



Sales Tax Basics

Tax Webinar: May 28, 2024

Information is current as of the date presented and may not reflect legislative and other subsequent changes. For the most up-to-date information, please refer to our [published tax manuals](#) and [Revenue Help articles](#). Additionally, you can find legislative summaries by year/tax type [here](#).

Thanks for joining us!

We will begin at 9:00 am (CST)

➤ **Please check your audio settings. See below for resources in case you experience audio or other technical difficulties:**

- Contact WebEx Support <https://help.webex.com/contact/>
- Link to Technical Service Resource Guide <https://www.cisco.com/c/en/us/support/web/tac/technical-services-resource-guide.html>
- Try leaving and then re-entering the event

View a recording of today's presentation!

[tn.gov/revenue](https://www.tn.gov/revenue) > Taxpayer Education > Tax Webinars

<https://www.tn.gov/revenue/taxpayer-education/tax-webinars.html>

The webinar recording will be posted in the "Webinar Video Library" the day after the event.

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

- www.tn.gov/Revenue
- Revenue.support@tn.gov
- 615.253.0600 (M-F 8-4:30 CST)



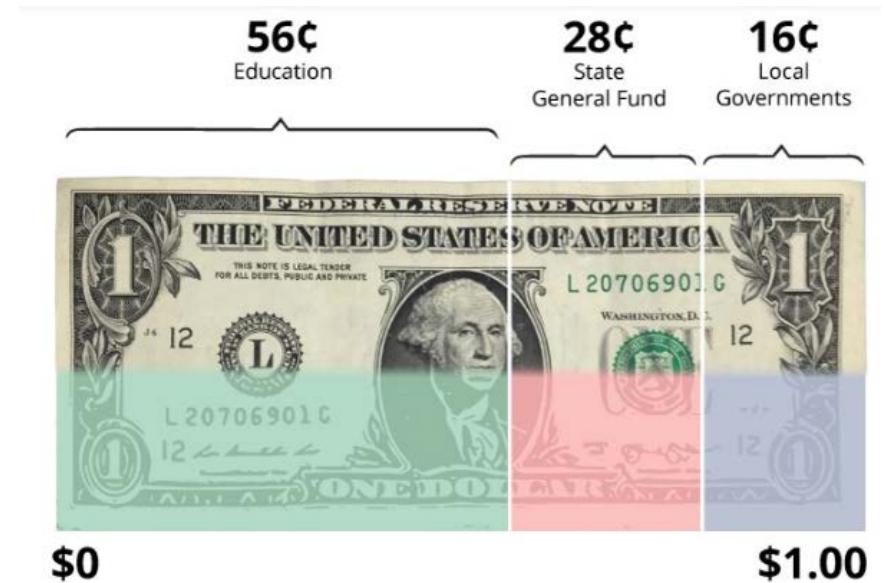
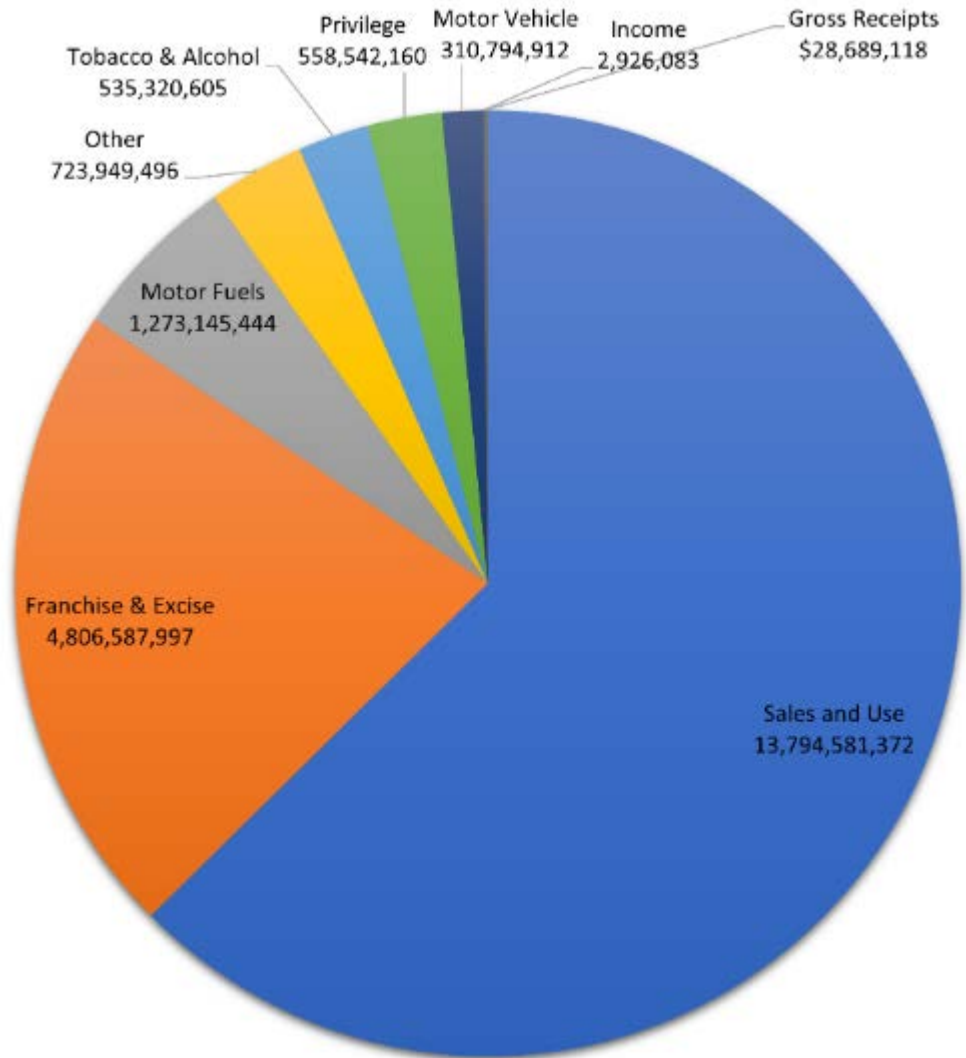
Overview

The sales tax is Tennessee's principal source of state tax revenue accounting for approximately 60% of all tax collections. The sales tax is comprised of two parts, a state portion and a local portion. The general state tax rate is 7%. The local tax rate varies by county and/or city.

Tenn. Code Ann. §§ 67-6-101 et seq., Tenn. Code Ann. §§ 67-6-701 et seq

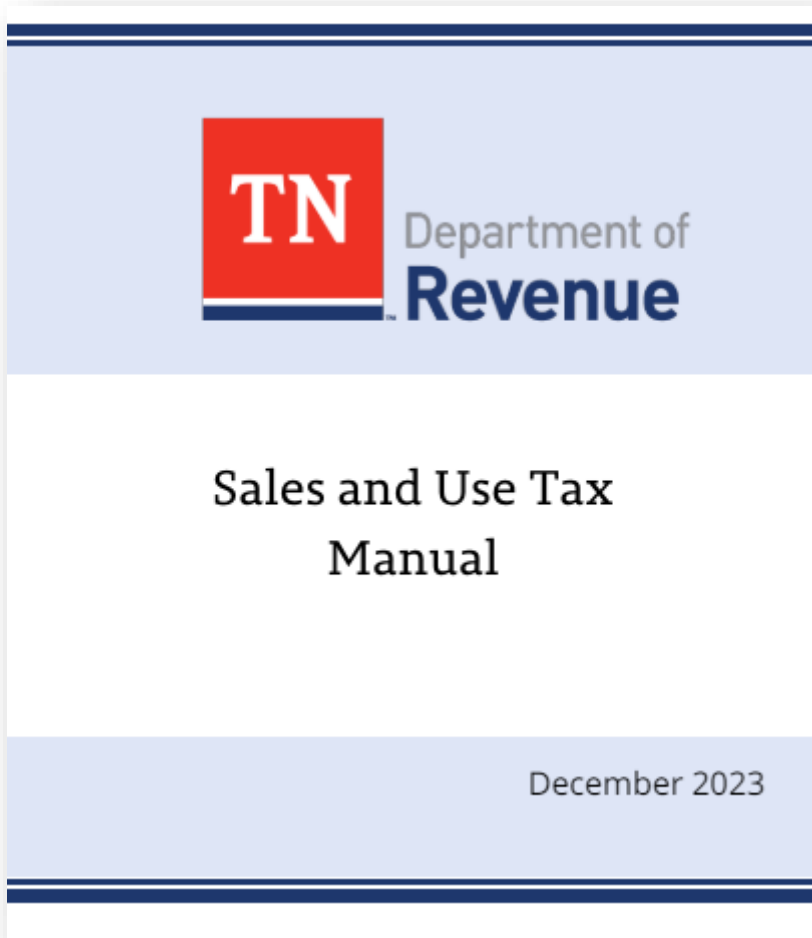
- **WHO/WHAT IS SUBJECT TO SALES TAX**
 - **RATES**
 - **EXEMPTIONS**
 - **RESOURCES**
 - **Q&A**

Breakdown of State Revenue Sources

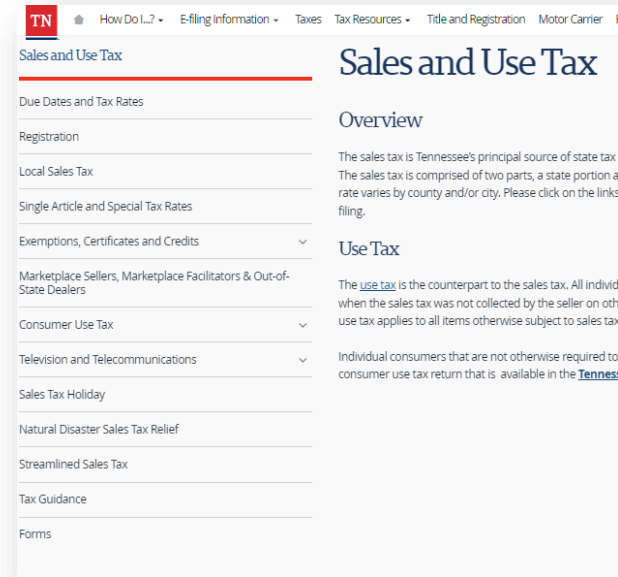


HOW EACH SALES TAX DOLLAR IS SPENT

Sales Tax Resources



TAX MANUAL: <https://www.tn.gov/revenue/tax-resources/legal-resources/tax-manuals/sales-use-tax.html>



TAX PAGE:

<https://www.tn.gov/content/tn/revenue/taxes/sales-and-use-tax.html>



SALES TAX QUESTIONS:

<https://revenue.support.tn.gov/hc/en-us/sections/200549005-Sales-Use-Tax>

TN Sales Tax Basics

The tax applies to dealers engaged in the business of making sales of taxable products/services in TN.

Retailers are responsible for the tax and are to collect the tax from consumers.



TAXABLE

UNLESS SPECIFICALLY
EXEMPT BY LAW



NOT TAXABLE

UNLESS SPECIFICALLY
LISTED BY LAW or ARE PART
OF THE SALES PRICE OF TPP

Generally,

$$\begin{array}{l} \text{State Tax Rate} \\ + \text{Local Tax Rate} \\ = \$ \text{TOTAL SALES TAX} \end{array}$$



Special rates...

Food
Digital products
Single articles
And more...

Use Tax

- Companion tax to sales tax.
- Due when sales tax was not collected on otherwise taxable products brought or shipped into TN.
- Applies to all items otherwise subject to sales tax except for services and amusements.
- Individual consumers that are not otherwise required to be registered for sales and use tax may pay the use tax on the consumer use tax return that is available in TNTAP.
- **Upcoming webinar: TN Use Tax, December 2024!**

Nexus/Registration

Does the business have physical presence in TN?

➤ YES

- If **in-state TPP sales threshold of \$4800+** annually is met:
 - ✓ Register/file TN sales tax if in-state threshold met
- If **in-state service sales threshold of \$1200+** annually is met:
 - ✓ Register/file TN sales tax if in-state threshold met
- If sales of TPP/services threshold(s) not met
 - TN sales tax registration /filing not required

➤ NO

- If **Economic Nexus** sales threshold of **\$100,000 within 12-month** period is met:
 - ✓ register/file TN sales tax
- If **Substantial Nexus** met:
 - ✓ register/file TN sales tax
- If economic/substantial nexus not met
 - TN sales tax registration/filing not required

[Webinar: Reporting Out-of-State Sales by Delivery Destination](#)



- Register each business location in Tennessee
- One registration for all out-of-state sales to consumers in Tennessee

Tax on TPP

TPP is defined as “personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses.

Real vs Tangible Personal Property

Real property is that which is immovable, such as land, buildings, improvements to same, and even some firmly attached or integrated structures like light fixtures.

[Sales Tax Manual Chapter 12 for more info on Real vs TPP!](#)

Taxable Services

WEBINAR: SERVICES SUBJECT TO SALES TAX

- **Repair or installation of TPP (incl. computer software)** [Webinar: Taxation of Computer Software](#)
- **Lodging services and rooms** [Webinar: Taxation of Short-Term Rental](#)
- **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**

Repair of TPP: Defined

- **Work done to preserve or restore**
- **Mending or correcting**
- **Alterations**
- **Refinishing**
- **Cleaning that is a necessary part of any repair work**
- **Service calls where any repair work is done or contemplated**
- **Changes in the size, shape, or content.**

Rates

- The **general state sales tax rate** for most tangible personal property and taxable services is **7%**.
 - Any county or incorporated city may levy a local sales/use tax. The **local tax rate is 2.75% or less.**
 - [LOCAL RATES LINK](#)
 - The sales tax rate on **food** is **4%**.
 - [Notice #23-09 2023 Sales Tax Holiday for Food and Food Ingredients](#)
 - [Certain Cities and Towns May Adopt Reduced Sales Tax Rate on Food and Food Ingredients](#)
 - **Specified digital products** are taxed at the state rate of **7%** and a **standard local tax rate of 2.5%** (instead of the local tax rate in effect in a county/municipality).
 - [Webinar: Sales Tax on Specified Digital Products](#)
- In-state sellers collect and remit local tax at the rate for the local jurisdiction where the business is located
 - Sellers with no locations in must collect the local rate of the delivery destination.

Single Article

[Webinar: Single Article Tax in TN](#)

“Single article” – any item of tangible personal property (TPP) commonly understood to be a separate unit capable of being sold separately.

For **“single articles” over \$1600** in price, there is special taxation.

Common examples include.....



Jewelry



Vehicles

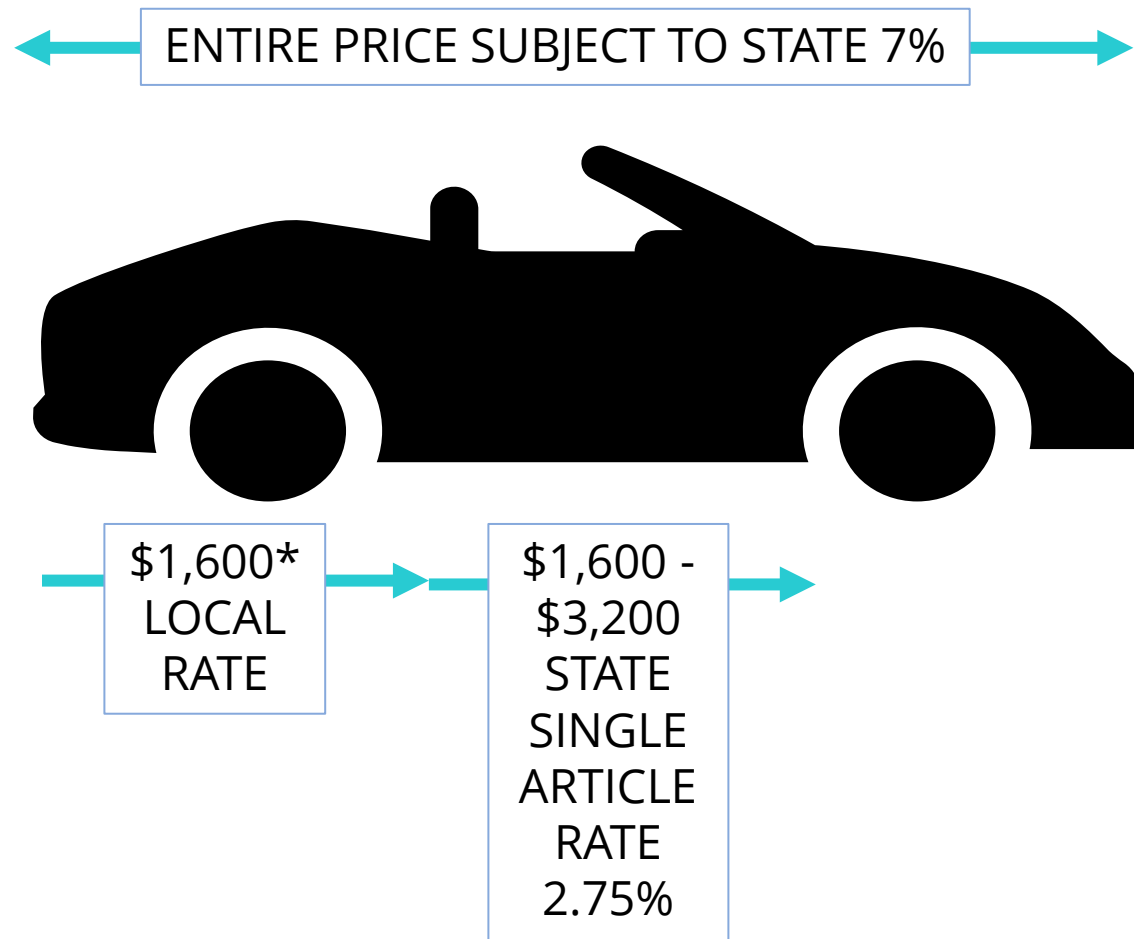
Furniture



Pre-Written
Computer Software



Single Article, more



- The entire price is taxed at the state sales tax rate (7%)
- Local sales tax rate applied is **limited to the first \$1,600***
- An additional state single article tax rate of 2.75% applies to the portion of the price that is more than \$1,600 and up to \$3,200

* Exception: Hamblin County limitation is \$300 and Hancock County limitation is \$375

“Sales Price”

The sales or purchase price is the amount that is subject to tax. It is the total amount for which taxable products or services are sold. The amount includes the seller's costs, expenses and charges for the following even if the seller separately itemized the following amounts:

- Cost of property sold
- Cost of materials used
- Cost of labor or services
- Cost of incoming freight
- Taxes imposed on the seller
- Services necessary to complete the sale
- Delivery charges
- Installation charges

Exemptions

USAGE-BASED, examples include:

- Pollution control (supported by valid exemption certificate)

PRODUCT-BASED, examples include:

- Textbooks
- School meals
- Some healthcare items

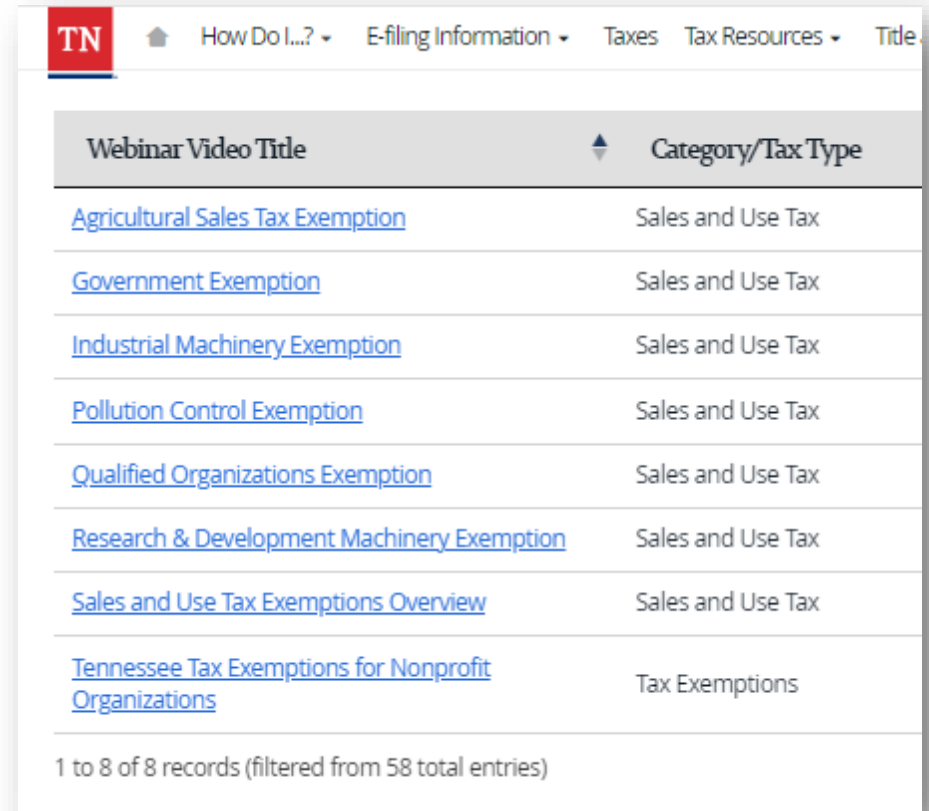
ENTITY-BASED, examples include:

- Government (US Govt, state of TN, TN counties/municipalities – supported by exemption certificate)
- Non-profits (supported by TN exemption certificate or a federally issued 501(c)(3) document)
- Qualified farmers (supported by valid exemption certificate)
- Qualified manufacturers (supported by valid exemption certificate)

MORE DETAILS ABOUT EXEMPTIONS: [Sales tax Manual Chapter 18 & 19](#)

Exemptions, more

- Schedule A – report most product exemption and entity exemptions
- Schedule G – report temporary exemptions.
- Schedule G is a sub-schedule of the Schedule A
- Total from Schedule G rolls into Schedule A, line 10.



The screenshot shows a webpage with a navigation bar at the top containing the TN logo, a home icon, and links for 'How Do I...?', 'E-filing Information', 'Taxes', 'Tax Resources', and 'Title'. Below the navigation bar is a table with two columns: 'Webinar Video Title' and 'Category/Tax Type'. The table lists eight entries, each with a blue hyperlink for the title and a corresponding category. At the bottom of the table, it indicates '1 to 8 of 8 records (filtered from 58 total entries)'.

Webinar Video Title	Category/Tax Type
Agricultural Sales Tax Exemption	Sales and Use Tax
Government Exemption	Sales and Use Tax
Industrial Machinery Exemption	Sales and Use Tax
Pollution Control Exemption	Sales and Use Tax
Qualified Organizations Exemption	Sales and Use Tax
Research & Development Machinery Exemption	Sales and Use Tax
Sales and Use Tax Exemptions Overview	Sales and Use Tax
Tennessee Tax Exemptions for Nonprofit Organizations	Tax Exemptions

[WEBINAR VIDEO LIBRARY: EXEMPTIONS](#)

Filing

- Due on the **20th day of the month following the period**
- Once an account is opened, filing must begin even if no sales (file \$0 if needed)
- There is no option for filing extension
- **Sales Tax accounts are generally set up monthly**
 - **For more info on annual or quarterly filing, please visit our website**



Filing Resources

- Webpage: [Electronic Filing Using a Software Vendor](#)
- Webinar: [Completing the Sales Tax Return](#)
- Help Video: [Filing a Sales Tax Return](#)
- [Sales Tax Manual](#): pp 27-29

Helpful Webinars

- **Special Events** – [Webinar: Special Events](#)
- **Marketplace Facilitators/Sellers** – **Webinar Soon!**
- **E-commerce Sales** – [Webinar: E-Commerce Sales](#)
- **Amusements: Webinar Soon!**
- **Contractors** – [Webinar: Sales Tax for Contractors](#)
- **Hemp Tax** – [Webinar: Taxation of Hemp-Derived Cannabinoids](#)
- **Tobacco Tax** – [Webinar: TN Tobacco Taxes](#)
- **Alcohol Tax** – **Webinar Soon!**



TAXES IN
ADDITION
TO SALES
TAX

Questions



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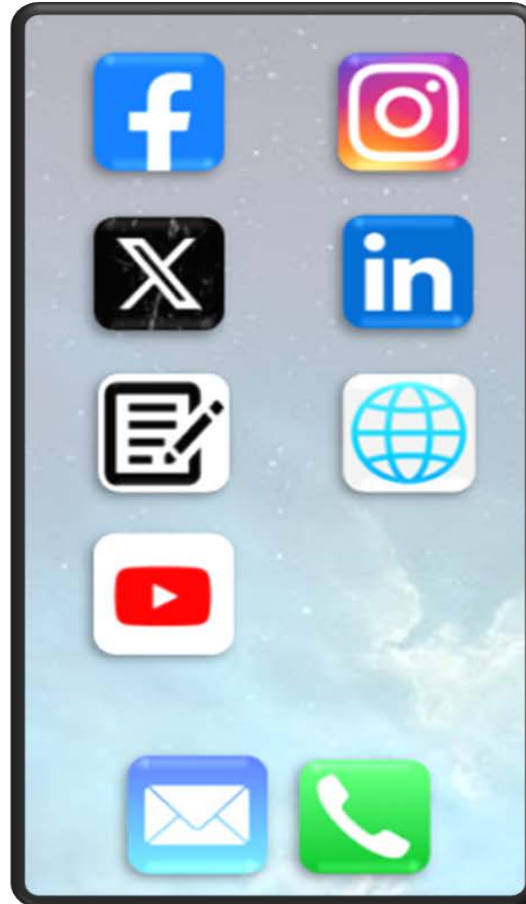
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www.tn.gov/revenue

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**General Call Center
615.253.0600**

SUPPORT STAFF AVAILABLE TO ASSIST YOU M-F 8am - 4:30pm

[All Dept. of Revenue Contact Numbers and Office Locations](#)



UPCOMING!

- **Upcoming Webinars**

- 6/25 – Tax Issues for Automobile Dealers
- 7/30 – 2024 Legislative Updates

- **New Business Workshop: 7/10/24**



Taxpayer Education & Outreach



**PLEASE TAKE A MOMENT
TO COMPLETE A BRIEF
SURVEY UPON EXITING!**

IMPORTANT: In order to receive CPE credit for attending, you must answer yes to question 4 of the post-event survey.