

Tennessee Broadband Investment Maximization Act

Infrastructure Used to Produce Broadband Communications Services or Provide Internet Access is Exempt from Sales and Use Tax for Three Years

Public Chapter 1102 (2022), effective July 1, 2022, creates a sales and use tax exemption for the period beginning July 1, 2022 and ending June 30, 2025, for equipment, machinery, software, ancillary components, appurtenances, accessories, or other infrastructure used by broadband communications service providers or internet access service providers to produce broadband communications services or to provide internet access.

Who Should Apply for Exemption

Service providers eligible for this exemption include providers of telecommunication services, mobile telecommunication services, video programming services, direct-to-home satellite television programming services, and internet access services. Contractors may also apply to purchase items exempt from sales and use tax if the items will be used by a qualifying service provider to produce broadband communications services or provide internet access.

How to Make Tax Exempt Purchases

An application for this exemption is available on the Department's website. Eligible purchasers may obtain an exemption certificate by submitting a completed application. Once approved, the Department will send the taxpayer a certificate authorizing the exempt purchase or lease of items used to produce broadband communications

services or provide internet access. The taxpayer must issue this certificate to suppliers of qualifying purchases in lieu of paying sales or use tax on its purchases.

Vendors' Responsibilities

All vendors making exempt sales under this statute must retain a copy of the exemption certificate and properly report such sales. For the July 1, 2022 through June 30, 2025 reporting period, sales should be reported as follows:

1. Report all sales (taxable and non-taxable) on Page 1, Line 1 (Gross Sales) of the sales tax return.
2. Report all sales of exempt broadband items made during the exemption period on Schedule A, Line 10, and Schedule G – Temporary Exemptions.

The information reported on Schedule A, Line 10, is required in order for the State to reimburse local governments for the loss of local sales tax resulting from the exemption.

This exemption only applies to sales made between July 1, 2022 and June 30, 2025.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Public Chapter 1102 (2022), Tenn. Code Ann. § 67-6-391.