

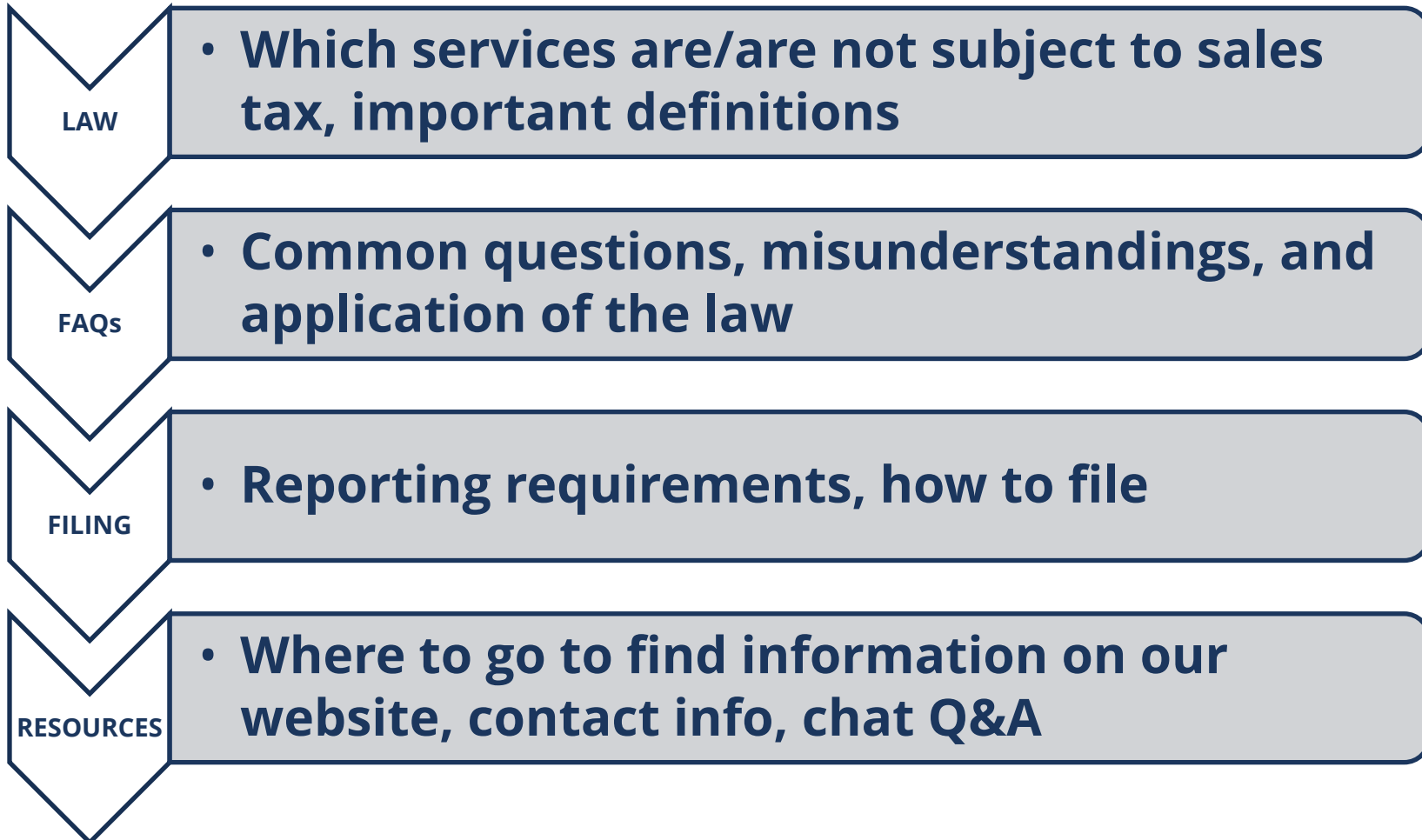


STATE OF TENNESSEE

SERVICES SUBJECT TO SALES TAX
IN TENNESSEE

AUGUST 2021

OVERVIEW



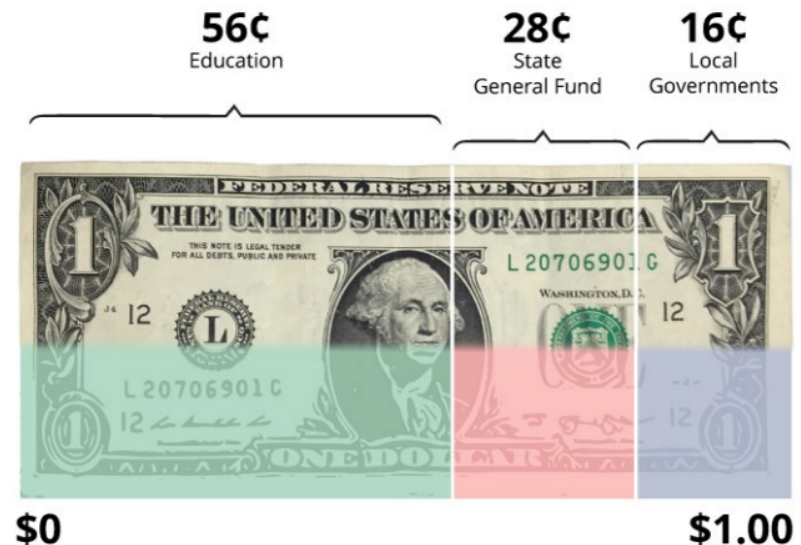
Tennessee Taxes

- The Mercatus Center (www.mercatus.org) and US News & World Report (www.usnews.com) both rank

TENNESSEE as #3 in the US for fiscal condition/stability!

- TN has no state income tax!
- The majority of state revenue comes from Sales Tax paid by consumers and collected/remitted by businesses.

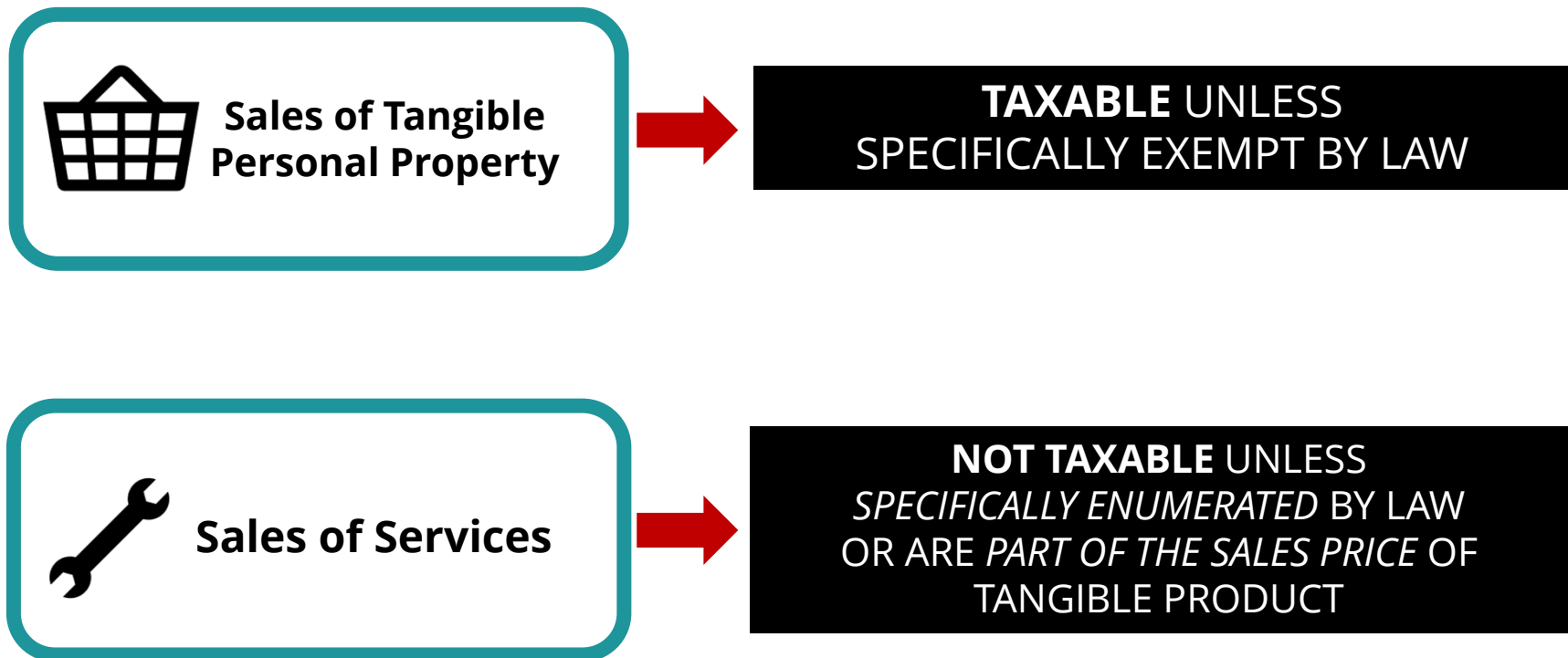
How Each Sales Tax dollar is spent:



SALES TAX LAW

The "Retailers' Sales Tax Act" imposes the sales tax on tangible personal property and *certain enumerated services*.

Tenn. Code Ann. Title 67, Chapter 6, Part 2



DEFINITION: Real vs Tangible Property

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

Real Property is tangible but becomes immovable such as land, buildings, improvements to same, and even some firmly attached or integrated structures like light fixtures.



TAXABLE SERVICES

Services specifically enumerated by the law include:

- ✓ **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

TAXABLE SERVICES : Repairs

Repair services and repairs of tangible personal property are taxable and include:

- ✓ Work done to preserve or restore TPP
- ✓ 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

TAXABLE SERVICES : Installation

- ✓ Charges for installing TPP that remains TPP after installation are **taxable**.
- ✓ TPP attached to real property, but can be ordinarily removed (i.e. window air conditioning units, curtain and drapery rods, gasoline pumps, etc.) is personal property and the installation charges are **taxable**.

TAXABLE SERVICES : Software Installation

Installation of software on
a computer (located in TN) =
taxable

- regardless of whether the installation is made along with the sale of TPP/computer software

What is considered part of the SALES PRICE....

- Delivery charges
- Labor costs
- Service costs
- Services provided by the seller that are necessary to complete the sale of a taxable good or service

"sales price" includes the **total consideration received by the seller**

and applies to any charge made by a seller in connection with a taxable transaction

(even if the charge for the activity would not be subject to sales tax when standing alone.)

DEFINITION: Sales Price

- **Sales price includes the seller's:**
 - Cost of the *property sold and materials used*
 - *Labor/service 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*



FREQUENTLY ASKED QUESTIONS

Website Development/Hosting/etc.



Is website development and hosting taxable? We also provide virus scanning and monitor their servers for failure, is this taxable?



Charges for services performed on TPP (i.e. computer software) are subject to sales tax.

Virus scanning services are subject to the tax as well since it is considered a cleaning/repair service.

The charge for monitoring the server is not subject to sales tax *unless you will also provide repair services* to the server in the event of failure. If you will also provide repair to the server, the charge is taxable.

Website hosting is not subject to sales tax.



FREQUENTLY ASKED QUESTIONS

Beauty Services



Are beauty services (i.e. hair removal services, laser lipo treatments, skin treatments, hair cutting, makeup application, etc.) considered taxable? What about products we sell?



Charges for these services would not be subject to sales tax. However, any products sold are subject to sales tax.

FREQUENTLY ASKED QUESTIONS

Animal Bathing & Grooming



Is the service of bathing/grooming animals considered taxable for Tennessee sales tax?



Charges for bathing animals are subject to sales tax, while separate charges for grooming are not taxable.

When a person provides both bathing and grooming services for a single charge, sales tax applies to the total charge.

FREQUENTLY ASKED QUESTIONS

Landscaping Services



Are landscape services taxable for Tennessee sales tax?

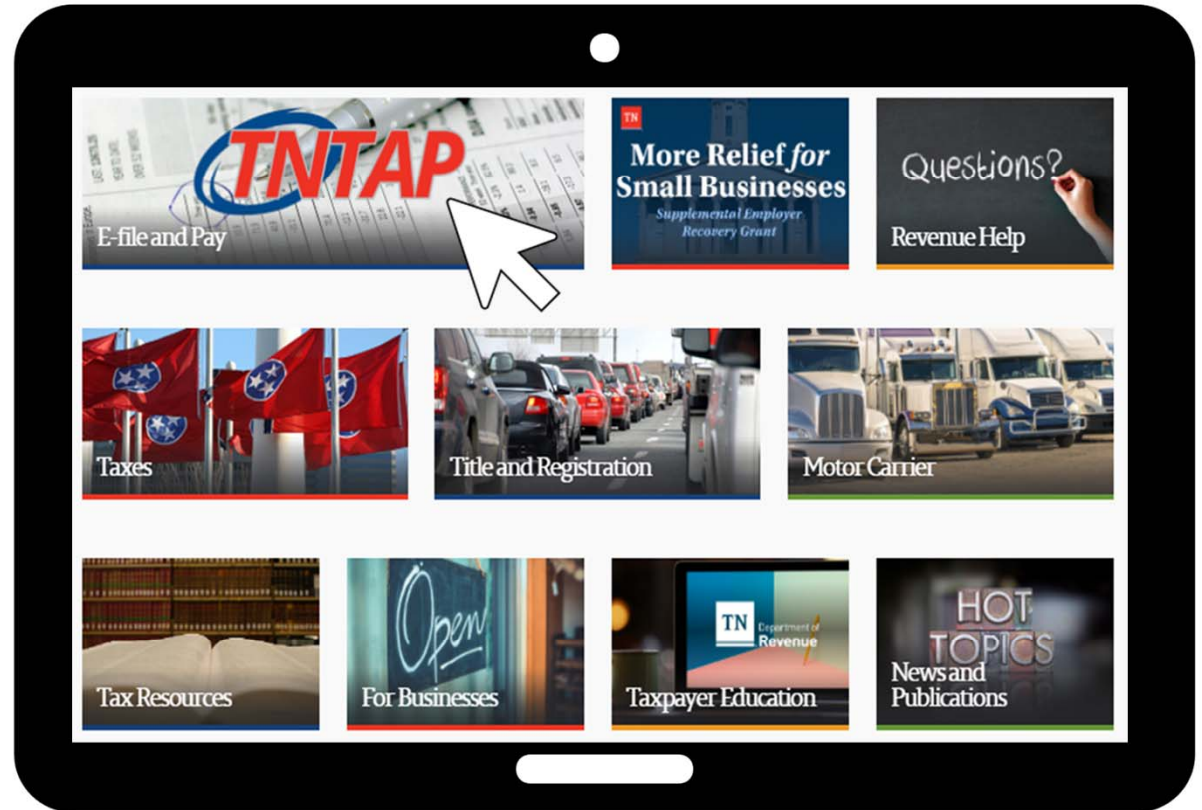


Services such as grass cutting, trimming, bush trimming, leaf raking, and similar activities are all *services performed on real property*. Charges for such services are **not subject to sales tax**.

FILING: TNTAP for Taxpayers

www.tn.gov/revenue > TNTAP

- ✓ Register for tax accounts
- ✓ Electronic filing for all Tennessee tax accounts
- ✓ Schedule payments in advance
- ✓ Automatic correction of common errors
- ✓ Amend returns
- ✓ Access returns, certificates, and letters
- ✓ Much more!



FILING

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).



Contact us to for questions about filing frequency



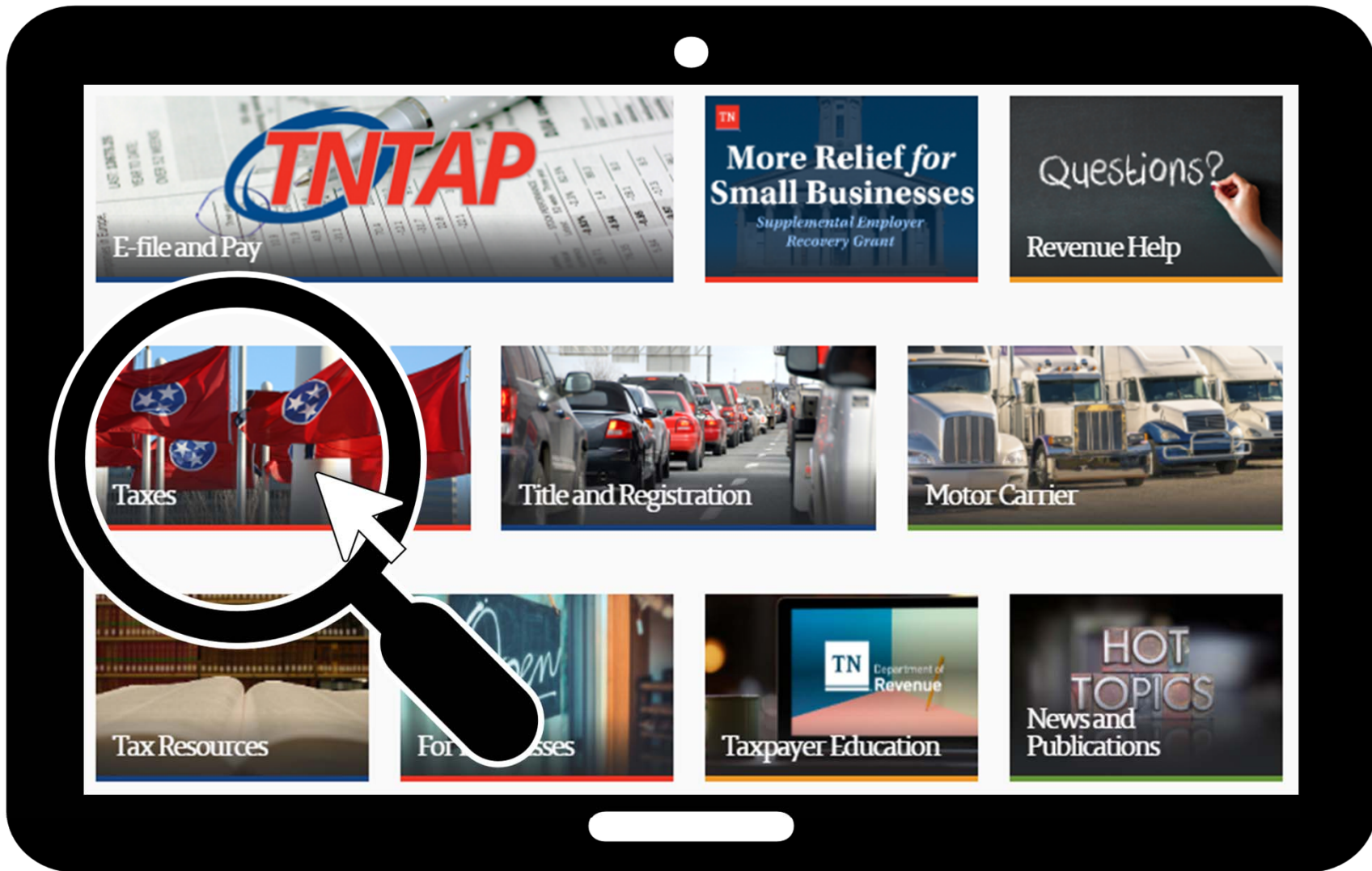
FILING



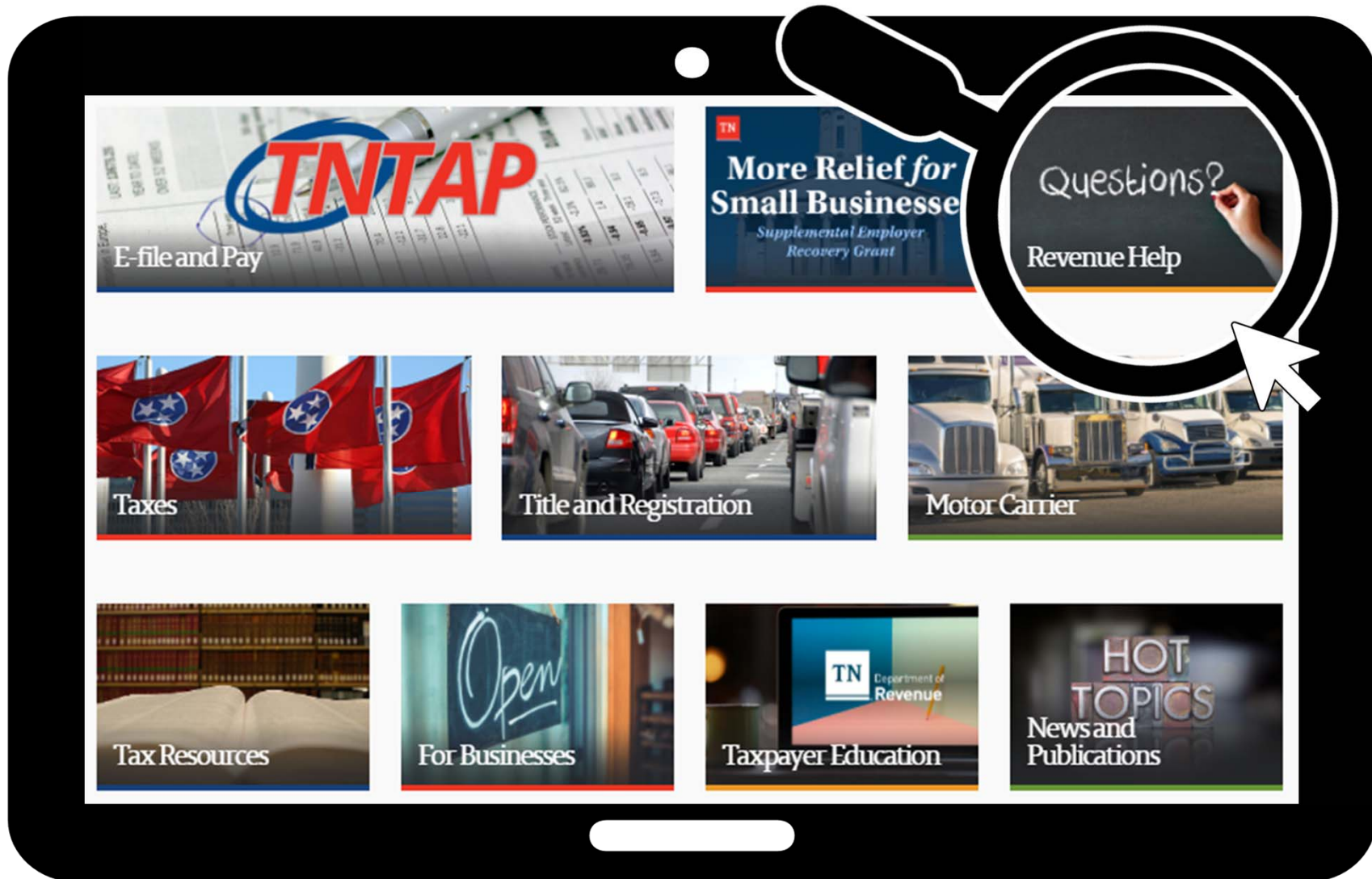
Services exempt from sales tax do not need to be reported as gross sales on the return.

This is a common misunderstanding. Some taxpayers report the sales of services not subject to the tax on Line 1 and then exempt them out on Schedule A. This is not required or recommended.

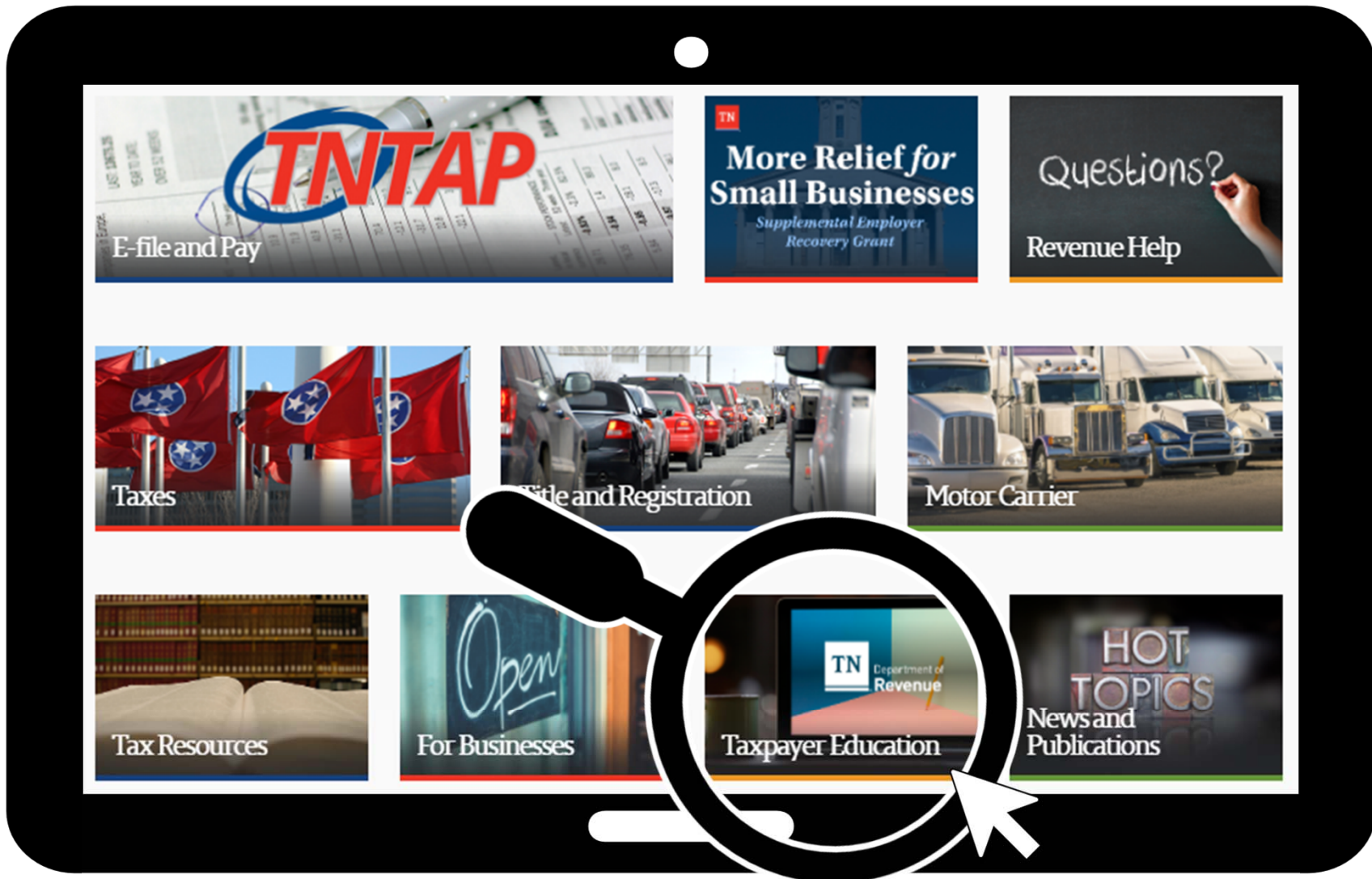
RESOURCES: www.TN.gov/revenue : General Tax Info



RESOURCES: www.TN.gov/revenue : RevenueHelp



RESOURCES: www.TN.gov/revenue : Taxpayer Education



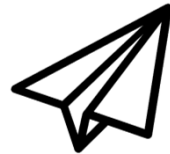
RESOURCES: How to Contact Us



**Please visit
our website
and feel free
to reach out
to us *anytime!***



www.tn.gov/Revenue



Revenue.support@tn.gov



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