

# INSTRUCTIONS FOR THE PREPARATION OF THE TENNESSEE SALES AND USE TAX RETURN

**(NOTE: These instructions apply to Tennessee's sales and use tax return for periods beginning on or after January 1, 2015.)**

The due date for the sales and use tax return is the **20<sup>th</sup> of the month** following the end of the reporting period. Payment of the amount shown on **Line 19** is to be made to the Tennessee Department of Revenue, Andrew Jackson State Office Building, Nashville, Tennessee 37242.

## PAGE ONE INSTRUCTIONS

**Line 1.** Enter the amount of all sales. Include: (a) cash sales, (b) credit sales, (c) conditional sales, (d) sales exempt from tax, (e) leases and rentals of tangible personal property, (f) telecommunications, (g) charges for fabricating personal property for consumers, and (h) taxable services. **EXCLUDE:** The amount of sales tax collected or accrued.

**Line 2.** Enter the cost of all tangible personal property which was purchased from a dealer without the payment of sales or use tax that was not resold, but used and consumed in the conduct of business. Do not enter the cost of items remaining in inventory for resale.

**Line 3.** Enter the cost of all tangible personal property purchased or imported from out-of-state for use and consumption in-state when no tax was paid to the supplier. Do not include items purchased from out-of-state that are to be resold in the conduct of business.

**Line 4.** Enter the fair market value of tangible personal property fabricated, produced, compounded, or severed from the earth for use in Tennessee. In addition, the purchase price or fair market value, whichever is greater, of all property furnished to, or used by, a contractor when a sales or use tax has not been previously paid must be included.

**Line 5.** Add Lines 1, 2, 3, and 4.

**Line 6.** Enter the total amount from Page 2, Schedule A, Line K. Exemptions may be disallowed if not detailed as indicated in the appropriate category in Schedule A. (See instructions for Schedule A.)

**Line 7.** Subtract Line 6 from Line 5.

**Line 8.** Multiply the amount on Line 7 by the state sales tax rate shown on your return and enter the amount on Line 8.

**Line 9.** Multiply the amount on Page 2, Schedule A, Line A by 5.00% and enter that amount on Line 9. (See instructions for Schedule A, Line A.)

**Line 10.** Multiply the amount on Line 7 by the local tax rate shown on your return. If the return reflects zero local tax and the taxpayer has no physical presence in Tennessee, the taxpayer must collect 2.25%. If adjustments to the local tax are necessary, complete Page 2, Schedule B.

**Line 11.** Add any tax collected in excess of that shown on Lines 8, 9, and 10, after exclusion of the use tax.

**Line 12.** Enter the amount from Page 2, Schedule C, Line 7. (See instructions for Schedule C.)

**Line 13.** Enter the amount from Page 2, Schedule C, Line 10. (See instructions for Schedule C.)

**Line 14.** Add Lines 8, 9, 10, 11, 12, and 13.

**Line 15.** If your account has a credit balance from an overpayment on a prior return, enter the amount on this line.

**Line 16.** When the return is late at the time of filing, enter 5% of Line 14 for 1-30 days late, 10% for 31-60 days late, and so on until a maximum of 25% of Line 14 is reached for returns that are more than 120 days late. When a credit balance is shown on a return that is late at the time of filing, first deduct Line 15 from Line 14 and calculate the penalty charges on the net amount after the credit deduction. For example, if Line 14 were \$500 and Line 15 were \$100, the penalty would be calculated on \$400. The minimum penalty is \$15, even when the return reflects no tax due but is late filed.

**Line 17.** Interest is figured at the rate indicated per year on the amount of tax due from Line 14 (or on the net of Line 15 from Line 14 when a credit is present) from the due date of the return until the late filed return is postmarked.

**Line 18.** Multiply the number of prepaid E911 transactions made by \$1.16. Subtract the 3% administrative fee. Enter the result.

**Line 19. TOTAL DUE.** When the return is **timely filed**, deduct Line 15 from Line 14 and add Line 18. On **late filed returns**, deduct Line 15 from Line 14, and add amounts calculated on Lines 16, 17, and 18.

*For additional information, contact the Taxpayer Services Division in one of our Department of Revenue offices:*

<b>Nashville</b> (615) 253-0600 Andrew Jackson Building 500 Deaderick Street Nashville, TN 37242	<b>Chattanooga</b> (423) 634-6266 Suite 350 State Office Building 540 McCallie Avenue Chattanooga, TN 37402	<b>Knoxville</b> (865) 594-6100 Suite 209 7175 Strawberry Plains Pike Knoxville, TN 37901	<b>Jackson</b> (731) 423-5747 Suite 340 Lowell Thomas Building 225 MLK Jr. Blvd. Jackson, TN 38301	<b>Memphis</b> (901) 213-1400 3150 Appling Road Bartlett, TN 38133	<b>Johnson City</b> (423)854-5321 204 High Point Dr. Johnson City, TN 37601
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Tennessee residents can also call our statewide toll free number at **(800) 342-1003**. Out-of-state callers must dial **(615) 253-0600**. Detailed instructions, tax guides, and notices are available at our website, [www.TN.gov/revenue](http://www.TN.gov/revenue).

### SCHEDULE A – EXEMPT TRANSACTIONS

The law provides for the deduction from gross sales and purchases those items specifically exempt from tax. Schedule A is used to identify these items. Schedule A, Line A, is also used to identify the total food sales subject to the 5.00% state tax rate. Any amount claimed as an exemption on Page 1, Line 6 must be itemized on this schedule.

**Line A.** Include all sales of food and food ingredients that are subject to the 5.00% state tax rate. **Add this amount to Schedule B, Line 2.**

**Line B.** Include all sales which were made to vendors or other establishments for resale, or for rental or leasing, and sales of items to be used in processing for sale. These transactions must be supported by valid certificates of resale, to be retained in the dealer's files.

**Line C.** Enter sale of exempt items not deducted elsewhere on Schedule A. Examples include: (1) gasoline, (2) prescription drugs, (3) prescription mobility enhancing equipment, (4) kerosene dispensed at a blocked pump, and (5) other items specifically exempt by state law. Trade-ins and cash discounts are included in Schedule A, Line 1.

**Line D.** Enter all sales to the federal government, the State of Tennessee, its political subdivisions, and sales to qualified institutions such as churches, nonprofit schools, hospitals, homes for the aged, and orphanages. Dealers must retain exemption certificates to support exemptions for sales to tax-exempt purchasers.

**Line E.** Enter amount of taxable items voluntarily returned by the purchaser which have been included in Gross Sales on this or a previous return and for which full credit is given to the purchaser. Do not include repossessions.

**Line F.** Enter sales of industrial machinery and agricultural items which have been sold to qualified tax-exempt purchasers. Dealers must retain exemption certificates to support tax-exempt sales to qualified manufacturers and qualified farmers, nursery operators, and timber harvesters.

**Line G.** Deduct those sales originating in Tennessee where the purchaser takes possession outside of Tennessee for use or consumption outside this state. Also deduct sales of motor vehicles and trailers delivered out-of-state by dealers; sales of motor vehicles and boats removed by non-resident purchasers within three (3) days; and sales of aircraft removed by non-resident purchasers within fifteen (15) days. Dealers must retain affidavits to support non-resident removal of vehicles, boats, and aircraft.

**Line H.** Enter that portion of the unpaid principle balances due on tangible personal property repossessed from the customer in excess of \$500. (See instructions for Schedule B, Lines 2 and 6, below.)

**Line I.** Enter deductions authorized by law that are not included elsewhere on Schedule A. Include taxable sales subject to special state tax rates such as water and energy fuel sold to qualified manufacturers. Do not include food sales. Include: deductions related to sales of manufactured homes; aviation fuel; allowances for trade-in items like kind and character; and cash discounts given when tax was paid on the gross amount or a previous return. Do not include trade discounts or manufacturers' coupons.

**Line J:** Enter the total amount of sales not subject to tax during the annual August Sales Tax Holiday.

**Line K.** Add the amounts appearing on Lines A through J and enter on this line. This total must also be entered on Page 1, Line 6 of the return.

### SCHEDULE B – COMPUTATION OF LOCAL SALES AND USE TAX

Use this schedule if local taxable sales do not equal state taxable sales. (This will occur if transactions include energy fuel sales, "single article" sales subject to a maximum local tax, food or food ingredients subject to the state tax rate of 5.00%, or other items requiring an adjustment of tax.)

**Line 1.** Enter net taxable sales from Page 1, Line 7.

**Line 2.** Add items used and subject to local tax on which state tax only has been paid to supplier. Add the amount of food sales from Schedule A, Line A. Add amounts that exceed the single article base on returned merchandise included in Schedule A, Line E. Also, add amount shown on Schedule A, Line H for repossessions. (See instructions for Schedule B, Line 6.) Also add other deductions taken in Schedule A, for state tax purposes that are not deductible for local tax purposes.

**Line 3.** Add Lines 1 and 2.

**Line 4.** Enter the total of the amounts in excess of the maximum on each single article sold which have not been deducted elsewhere. Also, enter any amounts in excess of the maximum per single article purchased and reported for use tax on this return. (See Page 1, Line 10 for the single article tax base.)

**Line 5.** Enter energy fuel sales not included elsewhere on the return. Include only taxable sales of energy fuel subject to full state tax.

**Line 6.** Enter other qualified local tax deduction amounts not reported on Lines 4 and 5. Include taxable sales of specified digital products subject to 2.5% local tax rate. A deduction maybe taken on this line to receive credit of a portion of the local option tax previously paid on repossessed tangible personal property.

**Line 7.** Deduct the total of the entries on Lines 4, 5, and 6 from the amount on Line 3. Enter the result on this line. This becomes the base for the local option tax.

**Line 8.** Multiply Line 7 by the local tax rate shown on Line 10 on the front of the return. Enter the amount of local tax due on this line and on Page 1, Line 10.

### SCHEDULE C – STATE SINGLE ARTICLE TAX AND SPECIAL RATES ON ENERGY, WATER, & SPECIFIED DIGITAL PRODUCTS

**Line 1.** Enter the total sales from \$1,601 through \$3,200 on the sales price of all single articles sold.

**Line 2.** Multiply the amount on Schedule C, Line 1 by 2.75% (.0275) and enter the result.

**Line 3.** Enter taxable amount of sales of water subject to the reduced state tax rate of 1% and the local tax rate of 1/2 of 1% (.005) sold to qualified manufacturers. Manufacturers that did not pay tax to their suppliers must enter purchases of water subject to the reduced industrial tax rates. Also, see Schedule C, Line 8.

**Line 4.** Enter 1% of Line 3.

**Line 5.** Enter taxable amount of sales of energy fuel subject to the reduced state tax rate of 1.5% sold to qualified manufacturers. Manufacturers that did not pay tax to their suppliers must enter purchases of energy fuel subject to the reduced industrial rate.

**Line 6.** Enter 1.5% of Line 5.

**Line 7.** Enter the total of Lines 2, 4, and 6 on this line and on Page 1, Line 12.

**Line 8.** Water local tax industrial rate – Multiply the amount on Schedule C, Line 3 by 1/2 of 1% (.005) and enter.

**Line 9.** Specified digital products local tax rate – Include on the blank line the amount of taxable sales of specialized digital products. Multiply the taxable sales amount by 2.50% and enter the local tax amount on Schedule C, Line 9.

**Line 10.** Add the amounts on Lines 8 and 9. Enter the amount here and on Page 1, Line 13, reverse side.