

CASKETS AND BURIAL VAULTS

Notice #07-16

Sales and Use Tax

December 2007



Highlights

- *\$500 exemption repealed for caskets, burial vaults & cremation urns.*

- *Treatment of other sales:*

Taxable – flowers, clothing & stationary

Nontaxable – Embalming, hearse service & limousine service

- *Treatment of pre-need funeral contracts sold prior to 1/1/2008.*

References:

PC 602 § 93 (2007)

INTRODUCTION

This notice is intended to provide taxpayers and the general public with information concerning Public Chapter 602, Acts of 2007, which makes substantial changes to Tennessee sales and use tax statutes in order to comply with the Streamlined Sales and Use Tax Agreement.

Effective January 1, 2008, the entire sales price of caskets, burial vaults, and cremation urns will be subject to sales and use tax.

DISCUSSION

Tenn. Code Ann. § 67-6-329(a)(11) previously provided an exemption from sales and use tax on the first \$500 of the sales price of caskets, burial vaults, and cremation urns. This exemption has been repealed effective January 1, 2008. This statutory change supersedes Tennessee Sales and Use Tax Rule 1320-5-1-.61(1) related to the \$500 exemption.

Undertakers and funeral home operators must charge sales and use tax on the total sales price of caskets, burial vaults, and cremation urns. Sales by undertakers and funeral home operators of other tangible personal property that are itemized on an invoice given to the customer continue to be subject to sales and use tax. Examples of other sales of tangible personal property that are subject to sales and use tax include:

- Flowers
- Clothing
- Stationery

Sales of otherwise nontaxable services that are separately itemized on an invoice given to the customer are not subject to sales tax. Examples of such nontaxable services include:

- Embalming
- Hearse service
- Limousine service

For pre-need funeral contracts sold prior to January 1, 2008:

- If the purchaser elected to pay sales tax at the time the services and merchandise under the contract are delivered, tax should be collected on the entire sales price of the casket, burial vault, or cremation urn.
- If the purchaser elected to pay sales tax at the time of contracting for the services and merchandise, no additional tax is due on the first \$500 of the sales price of the casket, burial vault, or cremation urn.

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.