

Single Member LLCs and Exemption Certificates

Notice #14-04

Sales and Use Tax

May 2014



➤ *A federally disregarded SMLLC whose sole owner has received a determination of exemption from the IRS may also apply for an exemption from Tennessee sales and use tax.*

INTRODUCTION

This notice gives guidance about applying for a sales and use tax exemption for a federally disregarded single member limited liability company ("SMLLC") whose sole owner has received a determination of exemption from the Internal Revenue Service ("IRS") under I.R.C. § 501(a).

DISCUSSION

State law (Tenn. Code Ann. § 67-6-322(b)) allows certain organizations that are exempt from federal income tax also to be exempt from paying Tennessee sales and use tax. These organizations must have received determinations of exemption from the IRS.

In [Announcement 99-102, 1999-43 I.R.B. 545](#), the IRS has said that when the sole owner of a federally disregarded SMLLC is exempt from federal income tax, the disregarded SMLLC receives the benefit of the owner's tax-exempt status. The IRS will issue a determination of exemption to the tax-exempt owner. It will not issue a separate determination of exemption to the SMLLC.

A federally disregarded SMLLC whose sole owner is a tax-exempt organization under Tenn. Code Ann. § 67-6-322(b) may apply for a Tennessee sales and use tax exemption certificate by completing the [Application for Registration for Sales and Use Tax Exempt Entities or State and Federally Chartered Credit Unions](#). Because the federally disregarded SMLLC will not have a separate determination of exemption from the IRS, the SMLLC should provide the Department of Revenue with the following documents:

- The SMLLC's organizational documents (articles of organization, operating agreement or their equivalents) showing that it is wholly owned by a tax-exempt entity;
- The IRS determination of exemption for the SMLLC's sole owner; and
- A copy of the owner's most recent federal annual information return (e.g., Federal Form 990), which includes financial and operational information of the federally disregarded SMLLC.

The Department will contact the taxpayer if any additional information is needed to process the application.

A graphic showing a stack of papers, next to the word "References:" in blue text.**References:**

T.C.A. § 67-6-322
I.R.C. § 501

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.