



# SINGLE ARTICLE TAX IN TN

October 2022 Tax Webinar

# Overview

Tennessee provides *special tax treatment* for ***SINGLE ARTICLES*** of tangible personal property.

- What is Considered a Single Article?
- How is it Taxed Differently?
- Special Situations
- Reporting Single Article Tax on the Return
- Resources/Q&A

# What is a “Single Article”?

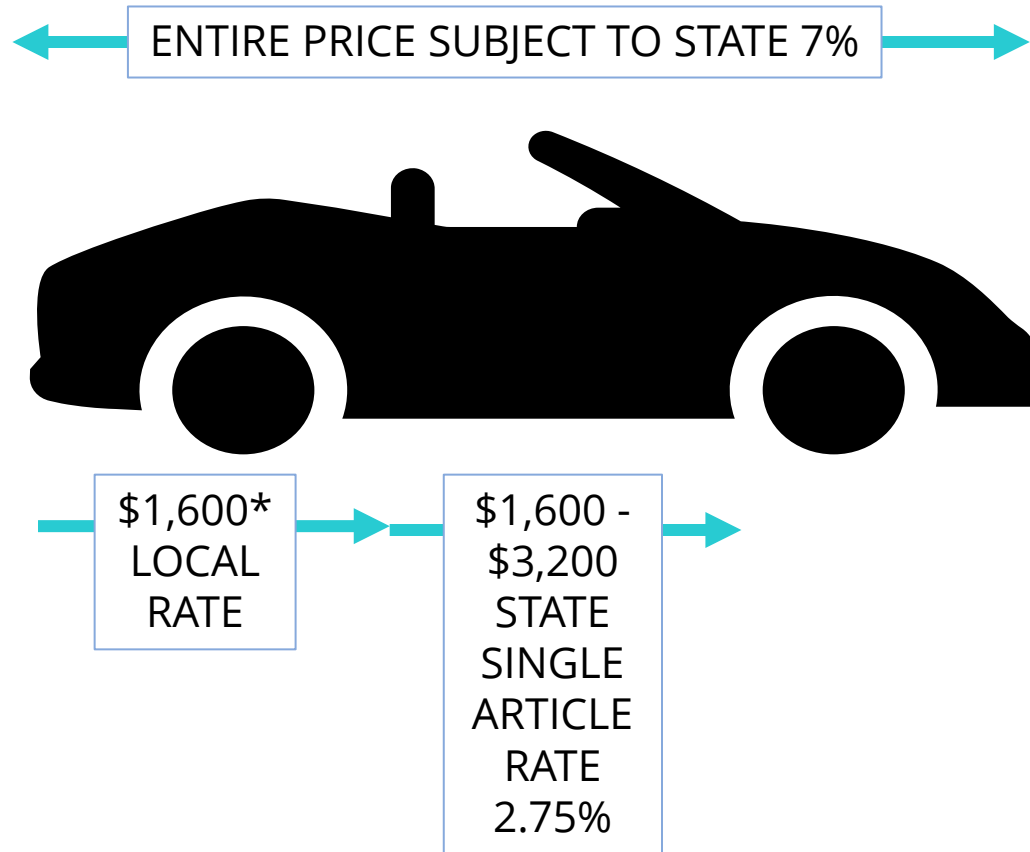
**“Single article”** – any item of tangible personal property (TPP) commonly understood to be a separate unit capable of being sold separately.

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

Common examples include.....



# How are Single Article Items Taxed Differently?



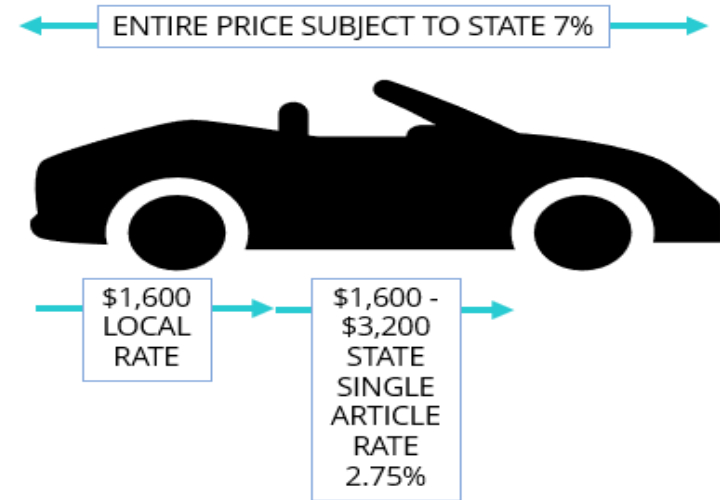
- The entire price is taxed at the state sales tax rate (7%)
- Local sales tax rate applied is **limited to the first \$1,600\***
- An additional state single article tax rate of 2.75% applies to the portion of the price that is more than \$1,600 and up to \$3,200

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

# Examples

## Example Invoice, sales price *over* \$3200:

Item Description	Amount
Vehicle	\$25,000
Subtotal	\$25,000
Local Single Article 2.75% x \$1600	\$44
State Single Article 2.75% x \$1600	\$44
State Tax Rate 7% x \$25,000	\$1,750
<b>Total Cost</b>	<b>\$26,838</b>



## Example Invoice, sales price *under* \$3200:

Item Description	Amount
Vehicle	\$2,000
Subtotal	\$2,000
Local Single Article 2.75% x \$1600	\$44
State Single Article 2.75% x \$400	\$11
State Tax Rate 7% x \$2,000	\$140
<b>Total Cost</b>	<b>\$2,195</b>

Note that the state SA is calculated on \$400, difference between \$1600 and \$2000 (sales price)



# What can be Included in “Sales Price”?

**The single article calculation is based on the “sales price” of the single item. The following may be included in “sales price”:**

- Cost of the property sold
- Cost of materials used
- Labor or service costs
- Interest
- Losses
- Transportation costs
- Taxes imposed on the seller
- Any expenses of the seller (processing/doc fees/etc)
- Charges for any services necessary to complete the sale
- Delivery/Installation charges



# What is Not Taxed as a “Single Article”?

The “Single Article” calculation does not apply to:

- Taxable services
- Amusements
- *Custom* computer software
- Warranty/maintenance contracts
- Items sold/invoiced as a *set/bundle*



Invoice for Set	
Item Description	Amount
Dining Room Set	\$6,000
Subtotal	
	\$6,000
State Rate 7%, Local Rate 2.75%	
	\$585
Total Cost	
	\$6,585

Invoice for Items Sold Separately	
Item Description	Amount
Table	\$2,000
Chair	\$1,000
Chair	\$1,000
Chair	\$1,000
Chair	\$1,000
Subtotal	
	\$6,000
Local Single Article 2.75% x \$1600	
	\$44
State Single Article 2.75% x \$400	
	\$11
State Tax Rate 7% for Table	
	\$140
State Tax Rate 7% for Chairs	
	\$280
Local Tax Rate 2.75% for Chairs	
	\$110
Total Cost	
	\$6,585

↑ In this itemized example, the table is the only item considered as single article.

# Single Article: Lease/Rental of TPP

**The lease or rental of tangible personal property is also considered a “sale” and is subject to sales tax.**

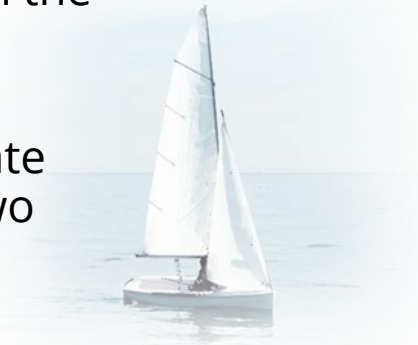
**Single Article tax calculation would apply if the total price of the item being leased is over \$1600.**

- For leases/rentals, the state single article, local article limit, and 7% state rate should be charged on 1<sup>st</sup> lease payment.
  - Each subsequent lease payment would have just the 7% state tax. This applies for the full length of the lease.
  - If the lease is renewed, charge the state single article and local article on the first payment of the renewed or new lease.



# Single Article: Boats/Trailers

- A **boat along with a motor** that is installed by the manufacturer/dealer is considered **one single article** (even if the motor is itemized on the invoice.)
- A boat **trailer is a separate single article** and requires a separate calculation. If a consumer purchases both a boat and a trailer, two separate single article calculations should be done.
- **Items not installed** as part of the boat, such as skis, ski ropes, and personal flotation devices are not part of the boat single article and should be **separately itemized** and taxed at the applicable state and local sales tax rates.
- If the boat, motor, and trailer sales are not separately listed on the bill of sale, value should be assigned to the boat plus motor and the trailer by **using percentages**.
  - If the dealer lists the value of the boat, motor, and trailer on the bill of sale, the assigned amounts should be used.
  - If values are not listed, the value of the boat and motor is 90% of the total sales price, and the trailer is 10%.



# Single Article: Software

**Prewritten computer software sold by itself, without any other computer software bundled with it and sold for one price will qualify as a single article of prewritten computer software (regardless of how the software is delivered, whether downloaded or remotely accessed.)**

- If prewritten computer software is sold pursuant to a software service agreement that requires multiple payments during the agreement period, the single article treatment will apply to the total of the service agreement payments.
- Custom software is not considered single article.



# Single Article Filing: Steps

1. Include total price in gross sales (line 1) and state sales tax (line 8)
2. Local Calculation: excess over the Single Article base?
  - Sales price minus 1600, enter on **Schedule B, Line 4**
3. Calculate tax at the local rate, **Schedule B, Line 8**

**Schedule B - Local Sales and Use Tax (See Separate Instructions)**

1. State net taxable total from First Page, Line 7 .....	
2. Adjustments (total of Schedule A, Line 1 and any applicable amounts from Schedule A, Lines 5 and 8) .....	
3. Total with adjustments (add Lines 1 and 2).....	
4. Excess amount over single article tax base .....	
5. Energy fuel sales taxed at full state rate .....	
6. Other deductions including sales of specified digital products and of merchandise sold through vending machine .....	
7. Net taxable total (subtract Lines 4, 5, and 6 from Line 3).....	
8. Local sales and use tax (multiply Line 7 x the applicable local tax rate; Enter here and on the first page, Line 10).....	

4. Calculate the state single article
  - Sales price minus 1600, **Schedule C, Line 1**
  - Sales price minus 1600 x 2.75, **Schedule C, Line 2**

**Schedule C - State Single Article Tax and Special Tax Rates (See Separate Instructions) If no taxable single articles were sold at \$1,600 or above, or if you have no special tax rate products to report, put \$0 on Lines 9 and 15 below and on Lines 12 and 13 on the first page.**

1. Taxable single article sales from \$1,600 to \$3,200 .....	(1) _____
2. State single article sales tax (multiply Line 1 x 2.75%) .....	(2) _____



# Resources – www.TN.gov/Revenue

The screenshot shows the TN Department of Revenue website. At the top left is the TN logo and the text "Department of Revenue". To the right is a search bar labeled "Search Revenue". Below the header is a navigation menu with items: "How Do I...?", "E-filing Information", "Taxes", "Tax Resources", "Title and Registration", "Motor Carrier", and "Revenue News".

Three red boxes with arrows point to specific resources in the navigation menu:

- Tax Manuals and Important Notices** (points to "Tax Resources")
- Register/File/Pay/etc** (points to "Taxes")
- Help Articles** (points to "Revenue News")

The main content area features several promotional tiles:

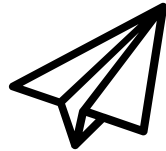
- A large tile on the left for a "Next Quarterly Webinar for New Businesses is October 5" with a "Click here for more information." link.
- A tile for "TNTAP E-File & Pay" showing a document with the TNTAP logo.
- A tile for "Questions? Revenue Help" with a hand writing on a chalkboard.
- A tile for "Taxes" showing three Tennessee state flags.
- A tile for "HOT TOPICS News and Publications" with the words "HOT TOPICS" in large, stylized letters.

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[tn.gov/revenue](https://www.tn.gov/revenue)



**TN** Department of Revenue



<https://www.tn.gov/revenue/careers/employment-opportunities.html>



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