



Sales and Use Tax Notice*

*See Notice #17-12 for important information about the delayed enforcement of Rule 129(2)

Notice #17-01

January 2017

Out-of-State Dealer Registration

Applicable Out-of-State Dealers Should Register by March 1, 2017 and Begin Collecting Sales Tax by July 1, 2017

Effective January 1, 2017, Tenn. Comp. R & Regs. 1320-05-01-.129(2) (Rule 129(2)), provides that out-of-state dealers with no physical presence in Tennessee who engage in regular and systematic solicitation of consumers in Tennessee and who make sales exceeding \$500,000 to consumers in Tennessee during the previous 12-month period have a substantial nexus with this state.

Rule 129(2) applies to sellers of tangible personal property or other taxable products purchased by Tennessee consumers and delivered into the state for use, consumption, distribution, or storage in Tennessee. These sellers are "dealers."

The rule requires that these dealers, if they have not already done so, must register for Tennessee sales and use tax purposes by March 1, 2017. These dealers are also required to begin collecting and remitting sales and use tax by July 1, 2017. When registering by March 1, 2017, an out-of-state dealer acknowledges that it will begin collecting and remitting sales and use tax by July 1, 2017. A convenient registration portal is available at <https://revenue.webapps.tn.gov/outofstatedealerrgistration>.

If an out-of-state dealer has no physical presence in Tennessee and does not meet the \$500,000 threshold, it is not required to register, but the Department encourages all dealers to register as a convenience to their customers.

If an out-of-state dealer has no physical presence in Tennessee and meets the \$500,000 threshold after

March 1, 2017, it is required to register, collect, and remit the tax beginning on the first day of the third month following the month in which it does meet the threshold. For example, if a dealer meets the \$500,000 threshold on August 15, 2017, the dealer is required to register, collect, and remit sales tax beginning on November 1, 2017.

The Department instructs dealers covered by Rule 129(2) to begin complying with the rule and their respective registration and collection obligations.

Protection for Applicable Registrants

The Department will not audit or assess out-of-state dealers for tax periods that occur before the dealer begins to collect the tax, if the following circumstances are met:

1. The dealer registers and begins to collect and remit the tax on or before July 1, 2017;
2. The dealer was not registered for Tennessee sales and use tax purposes prior to January 1, 2017; and
3. The dealer was not contacted by the Department for an audit prior to registering.

After an out-of-state dealer registers, the Department will certify that it will not audit or assess the dealer for sales and use tax for periods prior to the date the dealer begins to collect the tax.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

Disclaimer: The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.