



Tenn. Code Ann. § 67-6-206 provides a sales and use tax exemption for the purchase of machinery, apparatus, and equipment with all associated parts, appurtenances, and accessories, including hydraulic fluids, lubricating oils, and greases necessary for operation and maintenance, repair parts, and any necessary repair or taxable installation labor therefor, that is necessary to, and primarily for, the purpose of research and development.

Additionally, sales and use tax rule TENN. COMP. R. & REGS. 1320-5-01-.128 requires that the ultimate goal of such qualifying research and development must be one of the following:

- i. basic research in a scientific field of endeavor;
- ii. advancing knowledge or technology in a scientific or technical field of endeavor;
- iii. the development of a new product, whether or not the new product is offered for sale;
- iv. the improvement of an existing product, whether or not the improved product is offered for sale;
- v. the development of new uses of an existing product, whether or not a new use is offered as a rationale to purchase the product; or
- vi. the design and development of prototypes, whether or not a resulting product is offered for sale.

Research and development does not include ordinary testing or inspection of materials or products used for quality control (other than that occurring during the activities listed above), market research, efficiency surveys, consumer surveys, advertising and promotions, management studies, or research in connection with literary, historical, social science, psychological, or other similar nontechnical activities.

Taxpayers wishing to make tax exempt purchases of research and development machinery must obtain the Research and Development Sales and Use Tax Exemption Certificate prior to making purchases without the payment of tax.

Applicants must complete this form in its entirety and include all requested information, if applicable. The applicant should mail the completed application to the Department of Revenue at the above address. If the application is approved, the taxpayer will be issued the Research and Development Sales and Use Tax Exemption Certificate.

Taxpayers that receive the exemption certificate must provide their vendors with a copy of the certificate or a fully completed Streamlined Sales Tax Certificate of exemption, which must include the Research and Development Exemption Number included on the certificate. A taxpayer that has been issued this certificate and also a Tennessee Direct Pay Permit by the Commissioner may provide its vendors with a copy of its Tennessee Direct Pay Permit in lieu of providing a copy of its Research and Development Sales and Use Tax Exemption Certificate.

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**Instructions:**

- 1) - 4) Business information.
- 5) Indicate whether the taxpayer has applied for a Federal Research and Development Credit. If so, attach a copy of the Federal Form 6765 or pro forma form 6765, whichever is applicable.
- 6) Indicate whether the Department of Revenue has issued the taxpayer an Industrial Machinery Exemption Certificate, and if so, include the Industrial Machinery Exemption number from the certificate.
- 7) Indicate whether the taxpayer provides contract research and development services to non-affiliated customers, and if so, include a description of those services.
- 8) In order to qualify for the exemption, the taxpayer must have at least one of the listed items as its ultimate goal. Check whichever box(es) apply. You may check more than one box.
- 9) Include with this application a description of the research and development that is conducted at the listed facility and a description of the machinery and equipment necessary to and primarily for the research and development conducted at the facility.