



Liquor-By-The-Drink Tax Notice

Notice #15-20

September 2015

Liquor-By-The-Drink Tax Return Change

Sales of Liquor for Consumption on the Premises to Nonprofit and Government Entities Are Subject to the LBD Tax But Are Exempt from Sales Tax

Generally, sellers of liquor for consumption on the premises must collect and remit both liquor-by-the-drink ("LBD") tax as well as sales tax on those sales. However, nonprofit and government entities are exempt from paying the sales tax on their purchases of tangible personal property. Therefore, a person who sells liquor directly to a nonprofit or government entity for its own consumption on the premises must collect and remit LBD tax on the sale, but the seller will not collect sales tax on the sale.

For example, a restaurant caters a dinner, including cocktails, that a nonprofit purchases for its board of directors. The restaurant must collect from the nonprofit the 15 percent LBD tax on the cocktails. However, it should not collect sales tax on the sale.

The Department of Revenue Has Changed the LBD Return to Accommodate LBD Sales to Sales Tax-Exempt Entities

Effective for November LBD tax returns, which are due December 15, the Department has updated the LBD return to accommodate LBD sales to sales tax-exempt entities. Additional lines have been added

for LBD sales to nonprofit and government entities. The previous return did not provide a way to calculate the LBD tax if sales tax was not collected on the sale.

Only sales directly to nonprofit and government entities should be recorded on these lines. Taxpayers should leave these lines blank if they do not make sales to sales tax-exempt entities. Sellers must obtain sales tax exemption certificates from the tax-exempt purchasers to make sales without collecting sales tax. The sales tax exemption only applies to sales made directly to the nonprofit or government entities.

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

Tenn. Code Ann. § 57-4-301(c), Tenn. Code Ann. § 67-6-322