

Sales and Use Tax Exemption for State and Federally Chartered Credit Unions

Sales &
Use tax
notice
#07-09

This notice is to provide clarification regarding the sales and use tax exemption applicable to purchases made by state and federally chartered credit unions.

The Exemption

Purchases of tangible personal property and services by federally organized credit unions and Tennessee state chartered credit unions are exempt from Tennessee sales and use tax. The exemption is not available to credit unions chartered in other states.

Federal Credit Unions –

Section 122 of the Federal Credit Union Act, 12 U.S.C. 1768, exempts federally organized credit unions from taxation by the United States or by any state or local taxing authority (except for local real or personal property tax). Accordingly, purchases of tangible personal property and services by federal credit unions are exempt from Tennessee sales and use tax.

Tennessee Credit Unions –

Tenn. Code Ann. § 45-4-803 provides that no tax imposed by Tennessee (except for property taxes and credit union fees) shall be levied upon any credit union chartered under the laws of the State of Tennessee, until the same tax may be legally levied upon federally organized credit unions. Accordingly, purchases of tangible personal property and services by credit unions chartered in the State of Tennessee are also exempt from Tennessee sales and use tax.

Necessary Documentation

In order to qualify for the exemption, federal credit unions must present to the seller a Letter of Exemption issued by the National Credit Union Administration or a Certificate of Exemption issued by the Tennessee Department of Revenue.

Tennessee credit unions must present to the seller a Tennessee Certificate of Exemption. Eligible credit unions must apply to the Tennessee Department of Revenue in order to receive the proper Tennessee Certificate of Exemption.

Sellers must retain a copy of the applicable exemption certificate to document exempt sales.

Direct Payment Required

In order to qualify for the exemption, the federal or Tennessee credit union must directly pay for the tangible personal property or services. Purchases made with a corporate credit card issued to the credit union or a check issued by the credit union will be exempt. *Purchases made by credit union employees with their own funds or credit card are not exempt even if the employee is entitled to reimbursement from the credit union.*

Example: An employee staying in a hotel may not use an exemption letter or certificate if that employee is paying for the lodging and then subsequently receiving reimbursement for payment. This also includes situations in which the employee utilizes a corporate credit card, if that card is billed directly to the employee. *The credit union must make direct payment to receive this exemption.*

If you have any questions about this notice, you may contact the Department. Tennessee residents outside the Nashville calling area may call our statewide toll-free number at (800) 342-1003. Callers from Nashville or out-of-state may dial (615) 253-0600. You can access additional information on our Web site at www.Tennessee.gov/revenue.

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