



# State of Tennessee

## PUBLIC CHAPTER NO. 491

### HOUSE BILL NO. 326

By Representatives Hicks, Carter, Marsh, Tillis, Keisling, Ragan, Smith

Substituted for: Senate Bill No. 325

By Senators Gardenhire, Kurita

AN ACT to amend Tennessee Code Annotated, Title 67; Chapter 72 of the Public Acts of 2011; Chapter 193 of the Public Acts of 2017; Chapter 273 of the Public Acts of 2015; Chapter 452 of the Public Acts of 2017; Chapter 480 of the Public Acts of 2013; Chapter 530 of the Public Acts of 2009 and Chapter 602 of the Public Acts of 2007, relative to taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-6-504, is amended by adding the following language as a new subsection:

(m) When reporting the local sales and use tax levied under part 7 of this chapter, out of state dealers shall provide sufficient information as prescribed by the commissioner to indicate the incorporated municipality or unincorporated area of a county into which the sale is shipped or delivered, even if the local tax rates of the municipality and unincorporated area of the county are the same.

SECTION 2. Tennessee Code Annotated, Section 67-6-702, is amended by deleting subsection (f) in its entirety.

SECTION 3. Tennessee Code Annotated, Section 67-6-710, is amended by deleting subsection (e) in its entirety.

SECTION 4. Tennessee Code Annotated, Section 67-6-712(a), is amended by adding the following language as a new subdivision (3) and designating the current subdivision (3) as subdivision (4):

(3) Any out-of-state dealer making sales to a customer within this state shall report to the department information as prescribed by the commissioner, and as required under § 67-6-504(m), that is sufficient for the commissioner to appropriately distribute revenue pursuant to subdivisions (a)(1) and (a)(2).

SECTION 5. Tennessee Code Annotated, Section 67-6-712, is amended by adding the following language as a new subsection:

(e) If any dealer fails to provide the department with the information required under § 67-6-504(m) and the department is unable to determine the proper distribution of local sales tax under subsection (a), the department shall distribute the local sales tax as follows:

(1) For taxes received by the department before July 1, 2021:

(A) The tax shall be distributed to the counties based on the ratio of local tax collections in the county under this section over total local tax collections in all counties under this section;

(B) The amount received by the county under subdivision (e)(1)(A) shall be distributed first as provided for in subdivision (a)(1). The remainder shall be distributed to each incorporated municipality in the county based on the ratio of local tax collections in the municipality to total local tax collections in the county and shall be distributed to the county based on the ratio of local tax collections in the unincorporated portions of the county to total local tax collections in the county;

(2) For taxes received by the department on or after July 1, 2021:

(A) The tax shall be distributed to the counties based on the ratio of local tax collections in the county from dealers with no location in this state that can be identified by situs over the total local tax collections in all counties from dealers with no location in this state that can be identified by situs;

(B) The amount received by the county under subdivision (e)(2)(A) shall be distributed first as provided for in subdivision (a)(1). The remainder shall be distributed to each incorporated municipality in the county based on the ratio of local tax collections in the municipality from dealers with no location in this state that can be identified by situs over the total local tax collections in the county from dealers with no location in this state that can be identified by situs and shall be distributed to the county based on the ratio of local tax collections in the unincorporated portions of the county from dealers with no location in this state that can be identified by situs over the total local tax collections in the county from dealers with no location in this state that can be identified by situs;

(3) A county and a municipality may, by contract, provide for an alternative distribution for the amount not distributed under subdivision (a)(1).

SECTION 6. Section 169 of Chapter 602 of the Public Acts of 2007, is amended in the amendatory § 67-6-712 by deleting subsection (e) in the section and substituting instead the following:

(e) When local sales tax received by the department from a dealer with no location in this state cannot be identified to a particular situs, the revenues shall be distributed to the counties based on the ratio of local tax collections in the county from dealers with no location in this state that can be identified by situs over the total local tax collections in all counties from dealers with no location in this state that can be identified by situs. The amount received by the county under this subsection shall be distributed first as provided for in subdivision (a)(1). The remainder shall be distributed to each municipality in the county based on the ratio of local tax collections in the municipality from dealers with no location in this state that can be identified by situs over the total local tax collections in the county from dealers with no location in this state that can be identified by situs and shall be distributed to the county based on the ratio of local tax collections in the unincorporated portions of the county from dealers with no location in this state that can be identified by situs over the total local tax collections in the county from dealers with no location in this state that can be identified by situs.


SECTION 7. Section 174 of Chapter 602 of the Public Acts of 2007, is amended in the amendatory § 67-6-902 by adding the following subdivision (6) to subsection (a):

(6) Notwithstanding subdivisions (a)(1)-(5), when the product is sold from a location in this state and the purchaser instructs the seller to ship or deliver the product to another location within this state, the sale shall be sourced to the seller's location.

SECTION 8. This act shall take effect October 1, 2019, the public welfare requiring it.

HOUSE BILL NO. 326

PASSED: May 2, 2019

  
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GLEN CASADA, SPEAKER  
HOUSE OF REPRESENTATIVES

  
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RANDY MCNALLY  
SPEAKER OF THE SENATE

APPROVED this 24<sup>th</sup> day of May 2019

  
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BILL LEE, GOVERNOR