



PHIL BREDESEN
Governor

STATE OF TENNESSEE
DEPARTMENT OF REVENUE
ANDREW JACKSON STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37242

REAGAN FARR
Commissioner

July 31, 2010

Mr. Scott Peterson
Executive Director
Streamlined Sales Tax Governing Board, Inc.
4205 Hillsboro Pike, Suite 305
Nashville, Tennessee 37215

Dear Mr. Peterson:

As an associate member state pursuant Section 801.3.B., Tennessee is submitting the 2010 certificate of compliance and taxability matrix in accordance with Section 801.3.G. of the SSUTA. This letter is submitted to highlight the changes in Tennessee Sales and Use Tax statutes involving areas of compliance and noncompliance with the SSUTA.

In 2007 and 2008 the General Assembly approved numerous Streamlined changes to Tennessee's sales and use tax statutes that became effective January 1, 2008 and July 1, 2008. In 2009 the General Assembly adopted Streamlined definition for computer software maintenance contract. Through 2010, the General Assembly made no changes to Tennessee's Streamlined conforming legislation that became effective in 2008 and 2009. Such Streamlined conforming legislation includes:

- adoption of uniform definitions except the definition of bundled transaction and repeal of the bundling provision in the sales price definition;
- registration of 93,000 farmers for exemption to facilitate repeal of a multiple state tax rate, a threshold, and a non-uniform state and local tax base;
- provisions for the central registration system;
- providing and maintaining tax rate and jurisdiction boundary data base;
- providing relief of liability for erroneous information on rates, boundaries, jurisdiction assignments and the taxability matrix for sellers, purchasers, and CSPs;
- telecommunications sourcing with the exception of prepaid calling services;
- exemption administration except for drop shipments;
- use of the SER for any taxpayer with no location in the state;
- uniform remittance procedures;
- uniform recovery of bad debts;
- uniform sales tax holiday definitions and procedures;
- uniform rounding rule;
- uniform customer refund procedures;

Mr. Scott Peterson
July 31, 2010
Page 2

- uniform specified digital products provisions;
- providing amnesty pursuant to the SSUTA;
- providing state review and approval of certified automated systems; and
- providing SSUTA monetary allowances.

In 2009 the General Assembly adopted legislation that changed Tennessee's future effective date for the balance of the Streamlined law changes to bring Tennessee into compliance with the SSUTA from July 1, 2009 to July 1, 2011.

In 2010 the General Assembly made no changes in the following Streamlined conforming legislation scheduled to take effect July 1, 2011:

- Section 302 State and Local Tax Base – single article local tax limitation on tangible personal property, video programming services, interstate telecommunications sold to business, energy fuels, aviation fuel;
- Section 305A-C Local Rate and Boundary Changes – effective dates of local rate and boundary changes;
- Section 308 State and Local Tax Rates – video programming services, interstate telecommunications, intrastate telecommunications, manufacturer's energy fuels and water, aviation fuel, tangible personal property sold to common carriers for export, specified digital products, additional state tax on single articles of tangible personal property;
- Section 310 General Sourcing;
- Section 311 General Sourcing Definitions;
- Section 313 Direct Mail Sourcing;
- Section 314C(3) Telecommunications Sourcing – sourcing for prepaid calling services;
- Section 317A(8) Exemption Administration – drop shipment;
- Section 318A & C Uniform Tax Returns – one return per entity per reporting period per state and use of the SER by Model 1 & 2 sellers with location in the state;
- Section 323 Caps and Thresholds – video programming services, additional state tax rate on single articles of tangible personal property priced in excess of \$1600 to \$3200, single article local tax limitation on tangible personal property priced in excess of \$1600; and
- Section 330A Bundled Transaction – adoption and use of bundled transaction definition.

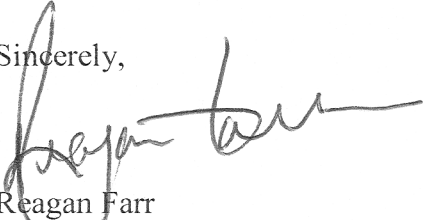
It is expected the General Assembly will consider adoption of the following provisions prior to the July 1, 2011 effective date of final Streamlined law changes to bring Tennessee into compliance with the SSUTA:

- Section 310.1 Origin-based Sourcing;
- Section 313.1 Origin-based Direct Mail Sourcing;
- 2009 amendments to Section 313 Direct Mail Sourcing; and
- 2009 amendments to Section 318 Uniform Tax Returns.

Mr. Scott Peterson
July 31, 2010
Page 3

The 2010 Certificate of Compliance and Taxability Matrix are enclosed. The documents will be available on Tennessee's website at www.Tennessee.gov/revenue. If you have additional questions, please contact Sherry Harrell, Senior Policy Analyst at (615) 532-6021 or Sherry.Harrell@tn.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Reagan Farr", written in a cursive style.

Reagan Farr
Commissioner

RF:sh