Department of Revenue

Retail Accountability Program

Tax Webinar: August 27, 2024

Information is current as of the date presented and may not reflect legislative and other subsequent changes. For the most up-to-date information, please refer to our published tax manuals and Revenue Help articles. Additionally, you can find legislative summaries by year/tax type here.

Thanks for joining us!
We will begin at 9:00 am (CST)

- **Please check your audio settings. See below for resources in case you experience audio or other technical difficulties:**
  - Contact WebEx Support https://help.webex.com/contact/
  - Link to Technical Service Resource Guide https://www.cisco.com/c/en/us/support/web/tac/technical-services-resource-guide.html
  - Try leaving and then re-entering the event

View a recording of today's presentation!

tn.gov/revenue > Taxpayer Education > Tax Webinars

https://www.tn.gov/revenue/taxpayer-education/tax-webinars.html

The webinar recording will be posted in the "Webinar Video Library" the day after the event.

- **Please submit specific account-related questions or any questions that do not get addressed in this webinar to us directly!**
  - www.tn.gov/Revenue
  - Revenue.support@tn.gov
  - 615.253.0600 (M-F 8-4:30 CST)

TN Department of Revenue

Overview

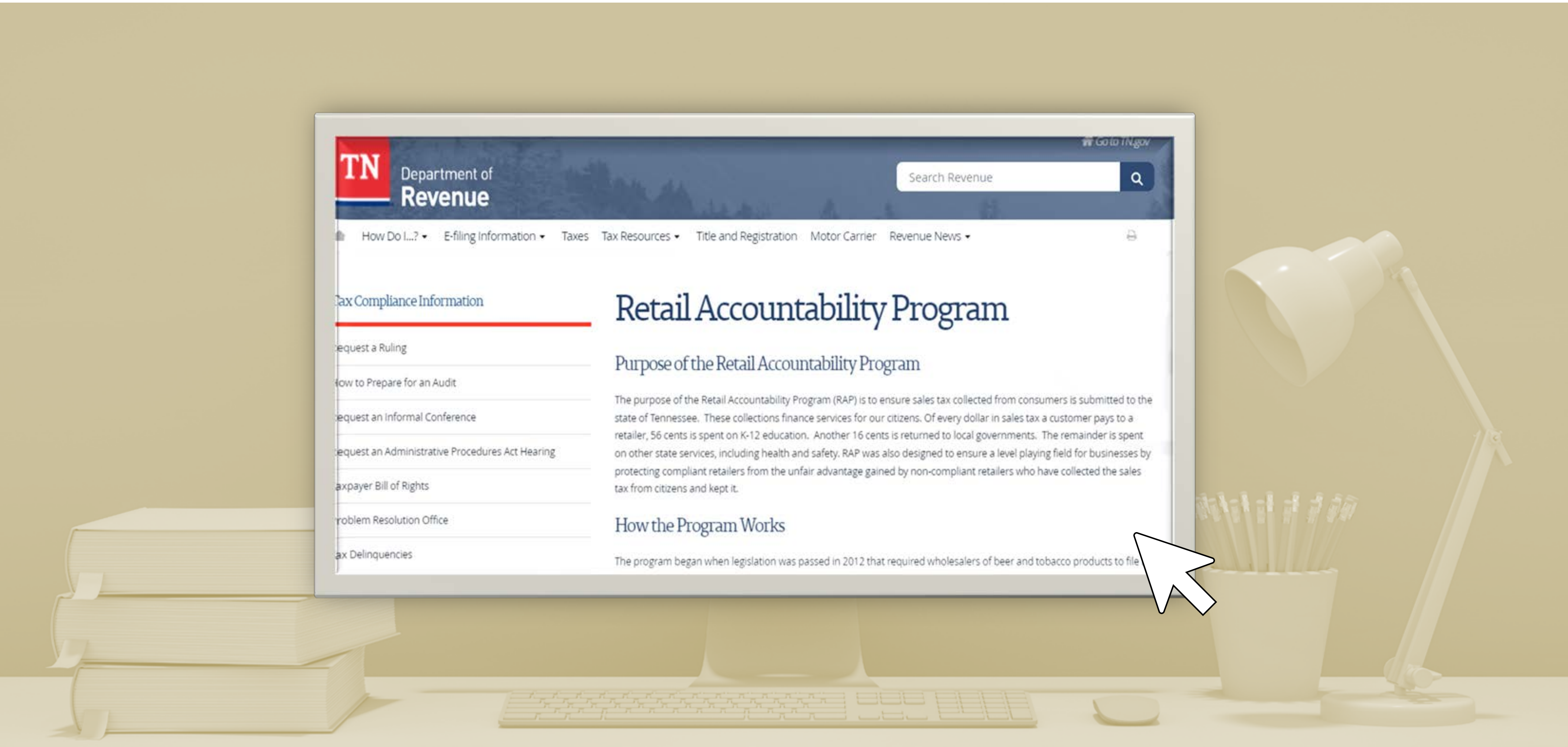
The purpose of the Retail Accountability Program (RAP) is to ensure sales tax collected from consumers is submitted to the state of Tennessee.

Tenn. Code Ann. § 67-6-410

Topics covered this session include:

- **ABOUT RAP**
- **THE ROLE OF WHOLESALERS**
- **THE ROLE OF RETAILERS**
- **RESOURCES/Q&A**

Informational Webpage

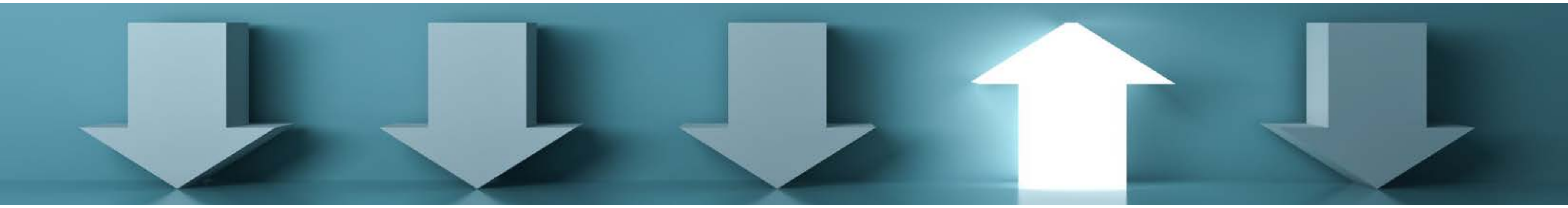


https://www.tn.gov/revenue/tax-resources/compliance-information/retail-accountability-program.html

About RAP

- **HISTORY**
  - 2012 – Legislation requires wholesalers of beer and tobacco products to file an informational report electronically
  - 2016 – Program expands to require wholesalers of food, candy, and/or nonalcoholic beverages (incl. bottled soft drinks) products to file an informational report electronically

- **OBJECTIVES**
  - Increase compliance and automation
  - Decrease fraud



Roles: Wholesalers & Retailers

Wholesalers electronically report sales of applicable items made to retailers

Automated system compiles purchases by retailer + minimal markup and compares with return data

Retailers file returns

In cases with discrepancies, an inquiry letter is sent to retailers, followed by assessments if inconsistencies are not remedied

Wholesalers: Reporting

WHAT MUST BE REPORTED

- **ALL** wholesale beer and tobacco sales
- Candy, food (non-perishable) and non-alcoholic beverages sales ***IF*** annual wholesale sales* are $500,000+ **

*as reported on Schedule A, Line B of the TN sales and use tax return

** candy, food and non-alcoholic beverage sales made to an affiliate(s) do not need to be reported

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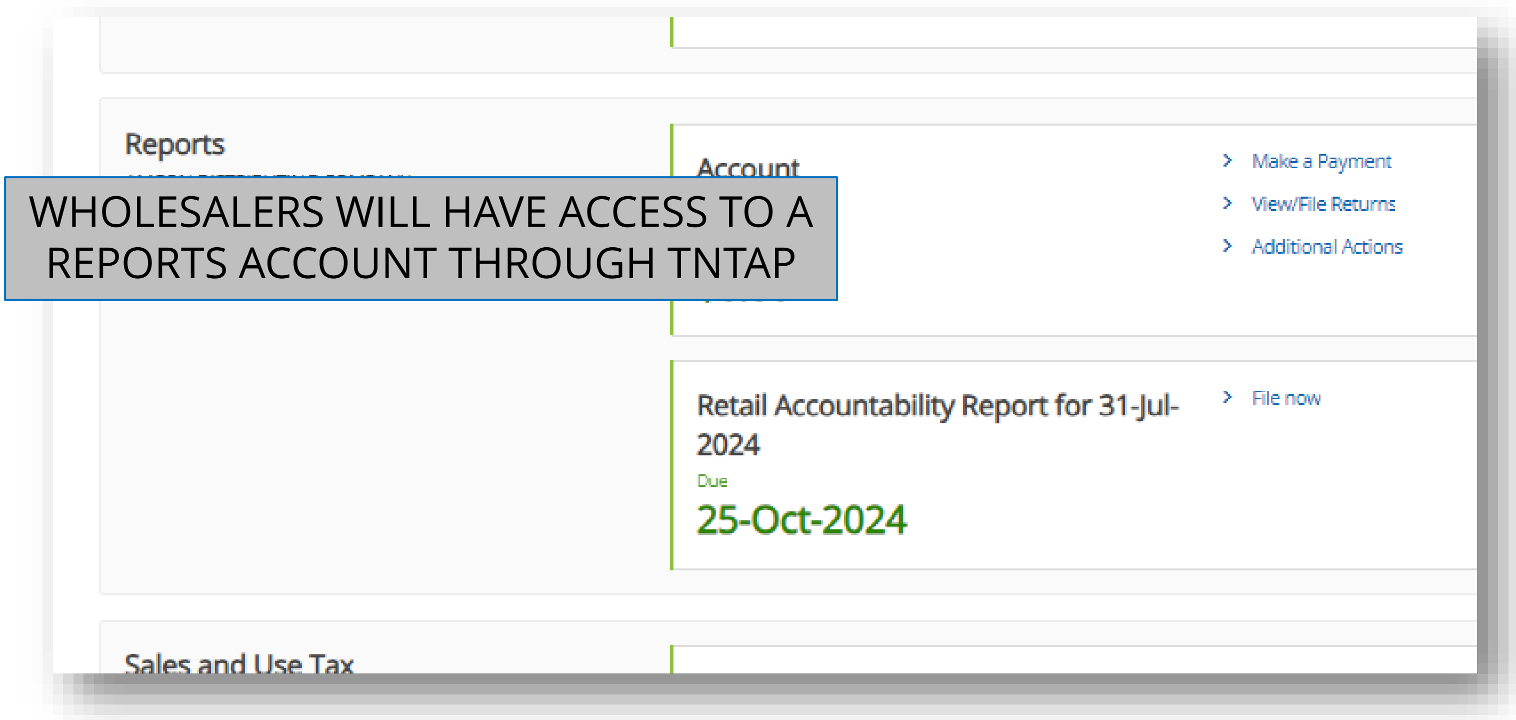
Wholesalers: How/When to File

HOW: Upload .CSV file through your wholesaler reports account in TNTAP.

WHEN: Filing is monthly or quarterly. The report must be uploaded by the 25th of the month following the reporting period.



Wholesalers: Formatting Data

Retail Accountability
FILE LAYOUT FOR WHOLESALERS

Each data element must be a separate field (column) in the file uploaded. Each row/record summarizes the sales by invoice and product category made by the seller to each separate retailer.

Formatted as a comma separated value file (CSV) - delimited by commas

Col.	Field Name	Max Field Length	Field Type	Field Format	Upload Requirements*	Description of Field Contents
A	Info Report Account Number	10	Alpha/Text		Required	This is your Info Report Account Number
B	Customer Number	20	Alpha/Text			Customer Account Number Used by Wholesaler for Retailer
C	Retailer FEIN/SSN	11	Alpha/Text	Include dashes where necessary		Retailer Federal ID number or Social Security Number if available
D	Retailer Location Account Number	10	Alpha/Text	A valid 10 digit Retailer Location Account Number	Required	Retailer Location Account Number from the Tennessee Department of Revenue Certificate of Resale
E	Quantity of Beer Sold for Consumption on Premises	9	Numeric 999999.99	Quantities of beer sold for consumption on premises. Reported in gallons.		This is required if you are a Beer manufacturer that Self-Distributes
F	Retailer/Customer Name	70	Alpha/Text	Do not use commas in field	Required	Retailer Name of Business, Corporation and/or Doing Business As Name (DBA)
G	Retailer/Customer Contact Name	30	Alpha/Text	Do not use commas in field		Retailer Name of person responsible for payment or owner of business
H	Retailer Address Line 1	30	Alpha/Text		Required	Retailers Ship to/Sold to address
I	Retailer Address Line 2	30	Alpha/Text			Retailer address continued (if needed)
J	Retailer/Customer City	20	Alpha/Text		Required	Retailer Ship to/Sold to City
K	Retailer/Customer State	2	Alpha/Text	Two letter state abbreviation	Required	Retailer Ship to/Sold to State
L	Retailer/Customer Zip Code	5	Alpha/Text		Required	Retailer Ship to/Sold to Zip
M	Retailer/Customer Zip + 4	4	Alpha/Text	Only four additional digits		Retailer Zip plus 4 (if available)
N	Retailer/Customer Phone	10	Alpha/Text	Do not include dashes or parenthesis		10 digit phone number including area code
O	Retailer/Customer County	25	Alpha/Text			
P	Invoice Number	25	Alpha/Text			Wholesaler sales invoice number
Q	Information Date	10	Date	mm/dd/yyyy (must include backslashes)	Required	Invoice date or last day of the month
R	Total Invoice or Monthly Amount	12	Numeric 999999999.99	9 whole dollar, decimal point and 2 decimal places without commas or dollar signs (Leading negative indicator for credit amounts)	Required	Enter invoice total or monthly total. If more than 1 category per invoice or month, then same amount may be on multiple lines
S	Category Number	12	Alpha/Text	Numbers only - Do not include dashes		Preferred codes are listed below, 12 digit UPC Codes may be substituted. For other options, please contact RAP
T	Category Name	25	Alpha/Text			Commonly used descriptions below or a description of the product
U	Category Total for Invoice or Monthly Amount	12	Numeric 999999999.99	9 whole dollar, decimal point and 2 decimal places without commas or dollar signs (Leading negative indicator for credit amounts)	Required	This should be a subtotaled amount from the invoice or monthly amounts by category

*All data is requested whenever possible. "Required" means data must be in that field for the file to upload. If you do not have a "required" data element, contact RAP for assistance.

The following category names and NACS numbers are also recommended, but the file layout will also accept UPC codes. To discuss other options, contact RAP for assistance.

Category Name	Number	Category Name	Number
Cigarettes	02-00-00	Food and Beverages (Non-alcoholic)	19-00-00
Other Tobacco	03-00-00**	Non-Food (All Other)	22-00-00
Beer	04-00-00		

**Includes chew, dip, snuff, snus, cigars, and loose tobacco.

We will also accept line item detail from each invoice.

RAP Contact Information:
E-mail at resale.data@tn.gov
RAP Hotline - (615) 741-9300 or toll free within TN at (855) 286-7423

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[File Layout Options]

Wholesalers: Communication

Accurate Information Required!

Sample email to wholesaler when incorrect information is on report submitted:

Wholesaler/Distributor,

Attached is a list of invalid Tennessee Sales and Use Tax Location ID numbers recently uploaded in your Retail Accountability information report (column D). Please be aware that the Location ID could have changed during the month and you are required to report the sales to the correct Tennessee Sales and Use Tax Location IDs for the appropriate days. Please have on hand the Resale Certificate from each retailer for all sales. For Resale Certificates dated before March 2017 use the 9 digit sales tax ID. For Resale Certificates starting March 2017 use the 10 digit location ID (not the SLC number). If necessary, please amend your monthly information report by the 25th of the month to be in compliance with the reporting requirements.

Please be aware that once the Department or the retailer has notified you that a location ID or a Sales and Use Tax Certificate of Resale is no longer valid, you are no longer permitted to make tax exempt sales for resale to that retailer. If you continue to make any tax exempt sales to the retailer after you have been notified that the certificate is invalid, you will be held responsible for the tax on those sales.

You may verify Sales Tax Certificate location IDs at: https://tntap.tn.gov/EServices/

A penalty of $250 per month for not filing the report or negligently or knowingly filing an inaccurate report may be assessed.

- May be assessed for each inaccurate report or for each month or partial month the report is not provided past the due date, up to a maximum of $2,500.
- Penalty may be waived if wholesaler can establish that there was good and reasonable cause for the action that led to the penalty.

Retailers: Compliance

STEP 1: Understand Filing Requirements!

It is important to ensure you are complying by charging the correct amount of tax on the items you are selling.

Sales Tax Basics Webinar: https://youtu.be/akms-2eVtdY

Tobacco Taxes Webinar: https://youtu.be/cEC07RKfzgM

DID YOU KNOW?

Tax is due from the retailer on taxable transactions regardless of whether it was collected from the customer.

Retailers: Communication

RAP INQUIRY LETTER: analysis indicates the retailer potentially under-reported sales on its returns. The retailer then will have ***<u>30 days</u>*** to review the information its wholesalers provided and submit any documentation that confirms its sales are correctly reported.

WHAT TO DO:

- Ensure proper tax was reported and amend return if needed
- Check for wholesaler data errors
- Check tobacco buydown credits
- Check for inventory issues

00229 1 of 1

STATE OF TENNESSEE
DEPARTMENT OF REVENUE

RAP Inquiry Letter

The Audit Division's Retail Accountability Program (RAP) unit has compared your purchases for resale to your reported sales for the period from January 1, 2022 to March 31, 2022. Information reported by wholesalers and distributors from which you have purchased inventory shows you made purchases in the amount of $194,714.32 during this period. Your purchases, with a minimal markup, exceed your reported taxable sales for the same period by $15,115.60. This indicates that you potentially underreported your sales, and, as a result, sales tax was underpaid for this period.

Please review the wholesaler/distributor purchase information referenced above for accuracy by accessing this information in your TNTAP account at https://tntap.tn.gov/eservices/ and selecting the March 31, 2022, period of your Sales and Use Tax account. If you find any errors, you will need to contact your wholesaler/distributor directly and have them correct the data with the Department. If you encounter any unusual circumstances or you need assistance in resolving reporting issues, you may contact our office.

We will review your information again in 30 days from the date of this letter. If there is still a discrepancy between your purchases and sales, you may receive a proposed assessment for the underpaid tax, including any applicable interest and penalty. If you receive a proposed assessment, you will have the opportunity for a review of the proposed assessment before it becomes final.

You may not have been given credit for all tobacco buydowns if you participate in such plans. To ensure that you receive all credit due, please contact the Retail Accountability unit with your tobacco manufacturer buydown account numbers.

For detailed information about the Retail Accountability Program, including frequently asked questions, you may visit our website: www.tn.gov/revenue/tax-resources/compliance-information/retail-accountability-program. If you have any questions, you may contact us at Resale.Data@tn.gov or call 615-741-9300 or 855-286-7423 (toll free). All inquiries should make reference to letter ID XXXXX

Retail Accountability Program

Audit Division • 500 Deaderick Street • Nashville, TN 37242
Tel 615-741-9300 • www.tn.gov/revenue

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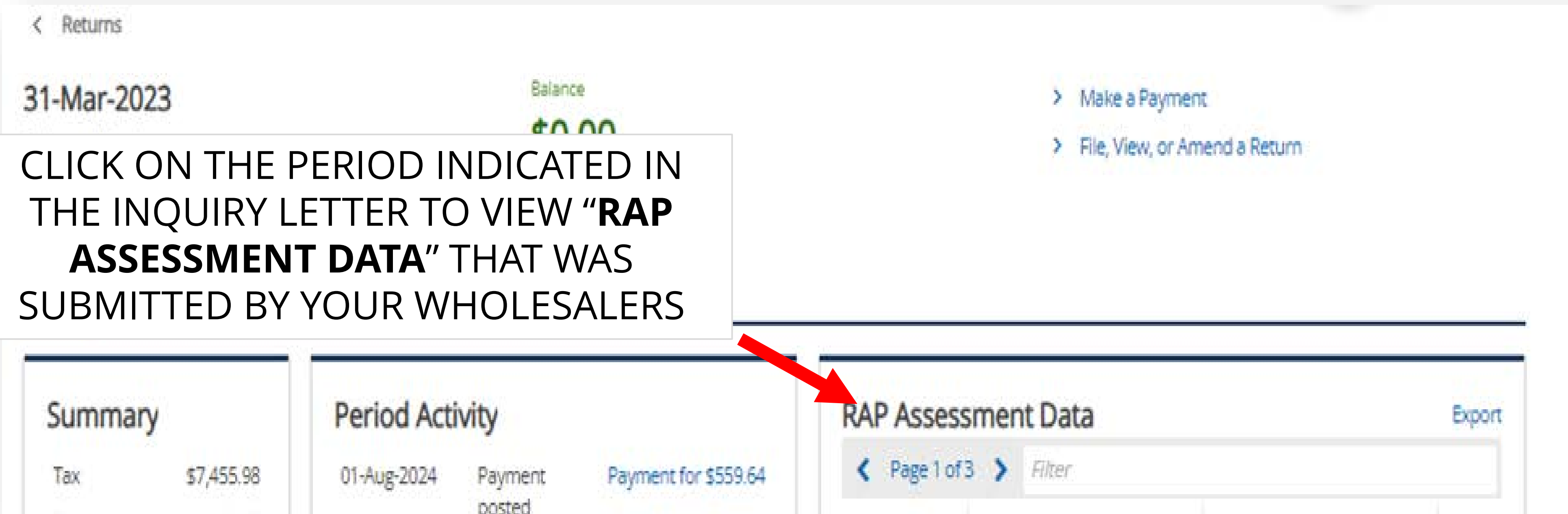
Retailers: Viewing the Wholesaler Data



CLICK ON THE PERIOD INDICATED IN THE INQUIRY LETTER TO VIEW "**RAP ASSESSMENT DATA**" THAT WAS SUBMITTED BY YOUR WHOLESALERS

Retailers should review the purchases reported under the assessment period in TNTAP. The retailer is responsible for notifying wholesalers of any purchases incorrectly reported to the retailer's account.

Adjustments: Tobacco Buydowns

Tobacco manufacturers report tobacco buydowns to the TN Dept. of Revenue. In order to confirm an adjustment to a RAP assessment, the retailer will need to contact the RAP unit with their tobacco manufacturers account numbers or mail the tobacco buydown information from the cigarette manufacturer to the RAP unit.

If you suspect that the buydown information provided by tobacco manufacturers is incorrect, please contact the RAP unit.

Adjustments: Inventory Issues

Inventory issues can range from a new business building inventory to an existing business losing inventory due to theft or disaster.

For retailers building up inventory:

- submit detailed inventory records from the beginning of the assessment period and the end of the assessment period.

For retailers with loss in inventory due to theft or disaster:

- submit police reports and/or insurance documentation as proof of the loss.

Assessment Letter

After the 30-day inquiry letter period has passed, the analysis and calculation is updated and a Notice of Proposed Assessment letter will be mailed if the examination shows additional sales tax was due.

- Penalty and interest will be applied to the unpaid tax assessed.
- Retailer has an additional 30 days to review the purchases reported by wholesalers and provide any additional information that would support an adjustment before the assessment becomes final.

Click here to see how the minimum amount of tax due is computed

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Business Change of Ownership

When a store changes ownership there is a risk of the previous business receiving a RAP assessment because its wholesalers continue to report under its sales tax account. To prevent this situation:

- Closing business
  - return resale and registration certificates to the Department
  - close all accounts by the last day of business
  - notify, no later than the last day of business, all wholesalers in writing that its account is closed and no longer should be used
- New business
  - provide the resale certificate for the new account to every wholesaler from which it makes purchases at the time of each initial purchase.

Questions

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@TNDeptofRevenue

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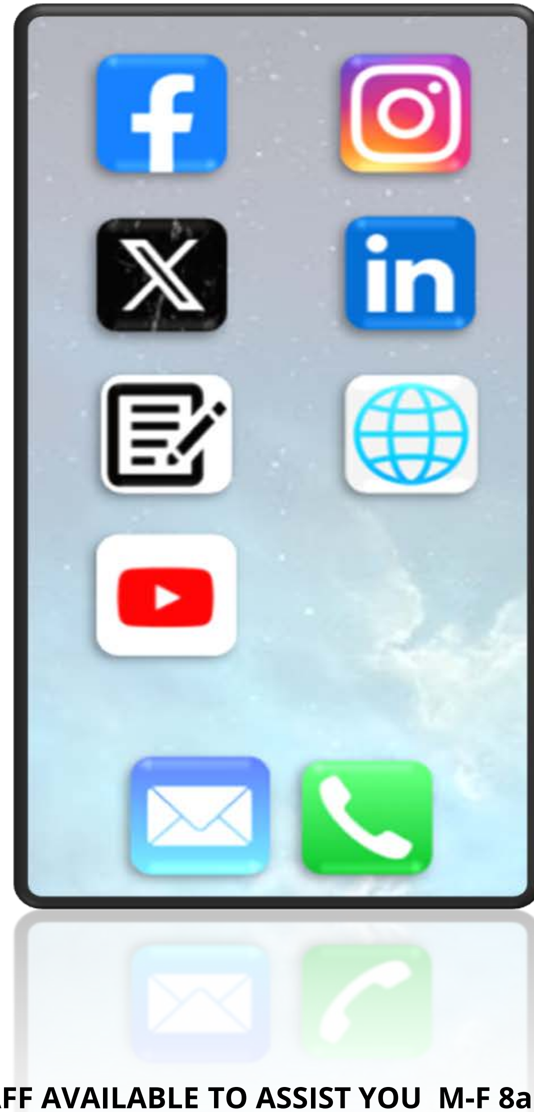
Revenue News

YouTube:
@TDOR2013

Email Us:

Revenue.Support@tn.gov



Instagram:
@TNRevenue

LinkedIn:
@TennesseeDepartmentofRevenue

On the Web:
www.tn.gov/revenue

RAP Help:
855.286.7423 (toll free)
615.741.9300
Resale.Data@tn.gov

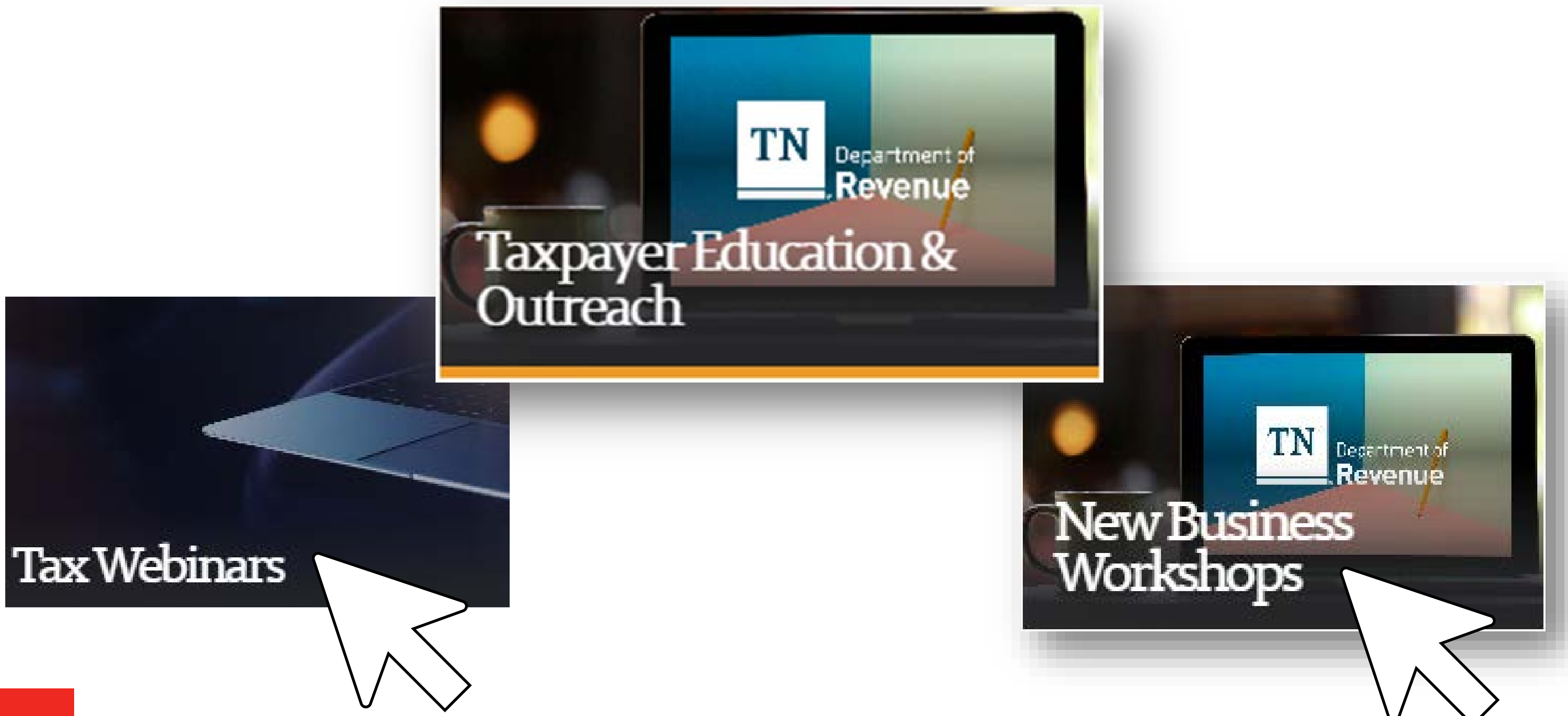
Call for Help:
General Tax Call Center
615.253.0600

SUPPORT STAFF AVAILABLE TO ASSIST YOU M-F 8am – 4:30pm

All Dept. of Revenue Contact Numbers and Office Locations

UPCOMING!

- **Upcoming Webinars**
  - 9/24 – Alcohol Taxes
  - 10/29 – F&E Basics
- **New Business Workshop: 10/2/24**



Taxpayer Education & Outreach

TN Department of Revenue

PLEASE TAKE A MOMENT TO COMPLETE A BRIEF SURVEY UPON EXITING!

IMPORTANT: In order to receive CPE credit for attending, you must answer yes to question 4 of the post-event survey.