

Sales of Television Programming and Telecommunications to Hotels, Motels and For-profit Hospitals

Sales & Use tax notice

This notice is to clarify the sales taxation of television, telephone and other telecommunication services provided by hotels, motels, for-profit hospitals, and the like, to their guests, in light of 1999 Public Chapters 413 and 423.

While Public Chapters 413 and 423 make various changes in the sales taxation of television services and telecommunication services provided by certain taxpayers, these acts did not change how the sales tax applies when these services are provided by hotels and motels to their guests.

Television Programming

Public Chapter No. 423 amends the statutes related to the taxation of television programming services sold by a cable television service provider authorized pursuant to Tenn. Code Ann. Section 7, Chapter 59, by a wireless cable television service provider, or by a direct-to-home satellite service provider. Under P.C. 423, the exemption for “basic” cable television service has been repealed and replaced with a \$15 exemption, per subscriber per month, for television service sold by qualified cable providers or wireless cable providers. Bulk purchases of television programming by hotels and motels receive only one \$15 exemption per month from the qualified cable or wireless cable television provider.

Hotels and motels may not use a resale certificate but instead must pay applicable state and local sales tax on all purchases of television programming above \$15.

If an optional television programming service, such as pay-per-view, is separately resold to a guest, then the hotel or motel may take a credit for sales taxes paid on that service. The hotel or motel must collect sales tax at the full state plus local rate on all charges for optional television programming resold to a guest. The \$15 exemption does not apply to sales made by hotels and motels.

If the television programming is provided as a part of the room charge to a guest, then the hotel or motel may not take a credit on its return for sales taxes paid on the television programming.

Telecommunications

Public Chapter No. 413 amends the statutes related to the sale of interstate telecommunication services by deleting the exemption for interstate WATS. All interstate telecommunication services sold to businesses are subject to a reduced state tax rate of 3.5% and are exempt from local tax. **Hotels and motels may not use a resale certificate but instead must pay the state tax rate of 3.5% on all interstate telecommunications (such as telephone, facsimile and Internet access) which they purchase.**

Sales of interstate telecommunications by hotels or motels to their guests are not considered sales to business and, therefore, are not subject to the reduced rate of tax. The hotel or motel must collect sales tax at the 6% state and 1.5% local rate on all charges for interstate telecommunications resold to guests. The hotel or motel may then take a credit on its return for the 3.5% sales taxes it paid on the interstate telecommunication service which it resold.

Public Chapter No. 413 did not make any change to the taxation of intrastate telecommunication services. Intrastate

telecommunication services are subject to the full state rate and applicable local rate of sales tax.

For-profit Hospitals

For-profit hospitals should pay and collect tax on television programming and telecommunication services in the same manner as hotels and motels described above.

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

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