

Lottery Commissions Are Taxable Gross Receipts and  
Are Subject to Business Tax

Business  
tax notice  
#04-05

The Department of Revenue is issuing this important notice to retailers approved for sales of lottery tickets.

The 6.5% commission earned on ticket sales **must** be included in gross sales subject to the business tax.

The commissions earned as a result of selling lottery tickets fall under business Classification 3. Since the applicable business tax rate is determined by an entity's dominant business activity, lottery ticket vendors must determine their appropriate business tax classification based on gross receipts. If the receipts earned on lottery ticket commissions exceed 50% of an entity's gross receipts, it should file as a Classification 3 taxpayer.

Classification 2 taxpayers will be the first classification reflecting lottery commission sales on its business tax return filed with the local business tax collectors.

The due dates for filing business tax returns with the local business tax collectors are:

Classification 1 – on or before February 28  
Classification 2 – on or before May 30  
Classification 3 – on or before August 31  
Classification 4 – on or before November 30  
Classification 5 – on or before February 28

Receipts from lottery ticket sales are not subject to the business tax, just as they are not subject to the sales and use tax.

Local county and municipal business tax collectors have previously been notified that lottery ticket sales commissions are subject to the business tax. They will receive an information copy of this notice as verification that lottery ticket retailers have been notified as well.

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