STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37219

NED McWHERTER
GOVERNOR

ELAINE A. McREYNOLDS
COMMISSIONER

B U L L E T I N

TO: All Property and Casualty Insurers Doing Business in Tennessee

FR: Elaine A. McReynolds, Commissioner
Department of Commerce and Insurance EAM

RE: Payment of Sales Tax - Total Losses

DA: September 1, 1989

It has been brought to the Department's attention that some insurers refuse to pay sales tax on the settlement of automobile total losses. The number of complaints indicates a trend toward nonpayment of sales tax on claims. A survey of other states indicates that the vast majority of states require payment of sales tax on total losses. Furthermore, insurers include sales tax in their payment of homeowners losses, and in the payment of partial losses on personal automobile claims.

It is the Department's position that the amount of sales tax payable on the value of the damaged automobile at the time of loss is owed on all losses. This amount should be included in all settlements and should not be used as a bargaining chip in negotiating a settlement or only in those cases where the insured or claimant makes demand for payment of sales tax.

This requirement does not apply to coverage of leased vehicles.

Failure to follow these procedures will be considered an unfair trade practice.

EAM/cmf