

Tennessee Sales Tax Holiday
July 2017
BACK TO SCHOOL

Summary

General Overview:

- The sales tax holiday will commence at 12:01 a.m. on **Friday July 28, 2017** and conclude at 11:59 p.m. on **Sunday July 30, 2017**.
- The holiday will provide sales tax relief on certain purchases of **clothing, school supplies and computers**.
- There is no limit to the quantity of items that may be purchased, as long as the purchase price of each of those items is below the threshold provided in the law.
- The exemptions are intended for individuals and their personal use. The exemptions do not apply to business purchases.
- More information regarding the holiday can be found at:
<http://www.tn.gov/revenue/>

School Supplies Exemption:

School and art supplies with a purchase price **\$100 or less per item** are exempt from sales tax. Items that are normally sold together cannot be split up to stay beneath the \$100 threshold.

A school supply is defined as an item used by a student in a course of study. Items excluded from the holiday (and therefore subject to sales tax) are school instructional materials and school computer supplies.

Exempt School Supplies (all-inclusive list)

- Backpacks
- Binders
- Blackboard Chalk
- Book Bags
- Calculators
- Cellophane Tape
- Chalk
- Clay
- Compasses
- Composition Books
- Crayons
- Erasers

- Folders – expandable, pocket, plastic, and manila
- Glazes
- Glue, Paste, and Paste Sticks
- Highlighters
- Index Card Boxes
- Index Cards
- Legal Pads
- Lunch Boxes
- Markers
- Notebooks
- Pads, sketch and drawing
- Paintbrushes, for artwork
- Paints; acrylic, tempera, and oil
- Paper – loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper
- Pencil Boxes
- Pencil Sharpeners
- Pencils
- Pens
- Poster Board
- Protractors
- Rulers
- School Art Supplies
- School Supplies
- School Supply Boxes
- Scissors
- Watercolors
- Writing Tablets

Note: Textbooks and workbooks are always exempt from sales tax.

Computer Exemption:

Computers with a purchase price of **\$1,500 or less** are exempt from tax. This includes laptops as well as tablets (iPads, etc.).

A computer is defined as a central processing unit (CPU), along with various other components including monitor, keyboard, mouse, cables to connect components, and preloaded software.

While the CPU may be purchased separately, other items must be part of a bundled computer package that includes the CPU in order to be eligible for the exemption.

The following computer accessories are **taxable**:

- Individual computer parts, such as monitors, keyboards, speakers, and scanners when not sold with a CPU
- Individually purchased software
- Storage media, such as flash drives and compact disks

- Computer printers and supplies
- Video game consoles
- Electronic readers (Kindles, Nooks, etc.)
- Personal digital assistants and handheld electronic schedulers

Clothing Exemption:

General apparel that costs **\$100 or less per item**. Items that are normally sold together, such as shoes, cannot be split up to stay beneath the \$100 threshold.

Clothing is defined as human wearing apparel for general use. This includes shirts, dresses, pants, coats, gloves and mittens, hats and caps, hosiery, neckties, belts, sneakers, shoes, uniforms whether athletic or non-athletic, and scarves.

Clothing does not include belt buckles sold separately, patches and emblems sold separately, sewing equipment and supplies or sewing materials that become part of “clothing” such as thread, fabric, yarns and zippers. Clothing accessories, protective equipment and sport or recreational equipment are not eligible for the holiday and are subject to tax during the holiday period.

Guidelines:

Mail, Telephone, E-mail, and Internet Orders – Qualified items sold to purchasers by mail, telephone, e-mail, or Internet will qualify for the sales tax exemption if the customer orders and pays for the item and the retailer accepts the order during the holiday period for immediate shipment, even if delivery is made after the exemption period.

However, if the order and payment were made before the holiday, even if the item was delivered during the holiday, it would not qualify for the exemption.

Extended Warranties – The purchase of a computer will be exempt if the sales price is \$1,500 or less, but any extended warranty purchased would not be exempt. Extended warranties are considered taxable services, and services are not exempt under the sales tax holiday.

Discounts, Rebates and Coupons – If the vendor offers any kind of incentive that is reimbursed by a third party, such as a manufacturer’s rebate, that brings the price you pay to under the threshold amount, the original sales price of the item before application of the manufacturer’s coupon or rebate will be the price that determines whether the item is exempt.

However, if the vendor offers a store discount that is not reimbursed by any third party, then the discounted sales price will determine whether the item is exempt.

Exchanges – If a customer buys an eligible item during the sales tax holiday and later exchanges it for the same item in a different size or color, tax is not to be charged even if the exchange is made after the sales tax holiday.

If a customer buys an eligible item during the sales tax holiday and returns the item after the tax holiday period for credit on the purchase of a different item, sales tax applies to the sale of the newly purchased item, even if it would have been eligible for the exemption during the sales tax holiday.

If a customer buys an eligible item before the holiday period, but returns the item during the sales tax holiday period and receives credit on the purchase of a different eligible item, no sales tax is due on the sale of the new item.

Backorders – If a customer wants to order a certain tax-free item during the holiday and it is not in stock, the item remains tax-free upon delivery. Backlogs and backorders outside the buyer's control will not affect the exempt status of tax-free item. Intentionally delayed sales are taxable.

Articles Normally Sold As A Unit – A retailer may not split items that are normally sold together in order to fall under the sales price threshold.

Buy One, Get One Free or for a Reduced Price – The total price of items advertised as "buy one, get one free" or "buy one for a reduced price" cannot be averaged to qualify both items for the exemption. The exemption depends on the actual price paid for each item.

Refunds – Retailers should refund tax to any customer who was charged sales tax on an exempt item during the sales tax holiday. Customers who were charged tax by a retailer should take their receipt to the retailer for a refund.

Sales of Sets Containing Both Exempt and Taxable Items – When exempt clothing, accessories, or footwear are sold together with taxable merchandise as a set or single units, the full price is subject to sales tax unless the price is separately stated.

Shipping and Handling Charges – If all the items in shipment qualify as eligible items and the sales price for each is within the sales tax holiday price threshold, no charges have to be allocated to the sales price with respect to the \$100 or \$1,500 thresholds.

If the shipment includes exempt items and taxable items (including an eligible item with a sales price in excess of \$100/\$1,500), the seller should allocate the delivery charge by a percentage based on the total sales prices of the taxable items to the total sales prices of all the items in the shipment.