



SELLING IN E-COMMERCE

November 2022 Tax Webinar

E-Commerce:

...online activity that involves the buying and selling of products and services.



For TN tax purposes, online businesses are treated similarly to businesses with a physical storefront!

Recent E-Commerce Trends

U.S. E-Commerce vs. Trendline



The market has nearly doubled in size in 3 years!

+25%

Source: The Census Bureau of the Department of Commerce

TN-Based Businesses

Registration:

Sales Tax

Registration required if ...

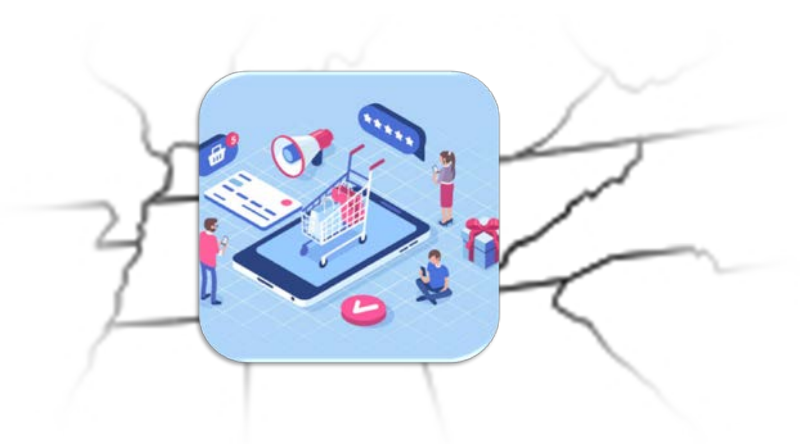
- \$4,800/yr sales of tangible personal property (TPP), or
- \$1,200/yr sales of taxable services

Business Tax

Registration required if ...

- Gross Sales are over \$10k (standard business license must also be obtained from county/city)

For a business that is based solely online, register using the address where the business is based.



Businesses NOT Based in TN

Registration:

Remote Sellers Must Register for **Sales Tax** if **economic nexus** threshold of **\$100,000+/yr.** is met.

- Rate is based on rate of TN jurisdiction where product is delivered



**Other activities may result in nexus in TN.
More info: TN Tax Nexus for Out-of-State Businesses Webinar**

Important Notice (7/20):

<https://www.tn.gov/content/dam/tn/revenue/documents/notices/sales/sales20-14.pdf>

Sales Tax & Business Tax Basics

Detailed info on www.tn.gov/Revenue (past webinars, tax manuals and more!)

<p>Sales Tax</p> <p>Due Monthly on the 20th</p>	<p>Tax on the sale of most TPP and certain enumerated services</p>	<p>Remitted by business</p> <p>Most often collected from purchaser at time of sale</p>	<p><u>State rate:</u> generally, 7, some special rates</p> <p><u>Local rate:</u> depends on jurisdiction</p>	<p>Some exemptions based on product, purchaser or usage</p> <p>Some deductions and credits</p>
<p>Business Tax</p> <p>Due Annually (15th of 4th mo. after FYE)</p>	<p>Tax on the gross receipts/sales of TPP and services</p>	<p>Paid by business</p>	<p>Rate depends on the classification of business</p>	<p>Some exempt entities and some exempt services</p> <p>Some deductions and credits</p>

Common Deduction for Online Businesses – INTERSTATE COMMERCE

Sales in Interstate Commerce

For TN-based businesses, there is a deduction for sales where possession takes place outside of TN (i.e. shipped to buyer.)

- Sales Tax – Include the sales on line 1 and deduct on Schedule A
- Business Tax – Include the sales on line 1 deduct on Schedule B

Online Marketplaces

Marketplace Facilitators:

- Person/business that owns or operates a website or other platform where sales are made on behalf of marketplace sellers (i.e. third parties).

Marketplace Sellers:

- person/business that sells goods or services through a marketplace operated, owned, or controlled by a marketplace facilitator.

amazon ebay Etsy Walmart



Marketplace Facilitators

Marketplace facilitators that make or facilitate \$100,000+ in sales* to TN customers in the previous 12-month period are required to collect and remit TN sales tax.

- The sales tax is collected on sales made by marketplace sellers to Tennessee customers. Marketplace facilitators that do not have at least \$100,000 in total sales in this state do not have a collection responsibility

*For purposes of applying the \$100,000 threshold, include all retail sales, including exempt retail sales, but should exclude sales for resale.

Marketplace facilitators should include only the commissions or third-party fees and sales of their own goods or services in their gross receipts for business tax purposes.

Marketplace Sellers

Marketplace sellers that make any sales outside of a marketplace facilitator website/platform, such as through their own website or storefront, may be required to register for sales and use tax if...

- physical presence (incl. storefront, employees, or operations) in TN, or
- \$100,000+ in sales in the state during the previous 12-month period.
 - An out-of-state marketplace seller is not required to register in Tennessee if **all** its taxable sales are made through a marketplace facilitator that is collecting and remitting Tennessee sales tax on the seller's behalf.

Marketplace sellers should include receipts of sales made through a marketplace facilitator on their Business Tax return.

Sale/Lease/Licensing/Use of Digital Products

“Specified digital products” are taxed at the state rate of 7% plus a standard local tax rate of 2.5%, instead of the local tax rate in effect in a county/municipality. These products include:

- digital audio-visual works
- digital audio works
- digital books

A sale of a specified digital product occurs in this state if the purchaser receives the electronically transferred digital property at a TN location of either the seller or purchaser, or the seller’s business records, or the address obtained from the purchaser during the sale indicates a TN billing address.

Resources – www.TN.gov/Revenue

The screenshot shows the TN Department of Revenue website. At the top left is the TN logo and the text "Department of Revenue". To the right is a search bar labeled "Search Revenue". Below the header is a navigation menu with items: "How Do I...?", "E-filing Information", "Taxes", "Tax Resources", "Title and Registration", "Motor Carrier", and "Revenue News".

Three red boxes with arrows point to specific resources in the navigation menu:

- Tax Manuals and Important Notices** (points to "Tax Resources")
- Register/File/Pay/etc** (points to "Taxes")
- Help Articles** (points to "Revenue News")

The main content area features several promotional tiles:

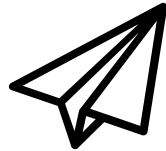
- A large tile on the left for a "Next Quarterly Webinar for New Businesses is October 5" with a "Click here for more information." link.
- A tile for "TNTAP E-File & Pay" showing a document with the TNTAP logo.
- A tile for "Questions? Revenue Help" with a hand writing on a chalkboard.
- A tile for "Taxes" showing several Tennessee state flags.
- A tile for "HOT TOPICS News and Publications" with the words "HOT TOPICS" in large, stylized letters.

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questions, or
any questions
that do not get
addressed in
this webinar to
directly us!



www.tn.gov/Revenue



Revenue.support@tn.gov



General Call Center **615.253.0600**



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- Great benefits
- Work/Life balance
- Holidays off

Communication Audit Associate: 40640

Communication Audit Associate: 40303
(3 Positions)

Training Specialist 2: 40294

Customer Service Center Rep 2: 40618

[tn.gov/revenue](https://www.tn.gov/revenue)

TN Department of Revenue



<https://www.tn.gov/revenue/careers/employment-opportunities.html>



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