



TN

**Sales Tax on Motor Vehicles
in Tennessee**

TM

“Sales Price” Defined

Tennessee Code Annotated Section 67-6-102(85)(A):

“Sales price” applies to the... **total amount of consideration**, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- (i) The seller's cost of the property sold;
- (ii) The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
- (iii) Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- (iv) Delivery charges; and
- (v) Installation charges

What's Include in the Vehicle's Sales Price?

Included in the sales price of a vehicle:

- The vehicle itself
- Document fees
- Processing fees
- Business tax
- Any accessory that is already attached to the vehicle and included on the bill of sale (running boards, upgraded wheels, bed cover, bed liner)
- Manufacturer rebates are included – part of the vehicle's selling price is being paid by a third party (manufacturer)
- Down payments are included – still a part of the vehicle's "sales price"

What's Not Part of the Vehicle's Sales Price?

Not included in the sales price of a vehicle:

- Title & Registration fees
- Extended warranty/service contract – taxed separately
- Roadside assistance
- Paint wheel protection plans
- Wheel & tire protection plans
- Gap Insurance – not subject to tax
- Trade-in allowance
- Dealer discount (not compensated by a third party; not a rebate)
- Any accessory that is not already installed on the vehicle that will be installed on a later date, but is included on the bill of sale

Single Article Tax on Motor Vehicles

- The term “single article” refers to any item that is considered, by common understanding, to be a separate unit, apart from any accessories, extra parts, etc., and is capable of being sold as an independent item or as a common unit of measure. The sales price must be \$1,600 or more.
- Independent units sold in sets, lots, suites, or other such groupings are not considered to be single articles.
- The first \$1,600 of the sales price would be subject to the local tax. Exceptions are Hamblen County \$300 (City of Morristown is \$1600), and Hancock County the first \$375.
- When a single article has a sales price of \$1,600 or more the sales tax is calculated using the single article tax rate. The tax (2.75%) is calculated on the second \$1,600 of the sales price.

Example A: Vehicle Out-of-State Purchase

- **Example A:** Customer located in Davidson County. No sales tax paid at time of purchase.
- Vehicle price: \$35,000
- Documentation fee: \$300 (Add)
- Rebate: \$3500 (do not add or subtract; just a third-party payment)
- Trade-in allowance: \$10,000 (subtract)
- Total vehicle sales price = \$25,300
- $\$25,300 \times 7\%$ (state general rate) = \$1,771
- $\$1,600 \times 2.25\%$ (local sales tax) = \$36
- $\$1,600 \times 2.75\%$ (Single Article tax rate) = \$44
- ***Total tax due on the vehicle = \$1,851***

Example A: Sales Tax on Other Items

Other items:

- Extended warranty/Service contract: \$1,800
- Roadside assistance : \$150
- Paint Protection: \$1,000
- Total sales price of items not included in vehicle sales price = \$2,950

Total Tax Due on Non-Vehicle Items: $\$2,950 \times 9.25\%$ (State and local tax) = \$272.88 (note full \$1800 from warranty is subject to local tax)

- Vehicle: \$1,851 (state, local, and single article)
- Non-vehicle items: \$272.88
- **Total tax due on vehicle purchase = \$2,043.88**

Example B: Crediting Out-of-State Sales Tax

- Example: Customer located in Davidson County. Bought car in Florida and paid 6% Florida sales tax.
- Vehicle price: \$35,000
- Documentation fee: \$300 (Add)
- Trade-in allowance: \$10,000 (subtract)
- Total vehicle sales price = \$25,300
- $\$25,300 \times 7\%$ (state general rate) = \$1,771
- $\$1,600 \times 2.25\%$ (local sales tax) = \$36
- $\$1,600 \times 2.75\%$ (Single Article tax rate) = \$44
- Total tax due on the vehicle = \$1,851 if purchased in Tennessee
- Minus credit for \$1,518 FL sales tax paid (must be on bill of sale)
- ***\$333 tax still due at time of registration.***

Example C: Out-of-State Dealer Remits TN Tax

- Example: Customer located in Davidson County.
- Vehicle price: \$35,000
- Documentation fee: \$300 (Add)
- Trade-in allowance: \$10,000 (subtract)
- Total vehicle sales price = \$25,300

- $\$25,300 \times 7\%$ (state general rate) = \$1,771
- $\$1,600 \times 2.25\%$ (local sales tax) = \$36
- $\$1,600 \times 2.75\%$ (Single Article tax rate) = \$44
- Total tax due on the vehicle = \$1,851
- Clerk negotiates check for \$1,771 TN sales tax paid by dealer if County Clerk has received the payment from dealer. This leaves \$80 due at the time of registration to be paid by the registrant.

What's the Deal with Dealers?

In-State Dealers: Collect Tennessee sales tax

Out-of-State Dealers:

- Some never collect Tennessee tax; only their state's sales tax
- Some collect Tennessee tax because they are registered to do so – they only have to register in Tennessee if they deliver vehicles here or have another business connection in-state
- Some send a paper check to the county clerk for Tennessee sales tax

Tennessee County Clerks:

Collect based on what they see, situation by situation

Farmers: Important Notice 07-19

- County Clerks do not collect tax on the sale of ATVs/UTVs made to persons issued an Agricultural Sales and Use Tax Certificate of Exemption
- Dealers check to ensure the proper certificate is presented before selling an ATV/UTV without collecting tax
- If a person purchases from another person who is not a dealer and later comes to the clerk's office to register the ATV/UTV, the owner must present the agricultural certificate of exemption for exemption
- For ATVs/UTVs, the exemption is available only when the name on the title and registration is identical to the name on the Agricultural Sales and Use Tax Certificate of Exemption
- The issuance of a title or registration for the vehicle is inconsequential

