

SENATE BILL 589

By Tate

AN ACT to amend Tennessee Code Annotated, Title 4; Title 12 and Title 67, relative to applicability of sales and use taxes to certain sales of goods and services.

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

SECTION 1. Tennessee Code Annotated, Title 4, is amended by adding Sections 2 through 5 as a new chapter 39.

SECTION 2. A state agency shall include in any major procurement contract with a vendor a provision that the vendor and the vendor's subcontractors shall collect and remit sales and use taxes on taxable sales of goods or services made by the vendor or the vendor's subcontractor in connection with the major procurement contract. A vendor may terminate a major procurement contract with a state agency that does not include the provision required by this section.

SECTION 3. If any portion of the cost of a vendor's contract with a state agency is subcontracted, the vendor shall include in the contract with the subcontractor a provision that the subcontractor shall collect and remit sales and use taxes on taxable sales of goods or services made by the subcontractor in connection with the contract as if the subcontractor were itself a vendor. The vendor shall submit a copy of the contract to the state agency. The vendor or subcontractor, as applicable, shall file appropriate sales and use tax returns and collect and remit sales and use taxes as provided by the laws of this state.

SECTION 4. A state agency may terminate a major procurement contract with a vendor who does not include in the vendor's contract with a subcontractor the provision required by Section 3. A subcontractor may terminate a contract with a vendor who does not include the provision required by Section 3.

SECTION 5. As used in this chapter:

(1) "Major procurement contract" means any good or service costing in excess of seventy-five thousand dollars (\$75,000), including major advertising contracts, annuity contracts, consulting services, equipment, and other products and services unique to the functions performed by the state agency, but not including materials, supplies, equipment, and services common to the ordinary operations of the state agency;

(2) "Retailer" means a person or entity that sells goods or services on behalf of a state agency pursuant to a major procurement contract; and

(3) "Vendor" means a person or entity that provides or proposes to provide goods or services to the state agency pursuant to a major procurement contract, but does not include an employee of the state agency, a retailer, or a state agency or instrumentality of the state agency.

SECTION 6. This act shall take effect July 1, 2015, the public welfare requiring it, and shall apply to contracts entered into or renewed on or after such date.