# Overview

<table>
<thead>
<tr>
<th>TAX OVERVIEW</th>
<th>• Laws/rules, important definitions, due dates, rates, exemptions, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FILING</td>
<td>• Reporting requirements and filing instructions</td>
</tr>
<tr>
<td>RESOURCES</td>
<td>• Where to go to find information on our website, contact information, chat Q&amp;A</td>
</tr>
</tbody>
</table>
Law: Sales Tax Basics

Business (with nexus in TN) collects/remits sales tax for:

- **Selling/leasing/renting Tangible Personal Property**
  - Sales of these items are **subject to tax unless specifically exempted** by law. Gross sales over $4,800 a year – required to register for sales tax

- **Selling certain taxable services**
  - Services are generally **exempt from the tax unless specifically enumerated** by law OR are necessary to complete the sale of a taxable good/service. Sales of services exceeding $1,200 a year

- **Selling amusements**
  - Charges for entering or engaging in any kind of recreational activity **unless specifically exempted** by law.

- **Selling digital products specified in the law**
  - There is a **special local rate** for these items. Digital versions of tangible products otherwise subject to the tax are taxed at the regular rate.
Definitions

**Tangible Personal Property (TPP)** - property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses.

**Services Subject to Sales Tax** - Services specifically enumerated by law including: Repair or installation of TPP (incl. computer software), Lodging services and rooms, Short-term space rental for making sales, Cleaning of TPP (incl. animal bathing), Parking and storing of motor vehicles, Telecommunication services, Ancillary Telecommunication services, Enriching of uranium materials.

**Food/Food Ingredients** - Food and food ingredients taxed at a reduced rate of 4% include substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form; sold for ingestion or chewing by humans; consumed for their taste or nutritional value; and are not specifically excluded items.

**Amusements** – Sales Tax is applicable to charges for entering or engaging in any kind of recreational activity, admissions to sporting events, musical & theatrical performances, & other amusements, and charges for using tangible personal property for amusements, sports, entertainment, or recreational activities such (i.e. golf carts, tennis courts, or bowling shoes.)
Definitions

Sales price includes the seller’s:

• Cost of the *property sold* and *materials used*
• *Labor costs*
• *Interest*
• *Losses*
• *Transportation* costs (incoming freight)
• Taxes imposed on the seller
• Any *expenses* of the seller
• *Charges for any services necessary to complete the sale*
• *Delivery* charges
• *Installation* charges
Out-of-State Dealers

Currently, out-of-state dealers with no physical presence in Tennessee who make $100,000 or more in sales to Tennessee customers must register and collect Tennessee sales and use tax.

- The $100,000 threshold includes all retail sales made by the out-of-state dealer, including exempt sales, but does not include sales for resale.
- Report by destination delivery
Registering

- Register on TNTAP

- A return will be due for the period in which the account opens (i.e. if an account is opened in October, a monthly return will be due starting in November)

- Returns have to be filed every filing period even if no sales were made

- The business is required to close the account within 15 days of the close/sale date of the business
TNTAP for Taxpayers

www.tn.gov/revenue > TNTAP

✓ Register/File/Pay for all tax accounts
✓ Schedule payments in advance
✓ Automatic correction of common errors
✓ Amend returns
✓ Access returns, certificates, and letters
✓ Much more!
Filing Frequency and Due Dates

Sales Tax accounts are automatically set up for monthly filing.

DUE: 20th day of the month following the end of the reporting period

However, effective July 1, 2021, businesses with a sales tax liability over a 12-month period that averages $1,000 or less per month may choose to file monthly or quarterly.

• QUARTERLY FILINGS DUE: 20th of the month following the end of the quarter (January 20, April 20, July 20, October 20)
• 12 month filing history required before requesting a change to quarterly filing

Contact us to for questions about filing frequency
Definition: Single Article

Any item that is 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.

- Reported on Schedules B&C of the return

Example A: Sales price $25,000 (local rate of $2.25%)

- $25000 x 7% = $1,750
- $1600 x 2.25% = $36
- $1600 x 2.75% = $44
Total tax due = $1,830

Example B: Sales price $3,000 (local rate of $2.25%)

- $3000x 7% = $210
- $1600 x 2.25% = $36
- $1400 x 2.75% = $38
Total tax due = $284
Return Overview

Info about software vendors:
tn.gov/revenue > E-filing Information > Electronic Filing Using a Software Vendor
Return - Overview

<table>
<thead>
<tr>
<th>Location ID</th>
<th>Doing Business As</th>
</tr>
</thead>
<tbody>
<tr>
<td>0000000000</td>
<td>0000000000</td>
</tr>
</tbody>
</table>

All amounts are rounded to the nearest whole dollar.

Sales

Do you have any sales to report for this period? *

[Yes] [No]
Return - Sales

1. Enter gross sales (not to include sales tax) for the period
   - Cash sales, Credit sales, Conditional sales, Sales exempt from tax, Leases and rentals of tangible personal property, Charges for fabricating personal property for consumers, Sales of specified digital products, Taxable services

2. Enter amount of property purchased by the taxpayer using their resale certificate, but was used instead of being resold

3. Enter amount of items purchased out-of-state for use

4. Enter sales of items severed from Earth (coal and other minerals)

5. *System calculates the total of lines 1-4*
Schedule A – Exempt Transactions

You must answer yes or no to the question regarding exempt transactions. Choosing ‘yes’ populates Schedule A.
Schedule A – Exempt Transactions

The law provides for the deduction from gross sales and purchases those items specifically exempt from tax.

1. Enter net food sales
2. Enter sales for resale (supported by Resale Certificate)
3. Enter sales paid with SNAP/EBT
4. Enter sales to exempt entities (non-profit sales supported by TN exemption certificate or a Federally issued 501(c)(3) certificate, government sales supported by government exemption form)
5. Enter merchandise returned which have been included on current or previous return
6. Enter sales of Industrial machinery, research and development machinery, agricultural items, etc (supported by corresponding exemption certificate)
Schedule A – Exempt Transactions

7. Enter sales in Interstate Commerce (sales originating in TN where the purchaser takes possession outside of TN for use or consumption outside this state)

8. Enter repossessions (enter portion of unpaid principal balances due in excess of $500, see Schedule B, Lines 2 and 6)

9. Enter other deductions not included elsewhere

10. Enter Sales Tax Holiday sales

11. System populates this amount based on info entered in lines 1-10 and applies to total calculation
Schedule B - Computation of Local Sales and Use Tax

Use this schedule if local taxable sales do not equal state taxable sales.

LINE
1. System populates this amount based on return info already entered
2. Enter total of food sales and any applicable amounts in returned merch and repossessions
3. System populates this amount based on return info already entered
4. Enter total amounts in excess of $1600 on each single article
5. Energy Fuel Sales
6. Enter taxable Sales subject to the specified digital products and vending machine special tax rates
7. System populates this amount based on return info already entered
8. System populates this amount and applies to total calculation
Schedule C - State Single Article Tax and Special Rate on Energy, Water, & Specified Digital Products

You must answer yes or no to the question regarding exempt transactions. Choosing ‘yes’ populates Schedule C.
1. Enter total sales from $1,601- $3,200 on the sales price of all single articles sold.
2. *System populates product of line 1*
3. Sales of water purchased at the industrial tax rate
4. *System populates product of line 3*
5. Enter energy fuel sales subject to the industrial tax rate
6. *System populates product of line 5*
7. Enter taxable sales of aviation fuel/gallons and out of state purchases/gallons
Schedule C - State Single Article Tax and Special Rate on Energy, Water, & Specified Digital Products

8. Enter taxable sales of water carrier energy fuel/gallons and out of state purchases/gallons
9. System populates product
10. System populates product
11. Enter net taxable sales of specified digital products
12. System populates product of specified digital product tax
13. Enter merchandise sold through vending machines
14. System populates product of vending machine tax
15. System populates total and applies to total calculation
## Schedules D, E and F

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Purpose</th>
</tr>
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<tbody>
<tr>
<td><strong>D – Central Business Improvement District (CBID) Fee</strong></td>
<td>To be completed only by certain businesses in downtown Nashville that are subject to the CBID fee.</td>
</tr>
<tr>
<td><strong>E – For Sellers Located Outside Tennessee Destination Sales Report</strong></td>
<td>Beginning 10/1/19, this schedule is to be completed for all sales that originate from a business located outside of Tennessee and sold to a destination inside Tennessee. Sales must be reported using the tax rate applicable to the delivery destination.</td>
</tr>
<tr>
<td><strong>F – Local Occupancy Tax on Short-term Rentals</strong></td>
<td>Beginning 1/1/21, this schedule is to be completed by all short-term rental unit marketplaces for all short-term rentals of residential units rented through the marketplace.</td>
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</tbody>
</table>
Viewing/Printing a Return

- Make a Payment
- View/File Returns
- Additional Actions

View or Amend Return

- View Submission
- View Payment
- Print
- Amend
**Amending a Return**

<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Status</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Aug-2021</td>
<td>Sales and Use Return</td>
<td>Processed-OnTime</td>
<td>View or Amend Return</td>
</tr>
<tr>
<td>31-Jul-2021</td>
<td>Sales and Use Return</td>
<td>Processed-OnTime</td>
<td>View or Amend Return</td>
</tr>
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</table>

Make necessary changes to the return. If amendment is made after the due date of the return and the amendment results in additional tax owed, penalty and interest will calculate based on the difference.
Resources

Please submit specific account-related questions, or any questions that do not get addressed in this webinar to directly us!

www.tn.gov/Revenue

Revenue.support@tn.gov

615.253.0600 (M-F 8-4:30 CST)
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