

## Tax on Sales of Items Sold for \$0.25 or less from Vending Machines Operated for the Benefit of Charitable Nonprofit Organizations

**Sales &  
Use tax  
notice  
#03-14**

Chapter 358 of the Public Acts of 2003 amends Tenn. Code Ann. § 67-4-506 to provide that the gross proceeds from qualified vending machines are subject to gross receipts tax rather than sales or use tax. This is effective beginning July 1, 2003.

Under this new law, a vending machine will be subject to a tax on gross proceeds if:

1. It is operated for the benefit of a charitable nonprofit organization;
2. It dispenses merchandise with a market value of twenty-five cents or less; and
3. It is built so that only a fixed, predetermined price can be paid for the item dispensed by the machine.

In order to qualify under part three above, the vending machine must not be able to return or make change. Further, the machine must not be able to be adjusted, by mechanical, electronic, or other means, to change the price charged for items dispensed by the machine.

In addition to being subject to gross receipts tax, owners of vending machines who meet the above requirements must file with the Department an Application for Registration for Gross Receipts Tax on Vending Machines Operated for the Benefit of a Charitable Nonprofit Organization (GRO 216) (Form RV-F1307401) and a Vending Machine Addendum Decals, Gross Receipts Tax (GRO 217) (Form RV-R0011601) for each separate nonprofit charitable organization that will benefit from the operation of qualifying vending machines.

The Application for Registration (GRO 216) must include the name and legal address of the machine owner (the taxpayer), and the name and location of the beneficiary nonprofit charitable organization for which the machine or machines will be operated.

The Vending Machine Addendum (GRO 217) (Form RV-R0011601) requires disclosure of the number of qualifying vending machines that will be operated for the benefit of the charitable nonprofit organization listed on each form GRO 216.

**Forms GRO 216 and GRO 217 MUST be submitted at the same time to ensure that the proper machines are registered as supporting the proper charitable nonprofit organization.**

Machine owners must remit a \$2 fee with each Application for Registration GRO 216. Machine owners must remit a \$1 fee for the permanent registration of EACH qualifying vending machine referenced on each form GRO 217. These fees must be remitted with the forms in order for the forms to be processed.

Upon submission of the forms and payment of the requisite fees, the taxpayer will be issued a machine decal for each registered vending machine. The decal will include the name and address of the owner, and the name and address of the beneficiary charitable nonprofit organization. The decal must be affixed on each vending machine registered to remit gross proceeds tax in lieu of sales and use tax. An example of the machine decal can be found on the reverse of this notice.

Have questions or comments? Please let us know. Tennessee residents outside the Nashville calling area may call our statewide toll-free number at (800) 342-1003. Callers from Nashville or out-of-state may dial (615) 253-0600.

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