

2002 Vending Machine Tax Change

Gross Receipts taxes notice

Chapter 856 of the Public Acts of 2002 repeals the gross receipts tax payment option for vending machine sales effective **July 15, 2002**. Previously, state law provided that the operators of these machines, from which merchandise with a market value of more than one penny and not more than \$5 was sold or delivered to customers, had the option of paying a gross receipts tax on the proceeds in lieu of the state sales tax.

Effective July 15, 2002, Tenn. Code Ann. Section 67-4-506 was deleted; the newly added Tenn. Code Ann. Section 67-6-102(24)(I) mandates that all sales from these machines, on or after July 15, 2002, will become a part of the sales tax base.

“(I) ‘Retail sale’ or ‘sale at retail’ includes charges made for the privilege of obtaining merchandise from any vending machine or device; provided, that ‘charges’ for this purpose shall be in the amount of money deposited into the vending machine or device.”

All gross receipts vending machine tax accounts were closed effective June 30, 2002, and will be reregistered as vending-only sales or use tax accounts at the location of the previous gross sales account. All vending machine taxpayers that are not registered for payment of the sales or use tax must register immediately. **The vending machine taxpayer is the person that removes the money from the machine according to the contractual agreement in effect for each machine.** Accounts will be assigned an account number unique to sales or use vending-only accounts. Vending machine taxpayers that had sales or use tax accounts in effect as of July 1, 2002, and

those accounts established after July 1, 2002, that have similar non-vending sales or use, will file their regular sales or use tax return for non-vending sales or use of tangible personal property and taxable services and will file a separate vending-only sales or use tax return.

All vending only sales or use tax accounts will be set up for quarterly filing. The initial filing period for vending-only sales will be July – September 2002. **The initial vending-only sales or use tax return will be due on October 20, 2002.** Vending-only sales or use tax returns will account for both food and non-food sales and will report a standard 2.25% local option tax rate for all vending sales.

With the repeal of the previous vending machine tax statute, there will no longer be a requirement for a vending machine license or the purchase of vending machine tax stickers. In addition, vending machine taxpayers **must** now register with their city and county for payment of the business tax.

Have questions or comments? Please let us know. [Contact us.](#)

Publication Date: July 2002