



DEPARTMENT OF THE NAVY
OFFICE OF THE GENERAL COUNSEL
COUNSEL FOR THE
NAVY EXCHANGE SERVICE COMMAND
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MEMORANDUM

From: Office of Counsel, Navy Exchange Service Command
To: All Interested Parties

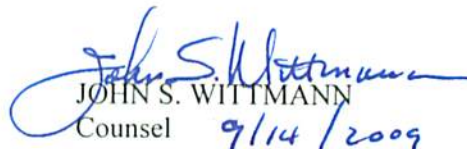
Subj: TAX EXEMPT STATUS OF NAVY EXCHANGE SERVICE COMMAND
(TAX ID #11-1644854)

This memorandum discusses the basis for the tax exempt status of Navy Exchange Service Command (NEXCOM).

NEXCOM, a nonappropriated fund instrumentality of the United States, supports the operation of Navy Exchange retail stores on a worldwide basis and, as such, performs governmental functions. See, e.g., Champaign-Urbana News Agency Inc. v. J.L. Cummins News Co., 632 F.2d 680 (7th Cir. 1980). For example, NEXCOM contracts, as well as those issued by its subordinate activities and individual exchanges, are considered United States government contracts. As an instrumentality of the federal government, NEXCOM qualifies for all of the immunities of the government (see, e.g., Standard Oil Co. v. Johnson, 316 U.S. 481 (1942)), including immunity from state and local taxation. See, e.g., United States v. Tax Comm'n of Mississippi, 421 U.S. 599 (1975).

The NEXCOM tax exemption is based upon federal law and not dependent upon recognition by the individual states. Individual state exemption certificate requirements do not apply to sales to NEXCOM. Neither NEXCOM nor the individual retail exchange stores receives a state retailer's certificate or number. Moreover, all tangible personal property and services purchased pursuant to written contract issued by NEXCOM are either for resale to or consumption by NEXCOM, the individual exchanges, or authorized patrons, and are not subject to taxation by states or localities.

I trust this memorandum answers any questions you may have regarding the tax exempt status of NEXCOM. You may wish to retain a copy of this memorandum in your files should you receive inquiries from state or local tax officials. Please direct any additional questions on this issue to my point of contact Michael Rigg at Michael_Rigg@nexweb.org, (757) 631-3611 (voice) or (757) 631-3615 (facsimile).


JOHN S. WITTMANN
Counsel 9/14/2009