

Sales and Use Tax

Overview

The sales tax is Tennessee's principal source of state tax revenue accounting for approximately 60% of all tax collections. The sales tax is comprised of two parts, a state portion and a local portion. The general state tax rate is 7%. The local tax rate varies by county and/or city. Please click on the links to the left for more information about tax rates, registration and filing.

Generally, the sales tax applies to the retail sale of tangible personal property and certain services such as lodging services, telecommunications services and installation and repair of tangible personal property. The sales tax also applies to the sale of specified digital products, computer software, amusements, and warranty contracts covering tangible personal property and computer software maintenance contracts.

The seller is liable for the tax whether it is collected from the customer or not. However, the seller may collect the tax from its customers. The sales tax applies to the sales price. The sales price is the total amount the seller requires to be paid for the product or service.

Use Tax

The use tax is the counterpart to the sales tax. All individuals, as well as businesses operating in the state, must pay use tax when the sales tax was not collected by the seller on otherwise taxable products brought or shipped into Tennessee. The use tax applies to all items otherwise subject to sales tax except for services and amusements.

The use tax applies to the purchase price, which is calculated by using the same basis as sales tax (the sales price). Individual consumers that are not otherwise required to be registered for sales and use tax may pay the use tax on the consumer use tax return that is [available in the Tennessee Taxpayer Access Point \(TNTAP\)](#).