

## Sales/Use/Indirect:

### Tennessee: Letter Ruling Says SMLLCs are Classified for Exemption Purposes the Same as Federal Tax Purposes

*Letter Ruling No. 23-08*, Tenn. Dept. of Rev. (8/24/23). In a letter ruling involving whether a wholly owned single member limited liability company (SMLLC) qualifies for Tennessee's sales and use tax industrial machinery exemption for manufacturers if it elects to be treated as a "corporation" for federal income tax purposes, the Tennessee Department of Revenue (Department) explained that the SMLLC likewise will be treated as a separate entity from its parent for Tennessee sales and use tax purposes and, therefore, would qualify for the exemption under the provided facts. Furthermore, the Department explained that such answer may change under the facts if the SMLLC does not elect treatment as a corporation and remains a disregarded entity for federal income tax purposes, because then it would be disregarded for Tennessee sales and use tax purposes and treated as a division of its parent and thus no longer may meet Tennessee's "51% test" as an entity whose principal business is the fabrication or processing of tangible personal property for resale and consumption off the premises. Please contact us with any questions.

**URL:** <https://www.tn.gov/content/dam/tn/revenue/documents/rulings/sales/23-08.pdf>

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