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Tennessee Code/TITLE 67 TAXES AND LICENSES /CHAPTER 6 SALES AND USE TAXES /PART 7 LOCAL OPTION REVENUE ACT /67-6-702. Tax authorized - Rates - Termination of services tax. [Amended effective July 1, 2007. See the Compiler's Notes].

**67-6-702. Tax authorized - Rates - Termination of services tax. [Amended effective July 1, 2007. See the Compiler's Notes].**

(a) (1) [Amended effective July 1, 2007. See the Compiler's Notes.] Any county by resolution of its county legislative body or any incorporated city or town by ordinance of its governing body is authorized to levy a tax on the same privileges subject to this chapter as the same may be amended, which are exercised within such county, city or town, to be levied and collected in the same manner and on all such privileges but not to exceed two and three-fourths percent (2.75%); provided, that the tax levied shall apply only to the first one thousand six hundred dollars (\$1,600) on the sale or use of any single article of personal property.

(2) Any five dollar (\$5.00) or seven dollar and fifty cent (\$7.50) tax limit on the sale or use of any single article of personal property in effect at present may be removed, and, by resolution in the case of counties and by ordinance in the case of municipalities, the tax at the existing rate may, instead, be made to apply to the bases provided in subdivision (a)(1). The resolution or ordinance shall be passed at least twice at two (2) or more consecutive public meetings, not more than one (1) of which may be held on any single day. Notice of the meetings and of the fact that this matter is on the agenda of the meetings shall be published at least once in a newspaper of general circulation throughout the jurisdiction involved not less than seven (7) days before the first of the meetings. If the county (or counties) in which it is located does not increase the base of the county-wide local sales and use tax pursuant to this subdivision, any municipality may by ordinance apply any county tax rate in effect in the municipality to the bases authorized in subdivision (a)(1) for purposes of the sale or use of any single article of personal property within the municipality's corporate limits. The ordinance increasing the base of the county-wide tax within the municipality shall be adopted as required in this subdivision.

(3) Once any local sales tax limit has been removed and the tax rate applied to the base provided in subdivision (a)(1), future increases in the base beginning on the dates specified in subdivision (a)(1) shall be automatic and shall not require further action of the local governing body. For any municipality or county which implements a local sales tax for the first time after May 17, 1983, or during the phase-in period provided in subdivision (a)(1), future increases in the base beginning on the dates specified in subdivision (a)(1) shall be automatic and shall not require further action of the local governing body.

(4) For the purpose of this part, persons engaged in the business of selling water shall be considered to be exercising a taxable privilege at the place where the tangible personal property is delivered to the purchaser.

(b) [Effective until July 1, 2007. See the Compiler's Notes.] Notwithstanding other provisions of this chapter, with respect to industrial and farm machinery as defined in § 67-6-102, and with respect to water sold to or used by manufacturers at the state tax rate of one percent (1%) as authorized in § 67-6-206, the local tax thereon shall be imposed at the rate of one third of one percent ( $1/3\%$ ) whenever the rate of the local tax does not exceed one percent (1%) and at the rate of one half of one percent (.5%) whenever the rate of the local tax exceeds one percent (1%). The maximum local tax on the sale or use of any single article of industrial or farm machinery shall be as provided hereinabove.

(c) [Amended effective July 1, 2007. See the Compiler's Notes.] A use tax paid by the lessee of tangible personal property from a lessor which is a tax exempt entity pursuant to an election made under § 67-6-204(c) shall be in lieu of any tax which might otherwise be imposed under this part, and no additional sales or use tax may be imposed under this part on rental payments with respect to which a use tax based on the cost price of the tangible personal property has been paid by election.

(d) [Amended effective July 1, 2007. See the Compiler's Notes.] "Single article" means that which is regarded by common understanding as a separate 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. Such independent units sold in sets, lots, suites, etc., at a single price shall not be considered a single article. Parts or accessories for motor vehicles that are installed at the factory and delivered with the unit as original equipment and/or parts or accessories for motor vehicles that are installed by the dealer and/or distributor prior to sale, at the time of the sale, or which are included as part of the sales price of the vehicle shall be treated as a part of the unit. In addition, all necessary parts and equipment installed by a motor vehicle dealer which are essential to the functioning of the motor vehicle or are required to be installed on the motor vehicle prior to sale to the ultimate consumer pursuant to state or federal statutes relating to the lawful use of the motor vehicle shall be treated as a part of the unit. Boat motors, other parts or accessories for boats, freight, and labor, excluding trailers, shall be treated as part of the boat unit in the same manner as parts or accessories for motor vehicles are treated as part of the motor vehicle unit. Parts and accessories and any other additional or incidental items or services that are part of the sale of a manufactured home shall be treated as part of the manufactured home unit in the same manner as parts and accessories for motor vehicles are treated as part of the motor vehicle unit.

(e) [Effective until July 1, 2007. See the Compiler's Notes.] Notwithstanding any other provision of this chapter, with respect to sales of tangible personal property to common carriers for use outside this state subject to the reduced rate provided in part 2 of this chapter, the local tax thereon shall be at the rate of one and one half percent (1.5%). The maximum local tax on the sale or use of any single article of personal property shall be as hereinabove provided.

(f) [Effective until July 1, 2007. See the Compiler's Notes.] Notwithstanding any other provisions of this part, dealers with no location in this state may choose to pay, in lieu of the tax otherwise authorized by this part, local tax at the rate of two and twenty-five hundredths percent (2.25%) of the sales price on all sales made in this state.

(g) (1) [Effective until July 1, 2007. See the Compiler's Notes.] Notwithstanding any other provisions of this chapter, local tax with respect to interstate or international telecommunications services, which are subject to state tax, shall be imposed at the rate of one and one-half percent (1.5%); provided, that interstate and international telecommunications services to businesses are exempt from local tax.

(2) Notwithstanding any other provisions of this chapter, local tax with respect to intrastate telecommunications services and ancillary services, which are subject to state tax, shall be imposed at the rate of two and one-half percent (2.5%).

(h) [Effective July 1, 2007. See the Compiler's Notes.] Notwithstanding any other law to the contrary, sales of tangible personal property upon which a state sales and use tax is levied shall be subject to a local sales and use tax at the rate of two and one-quarter percent (2.25%) when obtained from any vending machine or device.

[Acts 1963, ch. 329, § 2; 1968, ch. 488, §§ 1, 4; 1971, ch. 117, § 7; 1971, ch. 148, § 1; 1972, ch. 653, §

2; 1973, ch. 239, § 2; 1973, ch. 340, § 1; 1974, ch. 675, § 2; 1975, ch. 316, § 2; 1976, ch. 466, § 5; 1977, ch. 43, § 1; 1977, ch. 178, § 2; 1978, ch. 592, § 2; impl. am. Acts 1978, ch. 934, §§ 7, 36; 1979, ch. 308, § 3; 1980, ch. 886, § 2; 1981, ch. 182, § 2; 1982, ch. 585, § 1; 1983, ch. 278, § 1; T.C.A., § 67-3050; Acts 1984 (E.S.), ch. 8, §§ 5, 9; 1984, ch. 631, § 1; 1984, ch. 721, § 1; 1984, ch. 729, § 1; 1985, ch. 356, §§ 6, 8; 1986, ch. 560, § 2; 1987, ch. 428, § 6; 1988, ch. 684, § 1; 1988, ch. 789, § 2; 1989, ch. 312, § 11; 1990, ch. 661, §§ 1, 2; 1992, ch. 529, § 15; 1992, ch. 913, § 6; 1993, ch. 492, §§ 1-3; 1995, ch. 184, § 1; 1996, ch. 743, § 1; 1997, ch. 194, § 3; 1999, ch. 413, § 5; 2002, ch. 719, §§ 5, 9; 2003, ch. 357, §§ 4, 64, 65; 2004, ch. 782, § 13; 2004, ch. 959, §§ 24, 25, 68; 2005, ch. 311, §§ 1-3.]

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