

2002 Coin-operated Amusement Device Tax Change

Coin-op tax notice

The Tax Reform Act of 2002 changes the method of taxation of coin-operated amusement devices, as defined in Tennessee Code Annotated, **effective September 1, 2002**. Tenn. Code Ann. Section 67-4-507 has been deleted in its entirety, and a new section has been added as the “Coin-Operated Amusement Machine Tax Act.”

Tenn. Code Ann. Section 67-4-2202 provides that the tax imposed by this act is a state tax only and is levied on “bona fide coin-operated amusement machines” which are any coin or token operated game, machine, or device which, as a result of depositing a coin, token, or other object, automatically or...through some mechanical or electronic operation involving skill, chance, or a combination thereof, affords music, amusement, or entertainment without vending any merchandise. The tax is levied on **all** coin-operated amusement machines put into use or play by the general public. There is no longer a distinction between Class 1 and Class 2 devices. The tax provided by this law is the exclusive tax on the receipts from these machines. No sales or business tax is due on the receipts.

The term “bona fide coin-operated amusement machine” is not synonymous with the term “vending machine.” A “vending machine” is defined by Tenn. Code Ann. Section 67-4-506(a) as a machine that sells a tangible item (vends merchandise) with a market value

roughly equal to the value of the money or money equivalent deposited into the machine.

Tenn. Code Ann. Section 67-4-2204 provides that an annual license tax will be levied on the privilege of owning bona fide coin-operated amusement machines for commercial use by the public. The tax year begins on July 1 and ends on the following June 30. Prior to exercising this privilege, each owner of any bona fide coin-operated amusement machines shall pay the annual license tax as follows:

(1) Level one license: A person owning 50 or fewer machines will pay a master license tax of \$500. If, after an owner obtains a level one license for a tax year, the owner acquires additional machines so that the person owns more than 50 but less than 200 machines, that person shall pay an additional master license tax of \$500.

(2) Level two license: A person owning more than 50 machines, but less than 200, will pay a master license tax of \$1,000. If, after an owner obtains a level two license for a tax year, the owner acquires additional machines so that the person owns more than 200 machines, that person shall pay an additional master license tax of \$1,000.

(3) Level three license: A person owning more than 200 machines will pay a master license tax of \$2,000.

An owner may obtain a six-month master license on or after January 1 of each tax year by paying a tax of two \$250 for a level one license, \$500 for a level two license, or \$1,000 for a level three license. The six-month license will expire on June 30 of the tax year. No refund or credit of the master license tax may be made to any owner that ceases to own bona fide coin-operated amusement devices before the end of any tax year.

Upon payment of the master license tax, the commissioner will issue the owner the appropriate master license certificate, a copy of which shall be displayed prominently at each location where the owner has a bona fide coin-operated amusement device available for commercial use and play by the public. The master license is effective for a single business entity and is non-transferable. Should an original master license certificate be lost, stolen, or destroyed, the commissioner may issue a duplicate original. A statement detailing the circumstances under which the original was lost, stolen, or destroyed, and a replacement fee of \$100 must be submitted before the duplicate replacement certificate may be issued. An application for renewal of the license must be submitted by June 1 of each year, along with all taxes and fees.

Tenn. Code Ann. Section 67-4-2205 provides that, in addition to the license tax, there is an additional tax of \$10 per bona fide coin-operated amusement machine owned. This tax must also be paid to the commissioner prior to making the machine available for commercial use by the public. If, after paying the license tax and the machine tax, the owner acquires additional machines, these additional machines are

also subject to the \$10 machine tax before they can be put into use. No refund of the machine tax is allowed.

Once the machine tax has been paid, the commissioner will issue a decal for each machine as evidence that the tax has been paid. The owner shall securely affix a decal to each machine available for play by the public along with identification showing the owner's name, address and phone number. Owners may transfer the decals from machine to machine and from location to location so long as all machines in commercial use and available for play by the public have a decal and the owner uses the decals for machines that it owns. A \$50 penalty shall be assessed by the commissioner for each machine that is available for commercial use and play without a decal or which is located in a business where the master license of the owner is not displayed.

Any owner that properly completes the application for renewal of the license and submits the application with all taxes and fees in a timely manner, may continue operation after June 30 if the renewal license and decals have not been issued, provided the owner displays a photocopy receipt indicating that the application for the renewal license was timely filed, along with a copy of the expired license, in each location where bona fide coin-operated amusement devices are available for use and play by the public.

The commissioner shall not renew a master license and shall suspend or revoke any master license if the commissioner discovers that any licensee or applicant owes the state any taxes, fees, delinquent taxes or fees, or

penalties resulting from delinquent taxes, or that the owner has failed to display the master license at any location as required. The commissioner shall give written notification to any licensee or applicant of any denied application or renewal application or revoked master license.

Any owner who makes a bona fide coin-operated amusement machine available for use and play by the public **must first register** with the Department of Revenue for payment of the coin-operated amusement tax. Any owner making a machine available for use and play by the public without a current

master license or without a decal affixed to the machine, a business owner or operator who permits such machine to be operated on the business' premises without display of a copy of the owner's master license or a decal affixed to a machine, and any person that removes a machine tax decal from such machine, except as permitted in Tenn. Code Ann. Section 67-4-2205(b), commits a misdemeanor offense.

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

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