

AN ALERT FROM THE BDO STATE AND LOCAL TAX PRACTICE

# BDO KNOWS:

## SALT



### SUBJECT

## TENNESSEE DEPARTMENT OF REVENUE ADOPTS SALES AND USE TAX ECONOMIC NEXUS RULE

### SUMMARY

On October 3, 2016, the Tennessee Department of Revenue adopted Rule 1320-05-01-.129, which establishes a sales and use tax economic nexus standard in the state effective January 1, 2017.

### DETAILS

#### *Sales and Use Tax Economic Nexus*

Under Rule 1320-05-01-.129, an out-of-state dealer who engages in the regular or systematic solicitation of consumers in the state through any means, and whose Tennessee sales exceed \$500,000 during the previous twelve-month period, has substantial nexus in the state. An out-of-state dealer subject to the economic nexus standard must register with the Department for sales and use tax purposes by March 1, 2017, and report and pay tax on sales of tangible personal property and other taxable items delivered to Tennessee consumers beginning July 1, 2017.

Rule 1320-05-01-.129 also provides guidance for out-of-state dealers who become subject to the economic nexus standard after March 1, 2017. Such dealers must register with the Department and begin to report and pay Tennessee sales and use tax by the first day of the third calendar month following the month in which the dealer met the economic nexus threshold. However, the rule specifies that such dealers are not required to collect and remit sales and use tax for periods before July 1, 2017.

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## BDO INSIGHTS

- ▶ The final rule makes some minor changes to the proposed rule with respect to which the Department recently held a public hearing. See the [BDO SALT Alert](#) that discusses the proposed rule. An out-of-state dealer who solicits sales in Tennessee through any means and expects to exceed the \$500,000 sales threshold should consider the impact that this rule may have on them for tax planning and reporting purposes.

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