

## **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 February 1, 2017 for monthly filers and January 1, 2017 for quarterly and annual filers.)**

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.

### **FRONT PAGE 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) charges for fabricating personal property for consumers, (g) sales of specified digital products, 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, including online purchases, for use and consumption in Tennessee where no Tennessee sales tax was paid to the supplier at time of purchase. 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 applicable, 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 through 4 to determine total sales and purchases for the reporting period.

**Line 6.** Enter the exempt transactions from Schedule A, Line 11.

**Line 7.** Subtract Line 6 from Line 5 to determine the state net taxable total.

**Line 8.** Multiply the amount of non-food and food ingredient sales by 7% to determine the general state sales tax due.

**Line 9.** Multiply the total net taxable sales of food and food ingredients from Schedule A, Line 1 by 5% to determine the food sales tax due.

**Line 10.** Enter the local sales tax due from Schedule B, Line 8.

**Line 11.** Add any excess state and/or local tax collected.

**Line 12.** Enter the amount of state sales tax on single articles and special tax rates from Schedule C, Line 9. (See instructions for Schedule C.)

**Line 13.** Enter the amount of local tax on transactions subject to the special tax rates from Schedule C, Line 15. (See instructions for Schedule C.)

**Line 14.** Enter the Central Business Improvement District (CBID) fees from Schedule D, Line 10.

**Line 15.** Multiply the number of prepaid 911 surcharge transactions made by \$1.16. Subtract the 3% administrative fee. Enter the result.

**Line 16.** Calculate the total tax and fees due before addition of penalty and interest. Add Lines 8, 9, 10, 11, 12, 13, 14, and 15.

**Line 17.** If your account has a credit balance from an overpayment on a prior return, enter the amount on this line.

**Line 18.** When the return is late at the time of filing, enter 5% of Line 16 for 1-30 days late, 10% for 31-60 days late, and so on until a maximum of 25% of Line 16 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 17 from Line 16 and calculate the penalty charges on the net amount after the credit deduction. For example, if Line 16 were \$500 and Line 17 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. **Note:** Until July 1, 2017, 911 surcharges (Line 15) should be deducted from Line 16 before calculating penalty.

**Line 19.** Interest is figured at the rate indicated per year on the amount of tax due from Line 16 (or on the net of Line 17 from Line 16 when a credit is present) from the due date of the return until the late filed return is postmarked. **Note:** Until July 1, 2017, 911 surcharges (Line 15) should be deducted from Line 16 before calculating interest.

**Line 20. TOTAL DUE.** When the return is **timely filed**, deduct Line 17 from Line 16. On **late filed returns**, deduct Line 17 from Line 16, and add amounts calculated on Lines 18, and 19.

### **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 1 is also used to identify the total food sales subject to the reduced state tax rate. Any amount claimed as an exemption on Line 6 must be itemized on this schedule.

**Line 1.** Enter the net total sales of food and food ingredients that are subject to the tax.

**Line 2.** 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 3.** Enter sales of items paid for with Supplemental Nutrition Assistance Program (SNAP) Benefit Security Cards or EBT cards.

**Line 4.** Enter all sales to the federal government, the State of Tennessee, its political subdivisions, and sales to qualified nonprofit 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 5.** 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. Amounts in excess of single article previously reported on Schedule B, Line 4 should be included on this return on Schedule B, Line 2.

**Line 6.** Enter sales of industrial machinery, research and development machinery, agricultural items, qualified data center items, and material handling and racking systems which have been sold to qualified tax-exempt purchasers. Dealers must retain exemption certificates to support tax-exempt sales to qualified purchasers.

**Line 7.** Enter 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 thirty (30) days. Dealers must retain affidavits to support non-resident removal of vehicles, boats, and aircraft.

**Line 8.** 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 9.** Enter deductions 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, aviation fuel and water carrier energy fuel sales reported in Schedule C. Enter amounts related to sales of manufactured homes, trade-in allowances, sales of food paid for with WIC vouchers. Include sales of items specifically exempted by law such as gasoline sales, prescription drugs, prescription mobility enhancing equipment, kerosene dispensed at a blocked pump, and other such items. Do not include trade discounts, or manufacturer's coupons. Include: cash discounts given only when included in gross sales on this or a previous return.

**Line 10.** Enter the total amount of sales not subject to tax during the annual July Sales Tax Holiday.

**Line 11.** Add the amounts appearing on Lines 1 through 10 and enter on this line. This total must also be entered on **Line 6** on the first page.

### **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 the State Net Taxable Total from Line 7 on the Front Page.

**Line 2.** Add items used and subject to local tax on which state tax only has been paid to supplier. Enter the total amounts from Schedule A, Lines 5 and 8. (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. Add the amount of food sales from Schedule A, Line 1.

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

**Line 4.** Enter the total of the amounts in excess of the local option maximum on each single article of tangible personal property sold or purchased for use which have not been deducted elsewhere.

**Line 5.** Enter energy fuel sales taxed at the full state rate. Do not include sales subject to reduced rates or water carrier energy fuel included in Schedule A, Line 9.

**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 2.50% local tax rate and sales of merchandise made through vending machines. A deduction may be 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. This becomes the base for the local option tax.

**Line 8.** Determine the local sales tax due. Multiply the amount on Schedule B, Line 7 by the applicable local tax rate. Enter the result on this line and on Line 10 on the first page.

### **SCHEDULE C – STATE SINGLE ARTICLE TAX AND SPECIAL TAX RATES**

**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% and enter the result.

**Line 3.** Enter taxable amount of sales of industrial 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.

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

**Line 5.** Enter taxable amount of sales of industrial 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 tax rate.

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

**Line 7.** Calculate state aviation fuel tax. Enter amount of sales and purchases for use on Lines A and B in dollars and gallons. Multiply the dollar amounts by 4.50%.

**Line 8.** Calculate the water carrier energy fuel tax. Enter amount of sales and purchases for use Lines A and B in dollars and gallons. Multiply the dollar amounts by 7.00%.

**Line 9.** Enter the total state tax from Lines 2, 4, 6, 7, and 8. Enter here and on Line 12 on the first page.

**Line 10.** Calculate the local sales tax on sales of industrial water. Multiply the total industrial water sales on Line 3 by 0.50%.

**Line 11.** Enter the total sales and purchases for use of specified digital products during the reporting period.

**Line 12.** Calculate the local tax on sales of specified digital products. Multiply Line 11 by 2.50%.

**Line 13.** Enter the total sales of merchandise made through vending machines.

**Line 14.** Calculate the local tax on sales of merchandise made through vending machines. Multiply Line 13 by 2.25%.

**Line 15.** Enter the local tax from Lines 10, 12, and 14. Enter here and on Line 13 on the first page.

**SCHEDULE D – CENTRAL BUSINESS IMPROVEMENT DISTRICT (CBID) FEE**

- Line 1.** Enter Gross Sales from Line 1, subtract Exempt Transactions from Line 6, and add total Net Taxable Food Sales from Schedule A, Line 1.
- Line 2.** Enter sales of professional services to the extent any such professional services are included in Line 1 of this schedule (included in Gross Sales and not deducted as Exempt Transactions).
- Line 3.** Enter net sales taxable amount of overnight lodging. (Be sure to exclude sales tax exempt overnight lodging sales deducted on Line 1 of this schedule.)
- Line 4.** Enter net sales taxable amount of tickets to sporting events or other live ticketed events. (Be sure to exclude sales tax exempt ticket sales for such events deducted on Line 1 of this schedule.)
- Line 5.** Enter net sales taxable amount of alcoholic beverages subject to the liquor-by-the-drink tax. (Be sure to exclude sales tax exempt alcoholic beverage sales deducted on Line 1 of this schedule.)
- Line 6.** Enter net sales taxable amount of publications. (Be sure to exclude sales tax exempt sales of newspapers and other publications deducted on Line 1 of this schedule.)
- Line 7.** Enter net sales taxable amount of overnight and long-term parking. (Be sure to exclude sales tax exempt overnight and long-term parking sales deducted on Line 1 of this schedule.)
- Line 8.** Calculate the total CBID exempt sales. Add Lines 2 through 7.
- Line 9.** Net sales subject to the CBID fee. Subtract Line 8 from Line 1.
- Line 10.** CBID Fee - Multiply the amount on Line 9 by twenty-five hundredths percent (0.25%). Enter here and on Line 14 of the first page.

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

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