

# Tennessee Taxability Matrix: Tax Administration Practices

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**Changes were made to the following areas of this document (indicated by a "√"):**

**Taxability Treatment**     **Definition Treatment**     **Statute/Rule Cite Reference**

**Comments**                       **Date Revised**

**Reference Number of changed items (may include a brief description of the change):**

N/A

Each item listed in Section 1. Library of Definitions under A (Administrative Definitions), B (Sales Tax Holidays) and C (Product Definitions) of this matrix is defined in the Library of Definitions in the Streamlined Sales and Use Tax Agreement (SSUTA) (<http://www.streamlinedsalestax.org/index.php?page=modules>) as amended through May 3, 2018. Refer to Appendix C of the SSUTA for each definition.

**Section A** of this matrix indicates if the state has adopted the definition provided in the SSUTA and if the item is included in or excluded from the sales price.

**Sections B and C** of this matrix indicate if the state has adopted the definition provided in the SSUTA and whether the item is taxable or exempt.

Exceptions to the definitions or further explanation of the tax application is provided in the comments column.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to treatment of the terms defined in Section 1.

**Section 2.** "Tax Administration Practices" indicates which administrative practices the state follows and provides an explanation of the state's practice if it does not follow a listed practice.

To the extent possible under each state's laws, sellers and CSPs are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to the tax administration practices contained in Section 2.

To the extent possible under each state's laws, sellers and CSPs are also relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax until the first day of the calendar month that is at least 30 days after notice of a change to Section 1 or 2 of the state's taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

**As of June 2021** the Taxability Matrix was separated into two documents: Taxability Matrix: Library of Definitions (previously Section 1) and Taxability Matrix: Tax Administration Practices (previously Section 2).

<b>Tax Administration Practices</b>					
<b>Disclosed Practice 1 - Tax Administration Practices on Vouchers from Appendix E of the SSUTA</b>		<b>Does Your State Follow this Practice?</b>		<b>If You Answered No, Describe the Difference Between the Practice as Adopted by the Governing Board and Your State's Treatment. Add Additional Comments if Desired.</b>	
<b>Reference Number</b>	<b>Disclosed Practice 1 - Vouchers</b>			<b>Statute/Rule Cite</b>	<b>Comment</b>

<p>Voucher Definition</p>	<p>As used herein, a voucher is an instrument that is:</p> <ul style="list-style-type: none"> <li>a. issued to a purchaser for an amount that is less than the face value and both the face value and amount paid by the purchaser are noted on the voucher;</li> <li>b. redeemable for personal property or services in a single visit only at the seller's business;</li> <li>c. redeemable either for a specific product or for a certain dollar amount towards the purchase price of any product sold by the seller;</li> <li>d. issued, marketed, or distributed by a third party pursuant to a specific agreement with the seller, and the seller determines the price at which the voucher is to be issued and allows redemption of the specific voucher for personal property or services ("third party agreement");</li> <li>e. not a digital code as defined by the Agreement or its Rules;</li> <li>f. not a ticket for an admission to a specific performance or event on a specific date and time;</li> <li>g. not a gift card or gift certificate nor is it convertible, in whole or in part, to gift cards, gift certificates or cash;</li> <li>h. not usable in combination with other promotions or coupons offered by the seller; and</li> <li>i. not a prepaid calling service or a prepaid wireless calling service.</li> </ul> <p>Vouchers may be provided to purchasers in the form of an electronic instrument that is scanned by the seller from the purchaser's electronic device.</p>				<p>NA, Tennessee has not adopted this definition for voucher.</p>
<p><b>Reference Number</b></p>	<p><b>Disclosed Practice 1 - Vouchers</b></p>	<p><b>Yes</b></p>	<p><b>No</b></p>	<p><b>Statute/Rule Cite</b></p>	<p><b>Comment</b></p>

Vouchers 1.1	The member state administers the difference between the value of a voucher allowed by the seller and the amount the purchaser paid for the voucher as a discount that is not included in the sales price (i.e., same treatment as a seller's in-store coupon), provided the seller is not reimbursed by a third party, in money or otherwise, for some or all of that difference.	X		T.C.A. 67-6-102 (79)	
Vouchers 1.2	The member state provides that when the discount on a voucher will be fully reimbursed by a third party the seller is to use the face value of the voucher (i.e., same as the treatment of a manufacturer's coupon) and not the price paid by the purchaser as the measure (sales price) that is subject to tax.	X		T.C.A. 67-6-102 (79)	
Vouchers 1.3	The member state provides that costs and expenses of the seller are not deductible from the sales price and are included in the measure (sales price) that is subject to tax. Further, reductions in the amount of consideration received by the seller from the third party that issued, marketed, or distributed the vouchers, such as advertising or marketing expenses, are costs or expenses of the seller.	X		T.C.A. 67-6-102 (79)	
<b>Disclosed Practice 2 - Tax Administration Practices on Credits from Appendix E of the SSUTA</b>		<b>Does Your State Follow this Practice?</b>		<b>For Sections With Only No Responses, Describe Your State's Tax Treatment. Add Additional Comments if Desired.</b>	
<b>Reference Number</b>	<b>Disclosed Practice 2 - Credits</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Definition	"Tax Paid" means the tax that was (1) paid and (2) previously due from either the seller or the purchaser when the sale of that product is taxable in that state and it was properly sourced based on that state's sourcing rules. "Tax paid" includes tax that was (1) paid and (2) previously due from the purchaser (or seller, if applicable) because the purchaser moved the product to a different jurisdiction. "Tax paid" does not include the portion of tax paid that is currently eligible for a credit or refund or tax paid that is eligible for refund under a tax-incentive program or agreement.				NA, Tennessee has not adopted this definition for tax paid.
<b>Reference Number</b>	<b>2.1 Credit Against Use Tax</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.1	The State imposing tax on the purchaser provides credit for "sales or use taxes paid" on a product against the State's use tax.	X		T.C.A. 67-6-507 (a) and 67-6-313(f) Rule 1320-05-01-.91(1)	Tax paid by the purchaser in the other state must be a like tax (i.e., sales or use tax), legally imposed and properly paid. Purchaser is required to have documentation to substantiate proof of payment for credit. Credit is limited to the amount of use tax due in Tennessee.
<b>Reference Number</b>	<b>2.2 Credit Against Sales Tax</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.2	The State imposing tax provides credit for the "sales or use taxes paid" on a product against the State's sales tax.		X	T.C.A. 67-6-507	Tennessee law only allows for credit for Tennessee tax paid to a vendor on personal property or taxable service that was subsequently resold in Tennessee. Sellers paying sales or use tax on the purchase of property in another state that is resold in Tennessee must obtain a refund from the other state for the sales or use tax paid in the other state on property resold in Tennessee.
<b>Reference Number</b>	<b>2.3 Reciprocity</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Credits 2.3.a	The credit the State provides in 2.1 and 2.2 applies regardless of whether another state provides a reciprocal credit.	X		T.C.A. 67-6-507 (a) and 67-6-313(f) Rule 1320-05-01-.91(1)	2.1 - the tax paid in the other state must be a sales or use tax to receive credit in Tennessee against the use tax due.
Credits 2.3.b.	The credit the State provides in 2.1 and 2.2 only applies when the other state where the tax was paid provides a reciprocal credit.		X		The tax paid in the other state must be a sales or use tax to receive credit in Tennessee against the use tax due.
<b>Reference Number</b>	<b>2.4 State and Local Sales and Use "Tax Paid"</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.4.a.	The credit provided for in 2.1 and 2.2 is for the <b>combined</b> amount of state and local "tax paid" to another state or local jurisdiction against both the state and local taxes due to the State.	X			
Credits 2.4.b.	The credit provided for in 2.1 and 2.2 is for <b>only</b> the state "tax paid" to another state against the taxes due to the State (i.e., no credit for local tax against state tax). If the State has local sales or use taxes, it only provides credit for state tax against state tax and local tax against local tax.		X		
<b>Reference Number</b>	<b>2.5 Credit for "Similar Tax" Paid to Another Jurisdiction</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.5	The credit provided for in 2.1 and 2.2 includes "similar taxes" that were (1) paid and (2) previously due to another state or local jurisdiction against the sales or use taxes due. If applicable, list below all known similar or like taxes the State provides credit for even if such tax does not meet the definition of a "similar tax."		X	T.C.A. 67-6-507 (a) and 67-6-313(f) Rule 1320-05-01-.91(1)	NA, The tax paid in the other state must be a sales or use tax to receive credit in Tennessee against the use tax due.
Credits 2.5					
	<b>2.6. Credit Against "Similar Tax" Imposed by the State</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Credits 2.6	The credit provided for in 2.1 and 2.2 includes "sales or use taxes paid" to another state or local jurisdiction against "similar taxes" due. If applicable, list below "similar taxes" imposed that the State provides credits against.		X		NA, The tax paid in the other state must be a sales or use tax to receive credit in Tennessee against the use tax due.
Credits 2.6					
	<b>2.7 Sourcing when Receipt Location is Known</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.7	The credit provided for in 2.1 and 2.2 applies when the other state's "sales or use taxes" were (1) paid and (2) previously due based on: i) that other state's sourcing rules, or ii) the purchaser's location of use of a product subsequent to the initial sale.		X		Streamlined sourcing is not scheduled to take effect in Tennessee until 7/1/2019. Credit is not available in Tennessee for taxes paid in other states where the taxpayer incurred the Tennessee tax before a taxable event occurred in another state.
	<b>2.8 Sourcing when Receipt Location is Unknown</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.8	Except as provided in Credits 2.13, the credit provided for in 2.1 and 2.2 applies when the seller sources the initial sale pursuant to the SSUTA Sections 310.A.3, 310.A.4, or 310.A.5, because the location where the product was received by the purchaser was unknown to the seller.	X			Streamlined sourcing is not scheduled to take effect in Tennessee until 7/1/2019. 2.1- A purchaser will receive credit for sales tax legally imposed and paid in another state, against the amount of use tax due in Tennessee.
	<b>2.9 Characterization of Sale</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.9	The credit provided for in 2.1 and 2.2 applies regardless of the other state's characterization of the product as tangible personal property, a service, digital good, or product delivered electronically.	X			Tennessee would impose tax and give credit based on Tennessee law. Tennessee imposes use tax on tangible personal property, specified digital products, computer software, and computer software maintenance contracts and warranty contracts covering tangible personal property in Tennessee.
	<b>2.10 Sales Price Components</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Credits 2.10.a.	2.10.a. Full Credit Allowed - The credit provided for in 2.1 and 2.2 applies to all components of the SSUTA "sales price" definition, whether taxable or nontaxable in the State.	X		T.C.A. 67-6-102 (79)	Tennessee adopted the Streamlined "sales price" definition including all components of the SSUTA sales price definition: delivery charges, installation charges, services necessary to complete the sale and telecommunications nonrecurring charges.
Credits 2.10.b.	2.10.b. Partial Credit Allowed - When taxable and nontaxable charges are itemized on the invoice, the credit provided for in 2.1 and 2.2 is only for the "tax paid" on the taxable components of the sales price in the State.		X		NA
	<b>2.11 Transactions with Taxable and Exempt Products</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.11.a.	2.11.a. Full Credit Allowed - The credit provided for in 2.1 and 2.2 applies to the full amount of "tax paid" on a transaction consisting of taxable and exempt products.		X		NA
Credits 2.11.b.	2.11.b. Partial Credit Allowed - When taxable and nontaxable products are itemized on the invoice the credit provided for in 2.1 and 2.2 is only for the "tax paid" on the taxable products of a transaction in the State.	X			
	<b>2.12 Audit Sampling</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.12	The credit provided for in 2.1 and 2.2 applies when the sale or purchase of the product was part of the population sampled pursuant to an audit sampling method.	X		T.C.A. 67-6-507 (b) Rule 1320-05-01-.91(1)	2.1 - Documentation is required to substantiate the tax has been paid. A Tennessee vendor claiming the purchaser paid the Tennessee tax in an audit may also be required to provide an affidavit from the purchaser stating that the Tennessee tax has been paid in Tennessee. Credit is not available in Tennessee for taxes paid in other states where the taxpayer incurred the Tennessee tax before a taxable event occurred in another state.
	<b>2.13 Direct Mail</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>



Credits 2.13	The credit provided for in 2.1 and 2.2 applies when the seller sources the sale of Advertising and Promotional Direct Mail pursuant to Section 313.A.4.	X			Streamlined sourcing is not scheduled to take effect in Tennessee until 7/1/2019. 2.1- Credit for sales tax paid in another state is given when title to Advertising and Promotional Direct Mail transfers to the purchaser outside Tennessee, prior to the recipients' receipt of the direct mail in Tennessee.
	<b>2.14 Accelerated Payments on Lease/Rentals</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.14	The credit provided for in 2.1 and 2.2 includes the "tax paid" to another state or local jurisdiction on a lease/rental transaction based on the sum of the lease payments ("accelerated basis"), against the "sales or use taxes" due on the balance of the lease/rental payments.	X		T.C.A. 67-6-507 (a) and 67-6-313(f) Rule 1320-05-01-.91(1)	
	<b>2.15 Inception-Deferred Collection on Lease/Rentals</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.15	The credit provided for in 2.1 and 2.2 includes the "tax paid" to another state or local jurisdiction on a lease/rental transaction based on a deferred collection/remittance method against the "sales or use taxes" due on the balance of the lease/rental payments.		X	T.C.A. 67-6-507 (a) and 67-6-313(f) Rule 1320-05-01-.91(1)	To receive credit the tax must be paid.
	<b>2.16 Lessor Acquisition</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Credits 2.16	The credit provided for in 2.1 and 2.2 includes the "tax paid" by the lessor to another state or local jurisdiction on the acquisition of the product against the "sales or use taxes" due on the balance of the lease/rental payments provided the tax reimbursement is documented and disclosed to the lessee.		X	T.C.A. 67-6-204	Tangible personal property purchased for use exclusively to lease or rent may be purchased on a resale certificate. Lessors paying sales or use tax on the purchase of property in another state that is leased in Tennessee must obtain a refund from the other state for the tax paid in the other state on acquisition of property for lease in Tennessee. Tennessee tax is imposed on the lease payments.

<b>Disclosed Practice 3 - Tax Administration Practices on Liability Relief from Appendix E of the SSUTA</b>  <b>(Note: These tax administration practices address whether a member state provides liability relief although the state is only required to provide relief "to the extent possible," as specified in sections 328(C) and (D) of the Agreement.)</b>		<b>Does Your State Follow this Practice?</b>		<b>If You Answered No, Describe the Difference Between the Practice as Adopted by the Governing Board and Your State's Treatment. Add Additional Comments if Desired.</b>	
Reference Number	Disclosed Practice 3 – Liability Relief	Yes	No	Statute/Rule Cite	Comment
	<b>Disclosed Practice 3.1 - Liability relief for erroneous information in the tax administration practices section of the taxability matrix</b>	<b>If you answer "Yes" to 3.1, you do not need to complete 3.1.a, b, and c below.</b>	<b>If you answer "No" to 3.1, please complete 3.1.a, b, and c below.</b>		
Liability Relief 3.1	The State provides sellers and CSPs with liability relief for tax, interest and penalties if the sellers and CSPs charged and collected the incorrect tax due to erroneous information in the tax administration practices section of the taxability matrix.	X		T.C.A. 67-6-537(d)	
Liability Relief 3.1.a.	Liability Relief for Tax				
Liability Relief 3.1.b.	Liability Relief for Interest				
Liability Relief 3.1.c.	Liability Relief for Penalties				

	<b>Disclosed Practice 3.2 - Extended liability relief for changes to the tax administration practices section of the taxability matrix</b>	<b>If you answer "Yes" to 3.2, you do not need to complete 3.2.a, b, and c below.</b>	<b>If you answer "No" to 3.2, please complete 3.2.a, b, and c below.</b>		
Liability Relief 3.2	When the State makes a change to its tax administration practice section of the taxability matrix, the State provides sellers and CSPs with liability relief for the tax, interest and penalties for having charged and collected the incorrect tax until the first day of the calendar month that is at least 30 days after notice of the change to the state's tax administration practices section of the taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.		X		
Liability Relief 3.2.a.	Liability Relief for Tax		X		
Liability Relief 3.2.b.	Liability Relief for Interest		X		
Liability Relief 3.2.c.	Liability Relief for Penalties		X		
	<b>Disclosed Practice 3.3 Extended liability relief for changes to the library of definitions section of the taxability matrix</b>	<b>If you answer "Yes" to 3.3, you do not need to complete 3.3.a, b, and c below.</b>	<b>If you answer "No" to 3.3, please complete 3.3.a, b, and c below.</b>		

Liability Relief 3.3	When the State makes a change to the library of definitions section of its taxability matrix, the State provides sellers and CSPs with liability relief for the tax, interest and penalties for having charged and collected the incorrect tax until the first day of the calendar month that is at least 30 days after notice of the change to the member state's library of definitions section of the taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.		X		However, the Commissioner may determine it is appropriate and instruct Audit that no assessment should be for the first 30 days a statute is in effect and to remove such sales data for that tax reporting period from samples.
Liability Relief 3.3.a.	Liability Relief for Tax		X		
Liability Relief 3.3.b.	Liability Relief for Interest		X		
Liability Relief 3.3.c.	Liability Relief for Penalties		X		
<b>Disclosed Practice 4 - Tax Administration Practices on Acceptance of Limited Power-of-Authority/Agent Authorization (Limited POA/AA) Form from Appendix E of the SSUTA</b>		<b>Does Your State Follow this Practice?</b>		<b>If You Answered No, Describe the Difference Between the Practice as Adopted by the Governing Board and Your State's Treatment. Add Additional Comments if Desired.</b>	
<b>Reference Number</b>	<b>Disclosed Practice 4 – Acceptance of Limited Power-of-Authority/Agent Authorization Form – Form F0023</b>				
<b>Disclosed Practice 4.1</b>	<b>Acceptance of Form F0023 From CSPs</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Limited POA/AA 4.1	The member state will accept a signed copy of the Limited Power of Attorney/Agent Authorization form posted to the governing board's website, as sufficient authority for the state to disclose to the CSP any confidential information of the seller necessary to allow the CSP to fulfill its obligations under its contract with the governing board and to fulfill its responsibilities to the seller under Section 501 of the Agreement.	X			

Disclosed Practice 4.2	Acceptance of Form F0023 From Persons Other Than CSPs	Yes	No	Statute/Rule Cite	Comment
Limited POA/AA 4.2	The member state will accept a signed copy of the Limited Power of Attorney/Agent Authorization form posted to the governing board's website, as sufficient authority for the state to disclose to the seller's appointed agent, other than a CSP, any confidential information of the seller as authorized on the form to allow the agent to fulfill its obligations to the seller.	X			
<b>Disclosed Practice 5. Tax Administration Practices on Post Transaction Issues from Appendix E of the SSUTA</b>		<b>Does Your State Follow this Practice?</b>		<b>If You Answered No, Describe the Difference Between the Practice as Adopted by the Governing Board and Your State's Treatment. Add Additional Comments if Desired.</b>	

<b>Reference Number</b>	<p><b>Disclosed Practice 5 – Post Transaction Issues</b></p> <p>Unless indicated otherwise throughout Disclosed Practice 5:</p> <ul style="list-style-type: none"> <li>· Use of the word "tax" means the sales or use tax paid by the customer to the seller which was timely remitted by the seller to the state;</li> <li>· Use of the word "refund" includes a credit unless otherwise stated;</li> <li>· Unless otherwise stated, the refund is being claimed within the state's statute of limitations;</li> <li>· Unless otherwise stated, the seller has refunded the tax to the customer;</li> <li>· The tax rates used in the examples are for illustrative purposes only and are presumed to be correct;</li> <li>· The seller is not engaged in fraud or making intentional misrepresentations;</li> <li>· The seller maintains proper books and records to substantiate taxes collected and remitted based on the applicable state's requirements;</li> <li>· The disclosed practices do not apply to sales of motor vehicles;</li> <li>· The disclosed practices relate to products voluntarily returned by the customer and accepted by the seller (e.g., does not include repossessed products) and;</li> <li>· The disclosed practices only provide general guidance and assume there are no other unique circumstances that apply.</li> </ul>				
	<b>Disclosed Practice 5.1 - Refund Procedure Document</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Post Transactions 5.1	Does your state have written guidance on your website, or otherwise, that explains how sellers and/or customers can properly obtain a tax refund from your state? (If "yes", please provide a website link and/or indicate how a person can obtain guidance in the comment section.)	X			<a href="http://www.tn.gov/revenue/article/for-ms-sales-and-use-tax">http://www.tn.gov/revenue/article/for-ms-sales-and-use-tax</a>  Click on: Claim for Credit or Refund of Sales or Use Tax  A claim for refund of sales or use tax may also be filed through the new Departmental website called Tennessee Taxpayer Access Point (TNTAP).
	<b>Disclosed Practice 5.2 - When does your state's statute of limitations begin for a seller to obtain a refund of tax paid for products returned by a customer?</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.2.a.	It begins on the due date of the tax return on which the tax was required to be reported by the seller to the state.		X		
Post Transactions 5.2.b.	It begins on the date the tax on the sale was due by the seller to the state.		X		
Post Transactions 5.2.c.	It begins on the date the tax was remitted to the state or the due date of the tax return, whichever is later.		X		
Post Transactions 5.2.d.	It begins on the date the customer returns the product (such as a rescission of sale) to the seller and receives the refund from the seller.		X		
Post Transactions 5.2.e.	Other - If the state's answers to 5.2.a. – 5.2.d. were all "no", check "yes" and explain when the statute of limitations for a sellers claim begins in the comments section.	X		T.C.A. 67-1-1802(a)(1)	A completed claim for refund must be filed within three years from December 31 of the year in which the tax was paid to the Commissioner of Revenue. Statute of limitations for a refund begins on December 31 of the year the tax was paid to the Department.

	<b>Disclosed Practice 5.3 - How long is your state's statute of limitations time period for a seller to claim a tax refund on products returned by a customer?</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.3.a.	A three-year statute of limitations (that begins based on the state's response in 5.2) for a seller to make a refund request to the state.	X		T.C.A. 67-1-1802(a)(1)	
Post Transactions 5.3.b.	A four-year statute of limitations (that begins based on the state's response in 5.2) for a seller to make a refund request to the state.		X		
Post Transactions 5.3.c.	If the answers to both 5.3.a. and 5.3.b., were "no" please indicate "yes" and provide your state's time period for a seller to make a refund request to the state in the comments.				NA
	<b>Disclosed Practice 5.4 - Documentation to Prove Refund of Tax to Customer</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.4	Will your state accept the seller's electronic sales receipts that identify the product purchased, the date purchased, the tax collected, the product returned, the date refunded and the tax refunded to the customer to prove that a customer paid tax?		X	Rule 1320-05-01-.50 Rule 1320-05-01-.79	The documentation must clearly identify the purchaser in addition to the product purchased, purchase date, tax collected, return date, product returned, refund date, and price and tax refunded. Cash receipts, register tapes or other forms of receipts or invoices that do not identify the purchaser cannot be accepted.
	<b>Disclosed Practice 5.5 - How does a seller obtain a refund of tax refunded to their customer? (Credit on Current Tax Return, Subsequent Tax Return or Refund Claim)</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.5.a.	Does your state allow a seller to take a credit (or net) on its tax return to report the original sale if the product was returned prior to the seller filing that tax return? If this is required, note that in comments section.	X		T.C.A. 67-6-507(c)	



Post Transactions 5.5.b.	Subject to the state's statute of limitations, does your state allow a seller to take a credit (or net) during the reporting period when the product was returned if the product is returned in a different reporting period than the original sale? If this is required, note that in comments section.	X		T.C.A. 67-6-507(c)	
Post Transactions 5.5.c.	Subject to the state's statute of limitations, does your state allow the seller to file an amended tax return and/or refund claim when the product is returned after the seller filed its tax return to the state to report the original sale? If this is required, note that in comments section.	X		T.C.A. 67-6-507(c)	Tennessee would prefer the seller claim the credit on its sales and use tax return for the reporting period in which the customer is refunded. However, a claim for refund may be filed if the business is closed.
	<b>Disclosed Practice 5.6 - May the seller process the refund and additional charges in one transaction on a single invoice?</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.6.a.	Does your state allow the seller to obtain a refund from the state if the seller subtracts from the original sales price any charges imposed by the seller to make a return (understanding the tax must be collected on any taxable charges)? If your state has exceptions note those exceptions in the comments section.	X		Rule 1320-05-01.79	Seller must refund the tax collected to the purchaser. A seller's records must show that customers have been refunded the Tennessee sales or use tax, or that they have been given credit for such Tennessee tax.
Post Transactions 5.6.b.	If the answer to 5.6.a. was "no," does your state allow the seller to obtain a refund from the state if it provides a full refund, including the tax, but subsequently imposes any service charges (and imposing any applicable tax) to the customer as a separate transaction on a separate invoice?	X			
	<b>Disclosed Practice 5.7 - Taxability of Return Fees</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.7.a.	Does your state impose tax on restocking fees or return fees that are not directly associated with the use of a returned product?		X		Tennessee does not impose sales tax on restocking fees.
Post Transactions 5.7.b.	Does your state impose a sales tax on a charge for the use (e.g. wear and tear) of a product?	X		T.C.A. 67-6-507(c)	Seller is only entitled to a credit for the amount of the purchase price and the tax thereon that is refunded to the purchaser.

	<b>Disclosed Practice 5.8 - Cash/Credit Refund versus Store Credit</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.8	Does your state treat the refund in the form of store credit the same as a cash refund for returned products?	X			
	<b>Disclosed Practice 5.9 - Simultaneous Return and Sale</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.9.a.	<b>Does your state allow the seller to only collect and remit the additional tax on the price difference of a returned product when the replacement product costs more? If no, explain in the comments section.</b>	X		Rule 1320-05-01-.79	A sellers records must show that customers have been refunded the Tennessee sales or use tax, or that they have been given credit for such Tennessee tax. The sellers records must show the refund of the full amount of tax and additional charge for the correct full amount of tax for additional purchases.
Post Transactions 5.9.b.	<b>Does your state allow the seller to obtain a refund from the state for the price difference of a returned product when the replacement product costs less? If no, explain in the comments.</b>	X		T.C.A. 67-6-507(c)	
	<b>Disclosed Practice 5.10 - Refund Pending State Approval</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.10.a.	Will your state refund or credit a seller for tax erroneously collected and remitted to the state prior to the seller refunding the customer the tax if the seller does not have a written agreement to refund the tax to the customer?		X	T.C.A. 67-1-1802(a)(1)(A) Rule 1320-05-01-.79	Sales or use taxes which were collected from or passed on to customers by the taxpayer shall not be refunded, unless the taxpayer has refunded or credited the sales or use tax to its customers.
Post Transactions 5.10.b.	If you answered "no" to disclosed practice 5.10.a., if the seller has a written agreement that it will refund the tax to the customer if the state approves the refund, will your state refund or credit a seller for tax erroneously collected and remitted to the state prior to the seller refunding the customer the tax?		X	T.C.A. 67-1-1802(a)(1)(A) Rule 1320-05-01-.79	The taxpayer may issue a credit memo to the customer with the understanding that the customer will not use the credit memo until the refund claim has been approved and refunded.

Post Transactions 5.10.c.	Does your state require the seller to refund the tax to the customer prior to obtaining a refund from the state?	X		T.C.A. 67-1-1802(a)(1)(A) Rule 1320-05-01-.79	
	<b>Disclosed Practice 5.11 - Seller Refund When Customer Did Not Pay Tax</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.11	Can the seller, who remitted the tax to the state, obtain a refund of the tax paid to the state if the customer refuses to pay the tax because the customer correctly asserted the transaction was exempt under the state's laws?	X		T.C.A. 67-1-1802(a)(1)(A) Rule 1320-05-01-.79	If the customer gave the seller an exemption certificate after the seller remitted the tax with its return, the seller must submit a copy of the exemption documentation, invoice, and credit memorandum adjusting the customer's account.
	<b>Disclosed Practice 5.12 - Returned Product to Seller in Another State</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.12	The customer has the original sales receipt indicating your state's tax was charged. If the product is returned in another state, will your state allow the seller to claim the refund of the tax paid to your state?	X		T.C.A. 67-1-1802(a)(1)(A) Rule 1320-05-01-.79	A seller's records must show that customers have been refunded the Tennessee sales or use tax, or that they have been given credit for such Tennessee tax.
	<b>Disclosed Practice 5.13 - Returned Product to Seller in Another Local Jurisdiction Within the Same State</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.13	The customer has the original sales receipt indicating the tax was charged for a local jurisdiction in your state. The product is returned in your state in a different local jurisdiction. Does your state require the seller to claim the refund of the tax paid to the original local jurisdiction?		X	T.C.A. 67-6-507(c)	The seller may claim the credit on sales and use tax return for the Tennessee location accepting the returned merchandise and refunding the customer.
	<b>Disclosed Practice 5.14 - Returned Product with No Receipt</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Post Transactions 5.14	If a seller refunds tax to a customer, without a receipt, using the tax rate at the store where the return was made and the price of the returned product at the store at that time, will your state allow the seller to receive a refund or credit of this tax from the state? Note in the comments section any special documentation the seller needs to provide the state.	X		T.C.A. 67-6-507(c)	The documentation must clearly identify the purchaser name and address in addition to return date, product returned, refund date, and price and tax refunded. Cash receipts, register tapes or other forms of receipts or invoices that do not identify the purchaser cannot be accepted.
	<b>Disclosed Practice 5.15 - Customer Directly Filing for a Refund</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Post Transactions 5.15.a.	Does the state give customers the option to request a tax refund directly from the state (i.e., the customer is not required to make the request through the seller)? Note any special requirements that may apply, such as minimum dollar thresholds, in the comment section.		X	T.C.A. 67-1-1802(a)(1)(A) Rule 1320-05-01-.79	Only exceptions are certain refunds related to pollution control, certified green energy production facilities, and refunds where an individual paid the use tax directly to a County Clerk.
Post Transactions 5.15.b.	If the answer to disclosed practice 5.15.a. was "no," does the state allow a customer to obtain a tax refund from the state when the seller cannot be found or refuses to refund the tax to a customer? If "yes", provide details in the comment section.		X	T.C.A. 67-1-1802(a)(1)(A)	Refunds can only be made to parties paying the tax directly to the State of Tennessee.
<b>Disclosed Practice 6. Tax Administration Practices on Determining the Earliest Possible Date to Register Without It Adversely Affecting a Voluntary Disclosure Agreement (VDA) from Appendix E of the SSUTA</b>		<b>Does Your State Follow this Practice?</b>		<b>If You Answered Yes, Describe the Adverse Affect on the VDA. Add Additional Comments if Desired.</b>	
<b>Reference Number</b>	<b>Disclosed Practice 6.1 - For each of the scenarios below, indicate whether registration to collect and remit sales and use taxes with your state adversely affects a VDA.</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>

Voluntary Disclosure Agreement 6.1.a.	A seller's registration prior to the seller (or its representative) submitting the state's voluntary disclosure agreement (VDA) application will adversely affect the seller's VDA with the state.	X			The Department must not have contacted the taxpayer concerning the previous tax liability. Contact could include an inquiry letter or phone call from an auditor to set up an appointment. Taxpayer must not be registered for the tax type that is the subject of the agreement.
Voluntary Disclosure Agreement 6.1.b.	A seller's registration after the seller (or its representative) submits the state's voluntary disclosure agreement (VDA) application, but before either the seller or the state signs the actual VDA will adversely affect the VDA with the state.	X			
Voluntary Disclosure Agreement 6.1.c.	A seller's registration after the state signs the actual voluntary disclosure agreement (VDA) but before the seller signs the VDA will adversely affect the VDA.	X			
<b>Disclosed Practice 7. Tax Administration Practices on Medical Products Identified in SSTGB Rules and Procedures Appendix L as "Not Defined" from Appendix E of the SSUTA</b>		<b>Does Your State Follow this Practice?</b>		<b>Add Additional Comments if Desired</b>	
<b>Reference Number</b>	<b>Disclosed Practice 7 – Classification of Medical Products in Appendix L Identified as "Not Defined"</b>				
<b>Disclosed Practice 7</b>	<b>Classification of Medical Products in Appendix L Identified as "Not Defined"</b>	<b>Yes</b>	<b>No</b>	<b>Statute/Rule Cite</b>	<b>Comment</b>
Medical Products 7.1	Does the state classify any of the items listed below in Medical Products Disclosed Practice 7.2 as clothing, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or under a different state-specific definition (other than tangible personal property)? If yes, see Medical Products Disclosed Practice 7.2 for the classification. If no, Medical Products Disclosed Practice 7.2 does not need to be completed.		X	N/A	TN follows Appendix L, Healthcare Products List, and TN does not have any other state specific defined medical terms. Products that are not defined using streamline terms are either taxable as tangible personal property or there is a separate exemption for the product.

Medical Products 7.2	Place a check in the appropriate column if the item is classified under one of those terms, provide the appropriate statute/rule city and indicate in the "Comment" column the defined term under which the item is classified. If the product is not classified under any of the terms listed in Medical Products disclosed Practice 7.1 or a state-specific defined term do not check either column. These tax administration practices identify how each state classified the products identified as "Not Defined" in Appendix L, but do not indicate the taxability of those products.				
	<b>Product</b>	<b>SSUTA Defined Term</b>	<b>State Specific Defined Term</b>	<b>Statute/Rule Cite</b>	<b>Comment (if applicable, indicate defined term under which the item is classified)</b>
Medical Products 7.2.a	Air purifier				
Medical Products 7.2.b	Bed pads - Disposable - for incontinent patients  (Disposable pad placed on beds to keep sheets dry and wick moisture away from the patient. Used for incontinent patients.)				
Medical Products 7.2.c	Blankets - Other than baby receiving blankets				
Medical Products 7.2.d	Breast pumps				
Medical Products 7.2.e	Closed caption devices				
Medical Products 7.2.f	Cold packs and Hot packs (reusable)				
Medical Products 7.2.g	Collection bags - Body fluid collection  (For collection and sending to lab for testing)				

Medical Products 7.2.h	Denture adhesive				
Medical Products 7.2.i	Dialysis Bags - Peritoneal Dialysis Drain				
Medical Products 7.2.j	Dialyzers - Single Use  (A dialyzer is an artificial kidney designed to provide controllable transfer of solutes and water across a semi permeable membrane separating flowing blood and dialysate streams. The transfer processes are diffusion (dialysis) and convection (ultrafiltration). There are three basic dialyzer designs: coil, parallel plate, and hollow fiber configurations. Filter that is incorporated in machine.)				
Medical Products 7.2.k	Dressings - Compression - Non Medicated  (Ace Bandages)				
Medical Products 7.2.l	Dressings - Elastic - Non Medicated  (Non-Ace bandages to hold dressings)				
Medical Products 7.2.m	Dressings - Gauze Wraps  (Tube gauze, Gauze Wraps)				
Medical Products 7.2.n	Dressings - General  (Pads, sponges, tapes and adherents, elastic, compression, gauze)				
Medical Products 7.2.o	Dressings - Non-Medicated  (Dressings containing a substance which is neither a RX or OTC drug)				
Medical Products 7.2.p	Dressings - Wound Care - Skin Barrier Products  (Sprays, cream)				

Medical Products 7.2.q	Eating utensils - Adjustable				
Medical Products 7.2.r	ECG Monitor - Implanted				
Medical Products 7.2.s	Fever thermometers - Disposable/SPU				
Medical Products 7.2.t	Gases - Non-Medical Grade				
Medical Products 7.2.u	Gases - Tanks for (Empty - Tanks only)				
Medical Products 7.2.v	Glucose for Insulin Reactions (Tablets, liquid)				
Medical Products 7.2.w	Infuser Bags (Pressure Infuser bags - used to administer intravenous fluids under pressure at any angle to patients in pre-hospital or emergency room settings - Disposable)				
Medical Products 7.2.x	IV Therapy arm boards-Disposable				
Medical Products 7.2.y	IV Therapy Tourniquets - SPU (Disposable)				
Medical Products 7.2.z	Laboratory equipment (Microscopes, incubators, refrigerators, centrifuges)				
Medical Products 7.2.aa	Medical atomizers - Disposable (An atomizer that gives controlled delivery of topical anesthetics and other drugs. Used primarily for nasal or oral drug delivery. This version of atomizers is disposable.)				



Medical Products 7.2.ab	Medical Instruments - Disposable  (Clamps, drills, endolinear cutter, forceps, retractors, scalpels, reamers, scissors, trocar)				
Medical Products 7.2.ac	Nasal strips  (Flexible spring like band that fits above the nostrils and lifts the sides of the nose when they try to straighten back to their original shape.)				
Medical Products 7.2.ad	Needleless Drug Delivery System - Injection Guns  (Disposable)				
Medical Products 7.2.ae	Needles - Wound Closure - Suturing  (Disposable)				
Medical Products 7.2.af	Needles & Syringes - Acupuncture needles (Reusable)				
Medical Products 7.2.ag	Needles & Syringes - Needles - Aspirating				
Medical Products 7.2.ah	Needles & Syringes - Needles - Biopsy				
Medical Products 7.2.ai	Needles & Syringes - Needles - Blood Draw/Access				
Medical Products 7.2.aj	Needles & Syringes - Needles - Hypodermic				
Medical Products 7.2.ak	Needles & Syringes - Needles - Hypodermic - Insulin				
Medical Products 7.2.al	Needles & Syringes - Needles - Not Inject/Drain  (Parts to machines)				

Medical Products 7.2.am	Needles & Syringes - Needles/Syr Pckgd Tog				
Medical Products 7.2.an	Needles & Syringes - Syringe - Cannula Package (Interlink System -- Separate Needle-less infusion device from IV sets - Stand alone items)				
Medical Products 7.2.ao	Needles & Syringes - Syringes				
Medical Products 7.2.ap	Needles & Syringes - Syringes - Insulin				
Medical Products 7.2.aq	Needles & Syringes - Syringes - Not Inject/Drain (Irrigation (Toomey), oral and ear)				
Medical Products 7.2.ar	Ostomy - Barriers (Barrier prep wipes, barrier powder)				
Medical Products 7.2.as	Ostomy - Cleaners / Skin Prep (Skin prep peri-wash, ostomy cleanser, cleanser deodorants, adhesive remover)				
Medical Products 7.2.at	Ostomy - Lubricants (Lubricants, lubricant jelly, stoma lubricant )				
Medical Products 7.2.au	Paraffin wax (Wax used in paraffin baths. Paraffin heat therapy provides moist heat to warm joints tissue and skin. Used in the treatment of arthritis and joint injuries. )				

Medical Products 7.2.av	Physical Therapy -Equipment & Tools  (Exerbands, weights, bikes, treadmills, rowers, parallel bars from #212)				
Medical Products 7.2.aw	Resuscitators - Disposable				
Medical Products 7.2.ax	Safety equipment  (Goggles, shields)				
Medical Products 7.2.ay	Seat Cushions - Comfort  (General use cushions that do not primarily and customarily serve a medical purpose.)				
Medical Products 7.2.az	Sitz bath				
Medical Products 7.2.ba	Skin closures  (These are called butterfly bandages, steri-strips, cover strips, or suture strips and are variations of sterile adhesive skin closures designed to hold the edges of a skin wound together.)				
Medical Products 7.2.bb	Spas, hot or cold  (Spas which are available for sale to the general public and not specifically manufactured for medical purposes.)				
Medical Products 7.2.bc	Staple Remover - Wound Closure  (Disposable)				
Medical Products 7.2.bd	Stapler - Empty - one Use Only				

Medical Products 7.2.be	Sterilizers - Chemical				
Medical Products 7.2.bf	Suction Catheter  (This catheter is used for the removal of respiratory tract secretions. The catheter is inserted through tracheal and tracheostomy tubes. Four eyes at the catheter's tip serve as vacuum breakers to help prevent tissue from being pulled into the tube. Since suctioning removes the patient's air supply, suction should not exceed 10 seconds duration. Suction catheters are intended for single use only.)				
Medical Products 7.2.bg	Therapy - Cold  (Cold compression)				
Medical Products 7.2.bh	Therapy - Heat  (Heat warmers)				
Medical Products 7.2.bi	Tongue depressors				
Medical Products 7.2.bj	Transducer gel				
Medical Products 7.2.bk	Venous blood sets				
Medical Products 7.2.bl	Visually Impaired Supplies & Equipment - Other				
Medical Products 7.2.bm	X-Ray developer solution				