



STATE OF TENNESSEE
DEPARTMENT OF REVENUE
ANDREW JACKSON STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37242

**SALES AND USE TAX ON SINGLE ARTICLES
OF TANGIBLE PERSONAL PROPERTY**

FEBRUARY 11, 2003

Tennessee Code Annotated Section 67-6-702 and Revenue Rule 1320-5-2-.06 provide for a maximum local option sales or use tax on articles of tangible personal property as defined in these provisions.

Generally, the maximum upon which the local option sales or use tax will apply is \$ 1,600 dollars times the local tax rate. For example, if the county has a 2.25% local option tax rate, the local tax calculation would be $2.25\% \times \$ 1,600 = \$ 36.00$. However, some counties have different rates, and a few have lower maximum amounts. The maximum local option tax base appears on Line 10 of the sales and use tax return for each location, except for out-of-state sales and use tax returns.

Generally, a "single article" of tangible personal property is defined as any unit, exclusive of any accessories, extra parts, etc., and that which is capable of being sold as an independent unit, or as a common unit of measure, a regular billing, or other obligation. Examples are motor vehicles, boats, televisions, large machinery and equipment, etc., or anything that is preassembled and self-contained from the manufacturer. Invoice totals or line item entries containing many units are not single articles. A lease of one article is considered a single article for maximum local tax purposes.

There is one city that has the \$ 1,600 maximum that is within a county that has the \$ 7.50 maximum single article amount. That city is Morristown (Hamblen County).

FOR MOTOR VEHICLE, BOAT, AND FACTORY MANUFACTURED HOME DEALERS ONLY: Dealer installed accessories for motor vehicles, boats, and factory manufactured homes are specifically named in the law as part of the single article and will not be taxed separately on the local option tax. However, dealer installed accessories on other single articles, such as machinery and equipment, airplanes, etc., will not be considered as part of the single article and will be taxed separately on the local option tax. A boat trailer is considered to be a separate single article.

Extended warranties, repair, and maintenance agreements on tangible personal property are taxable services, not a part of the single article of tangible personal property and will be taxed separately.

If you have any questions, you may call any of our **HELP NUMBERS:**

Chattanooga	(423) 634-6266	Knoxville (865) 594-6100
Jackson	(731) 423-5747	Memphis (901) 213-1400
Johnson City	(423) 854-5321	Nashville (615) 253-0600

Tennessee residents outside the Nashville calling area may call our statewide toll-free number at 1-800-342-1003. Callers from Nashville or out-of-state may dial (615) 253-0600.

