaning or car wash facilities, where a charge is made for the laundering or dry cleaning.” TENN. COMP. R. & REGS. 1320-5-1-.53(1) (1974) (“Rule 53(1)”) explains this provision, stating that the “washing, drying, or cleaning of any kind of tangible personal property ... and repair or alteration of any tangible personal property, for use and consumption” is subject to the sales tax.

The Taxpayer has indicated that the services at issue involve the repair and/or cleaning of inventories of direct materials, work in process, finished goods, and [REDACTED] that are damaged during or subsequent to the manufacturing process and before delivery to [PURCHASERS]. In the case of finished goods, the services are necessary to place the finished [PRODUCTS] in a condition so that they can be sold to [PURCHASERS] for subsequent resale to the [PURCHASERS'] customers.

The services at issue are properly characterized as a repair service and/or a cleaning service, because such services include the mending, correction, or adjustment of defective parts; the refinishing of such defective parts; cleaning that is a necessary part of the repair work; and/or cleaning that is not performed in conjunction with a repair. Therefore, the sale of such a service will be subject to taxation, unless an exemption applies.

Repair or cleaning of items during the manufacturing process

Charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property during the process of manufacturing [PRODUCTS] are exempt for purposes of the Tennessee sales and use tax as sales for resale.

TENN. CODE ANN. § 67-6-102(78) defines a “retail sale” as any “sale, lease, or rental for any purpose *other than for resale*, sublease, or subrent.” (Emphasis added.) Sales for resale are therefore exempt for purposes of the Tennessee sales and use tax. TENN. CODE ANN. § 67-6-102(77)(A) provides that the term “resale” means “a subsequent, bona fide sale of the property, services, or taxable item by the purchaser.” A “sale for resale” is defined under TENN. CODE ANN. § 67-6-102(77)(A) as “the sale of the property, services, or taxable item intended for subsequent resale by the purchaser.” Rule 62 explains that “sales for resale” include “those whereby a supplier of materials, supplies, equipment and services makes such tangible personal property or services available to legitimate dealers actually selling such property or services as such, *or which becomes an industrial material or supply in a manufacturing or processing operation.*” (Emphasis added.)

Accordingly, a sale for resale may include a service that becomes a supply in the manufacture, processing, or fabrication of tangible personal property. In particular, a sale for resale may include a service that will be used in the processing or manufacture of tangible personal property for resale. TENN. CODE ANN. § 67-6-329(a)(12) exempts “[i]ndustrial materials and explosives for future processing, manufacture or conversion into articles of tangible personal property for resale where the industrial materials and explosives become a component part of the finished product or are used directly in fabricating, dislodging, or sizing.” Rule 40(1) explains this

exemption, stating that “[m]aterials *and taxable services* bought for future *processing, manufacturing or conversion* into articles of tangible personal property *properly for resale*, where such materials become a component part of the finished products are not subject to Sales or Use Tax.” (Emphasis added.) Note that 2010 Tenn. Pub. Acts, Chapter 1134, § 1 (effective July 1, 2010) amended the definition of “resale” to exclude certain transactions from the scope of the definition of “sale for resale.” However, this amendment has no effect on the exemption for industrial materials under TENN. CODE ANN. § 67-6-329(a)(12).

Thus, for a particular transaction to qualify as a sale for resale, the third party contractor must be a supplier of materials, supplies, equipment, or services. Additionally, one of the following requirements must also be met: either 1) the Taxpayer must be a legitimate dealer actually selling the repair or cleaning services it purchases from the third party contractor as such; or 2) the repair or cleaning services sold to the Taxpayer must become a supply that will be used in the processing or manufacture of tangible personal property for resale.

In the Taxpayer’s case, the third party contractor repairs or cleans tangible personal property, and is thus properly characterized as a supplier of services. When such repair or cleaning services are used by the Taxpayer incidental to its manufacturing process, the services sold by the third party contractor become a supply that will be used in the processing or manufacture of tangible personal property for resale.

Accordingly, charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property during the process of manufacturing [PRODUCTS] are exempt for purposes of the Tennessee sales and use tax as sales for resale.

Repair or cleaning of items subsequent to the manufacturing process

The Taxpayer is the end user and consumer of repair services performed with respect to its finished goods inventory. Charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property after completion of the manufacturing process are therefore subject to the sales and use tax.

As discussed above, for a particular transaction to qualify as a sale for resale, the third party contractor must be a supplier of materials, supplies, equipment, or services. Additionally, one of the following requirements must also be met: either 1) the Taxpayer must be a legitimate dealer actually selling the repair or cleaning services it purchases from the third party contractor as such; or 2) the repair or cleaning services sold to the Taxpayer must become a supply that will be used in the processing or manufacture of tangible personal property for resale.

TENN. CODE ANN. § 67-6-102(77)(B)(ii), however, limits the term “sale for resale” by providing that a sale for resale “does not include a sale of services to a dealer for use in the business of selling, leasing, or renting tangible personal property or computer software.” Services “used in the business” of selling tangible personal property “include, but are not limited to, services such as *cleaning, maintaining, or repairing property that is held as inventory for sale, lease, or rental.*” *Id.* (Emphasis added.) Thus, the purchase of cleaning or repair services for use with respect to inventory generally does not qualify as a sale for resale.

TENN. CODE ANN. § 67-6-102(77)(B)(ii) does not supersede the separate and specific exemption for industrial materials and supplies set forth in TENN. CODE ANN. § 67-6-329(a)(12), Rule 40(1), and Rule 62 as explained above. It does, however, clarify that the repair of inventory held for sale, lease or rental does not constitute the sale of repair services for resale “as such” for purposes of Rule 62.

In the Taxpayer’s case, the third party contractor repairs or cleans tangible personal property, and is thus properly characterized as a supplier of services. However, the Taxpayer is the end user and consumer of repair services performed with respect to its finished goods inventory. TENN. CODE ANN. § 67-6-102(77)(B)(ii). Thus, when such repair or cleaning services are used by the Taxpayer *after completion* of the manufacturing process, the services sold by the third party contractor do not become a supply that will be used in the processing or manufacture of tangible personal property for resale. Nor are the repair or cleaning services resold by the Taxpayer “as such” for purposes of TENN. CODE ANN. § 67-6-102(77) and Rule 62, because the Taxpayer does not sell repair services.

As a result, charges made by third party contractors to the Taxpayer for repairing or cleaning items of tangible personal property after completion of the manufacturing process are subject to the sales and use tax.

Kristin Husat
General Counsel

APPROVED: Richard H. Roberts
Commissioner of Revenue

DATE: July 24, 2012