

Sales and Use Tax Record-keeping Requirements

Sales & Use tax notice

Tennessee law requires all dealers to make reports and preserve suitable records of all sales and purchases and to maintain adequate books of account. These records may be examined by authorized representatives of the commissioner of Revenue in order to determine the amount of tax due to the state of Tennessee. See Tenn. Code Ann. Section 67-6-523. If a dealer fails to file returns and pay the tax required by the sales and use tax laws, or refuses to permit an examination of its books and records, the commissioner is authorized to make an assessment based upon available information.

Pursuant to Tenn. Code Ann. Sections 67-1-1501 and 67-6-523, dealers must keep the following documents for the current tax year, plus the three preceding tax years:

- All invoices and other records of goods, wares, merchandise or other subjects of taxation.
- A complete record of tangible personal property received, used, sold at retail, distributed, stored, leased or rented within Tennessee, together with invoices, bills of lading, and other pertinent records. Complete records are required irrespective of whether sales are made for cash or on terms of credit. With respect to wholesale dealers and jobbers, such records shall contain the name and address of the purchaser, the date of purchase, the article purchased and the price at

which the sale is made to the purchaser.

If an assessment has been appealed and is pending before the commissioner or a court, the records specified above which are related to the assessment must be preserved until final disposition of the appeal. If a dealer is not registered with the department or in the case of fraud, the department may assess for tax periods earlier than the three preceding tax years. See, Tenn. Code Ann. Section 67-1-1501.

The following is a list of records that are most commonly examined during a sales and use tax audit:

Chart of Accounts
Purchase Journal
Bank Statements
Sales Invoices
Sales Tax Returns
Federal Tax Returns
General Ledger
Cash Receipts Journal
Financial Statements
Vendor Invoices
F&E Tax Returns
Sales Journal
Cash Disbursements Journal
Cash Register Tapes
Resale/Exemption Certificates
Business Tax Returns

Tenn. Code Ann. Section 67-6-523 provides:

(a) It is the duty of every dealer required to make a report and pay any tax

under this chapter to keep and preserve suitable records of the sales or purchases, as the case may be, taxable under this chapter, and such other books of account as may be necessary to determine the amount of tax due hereunder, and other information as may be required by the commissioner, and it is the duty of every such dealer, moreover, to keep and preserve, for a period of three years, all invoices and other records of goods, wares and merchandise, or other subjects of taxation under this chapter. All such books, invoices, and other records shall be open to examination at all reasonable hours to the commissioner or any authorized agents of the commissioner.

(b) Each dealer, as defined in this chapter, shall secure, maintain, and keep for a period of three years a complete record of tangible personal property received, used, sold at retail, distributed or stored, leased, or rented within this state by the dealer, together with invoices, bills of lading, and other pertinent records and papers as may be required by the commissioner for the reasonable administration of this chapter. All such records shall be open for inspection to the commissioner at all reasonable hours.

(c) In order to aid in the administration and enforcement of the provisions of this chapter, and collect all of the tax imposed by this chapter, all wholesale dealers and jobbers in this state are required to keep a record of all sales of tangible personal property made in this state, whether such sales be for cash or on terms of credit. The record required to be kept by all wholesale dealers and jobbers shall contain and include the name and address of the purchaser, the date of the purchase, the article purchased, and the price at which the article is sold to the purchaser. These records shall be kept for a period of three years and shall be open to the inspection of the commissioner, or the duly authorized

assistants of the commissioner, at all reasonable hours.

(d) For the purpose of enforcing the collection of the tax levied by this chapter, the commissioner is specifically authorized and empowered to examine at all reasonable hours the books, records, and other documents of all transportation companies, agencies or firms that conduct their business by truck, rail, water, airplane, or otherwise, in order to determine what dealers, as provided in this chapter, are importing or are otherwise shipping articles of tangible personal property which are liable for the tax. The commissioner has the right to proceed in the chancery court for a mandatory injunction or other appropriate remedy to enforce the right, as granted by this section, to an examination of the books and records of transportation companies.

(e) A violation of the provisions of this section is a Class C misdemeanor.

Tenn. Code Ann. Section 67-6-517 provides:

(a) In the event any dealer fails to make a report and pay the tax as provided by this chapter, or in case any dealer makes a grossly incorrect report, or a report that is false or fraudulent, it shall be the duty of the commissioner to make an estimate for the taxable period of retail sales of such dealer, or of the gross proceeds for rentals or leases of tangible personal property by the dealer, estimating the cost price of all articles of tangible personal property imported by the dealer for use or consumption or distribution or storage to be used or consumed in this state, and assess and collect the tax and interest, plus penalty, if such have accrued, on the basis of such assessment, which shall be considered prima facie correct, and the burden to show the contrary shall rest upon the dealer.

(b) If any dealer subject to make and file a return required by any provision of this chapter fails to render such return within the time required or renders a return which is false or fraudulent in that it contains statements which differ from the true gross sales, purchases, leases or rentals taxable under this chapter, or otherwise fails to comply with the provisions of this chapter for the taxable period for which the return is made, the commissioner shall give the dealer 10 days' notice in writing requiring the dealer to appear before the commissioner or the commissioner's assistant with such books, records and papers as the commissioner may require relating to the business of the dealer for such taxable period; and the commissioner may require the dealer or the agents and employees of such dealer to give testimony or to answer interrogatories under oath administered by the commissioner or the commissioner's assistants respecting the sale at retail, the use, consumption, or distribution, or storage for use or consumption in this state or lease or rental of tangible personal property subject to tax or the failure to make report thereof as provided in this chapter.

(c) If any dealer fails to make any such return or refuses to permit an examination of such books, records or papers, or to appear and answer questions within the scope of such investigation relating to the sale, use, consumption, distribution, storage, lease or rental of tangible personal property, the

commissioner is authorized to make an assessment based upon such information as may be available to the commissioner and to issue a distress warrant for the collection of any such taxes, interest or penalties found to be due. Any such assessment shall be deemed prima facie correct.

(d) In the event the dealer has imported the tangible personal property and fails to produce an invoice showing the cost price of the articles as defined in this chapter, which are subject to tax, or the invoice does not reflect the true or actual cost price as defined herein, then the commissioner shall ascertain, in any manner feasible, the true cost price, and assess and collect the tax with interest plus penalty, if such have accrued on the true cost price as assessed by the commissioner; the assessment so made shall be considered prima facie correct, and the duty shall be on the dealer to show the contrary.

(e) In the case of the lease or rental of tangible personal property, if the consideration given or reported by the dealer does not, in the judgment of the commissioner, represent the true or actual consideration, then the commissioner is authorized to fix the same and collect the tax thereon in the same manner as above provided, with interest plus penalty, if such have accrued.

Have questions or comments? Please let us know. [Contact us.](#)

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