



Welcome to the  
**Tennessee Value-Added Beef  
Webinar Series**

Made Possible By:







## Today's Topics & Presenters

What You Should Know About Your Product  
(continued)



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Become Sales Tax Savvy



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## Session Objectives

- Increase awareness that knowledge of the product is vital to
  - Understanding the market for your product
  - Developing marketing strategies for your product
  - Communicating with customers
- Increase awareness of market analysis and planning as a means of decreasing financial risk
- Increase understanding of sales tax regulations in order to decrease personal and business liability

## What You Should Know About Your Product

### “How do I know when my cattle are ready for harvest?”

- Depends:
  - What is your target market?
    - Are you in a lean market?
    - Are you targeting a fatter, more marbled beef?
  - What type of cattle are you raising – large frame, medium frame or small frame?

### “How do I know when my cattle are ready for harvest?”

- Type of animal
  - Small frame, earlier maturing finish (.40-.60" of fat) around 900-1000 lbs.
  - Medium frame around 1100 lbs.
  - Large frame around 1300 lbs.
- Animal shape
  - Muscle is round
  - Fat is flat
  - Fat fills into the curvature

### “How do I know when my cattle are ready for harvest?”

Steer with .40 fat and average muscling



### “How do I know when my cattle are ready for harvest?”

Over finished heifer with .90 fat and below average muscling



### “Nutritionally, what are beef’s good and bad qualities?”

- Most foods have good nutritional value but most are lacking in some nutrients
- Beef is nutrient rich – good to excellent source of 10 essential nutrients while providing low calories
  - B-vitamins
  - Minerals: Iron, Zinc, Phosphorus and Selenium
  - Approximately ½ of the fats are unsaturated & Approximately 1/3 beef’s saturated fat is Stearic acid which is neutral effect on blood cholesterol
- 29 cuts meet government guidelines for lean
- BOLD study – lowered LDL

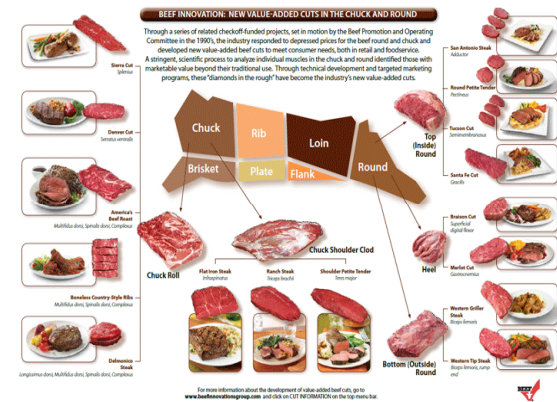
### “How does the nutritional value differ between grass and grain fed beef?”

- Grass fed is leaner (less fat) than grain fed
- Cholesterol does not differ in grain- or grass-fed beef
- Grass fed has slightly more omega-3 fatty acids, but beef is a poor source regardless of diet
- Little difference in Conjugated Linoleic Acid (CLA) of **cooked** beef
- Even though grass fed has more Vitamin E, neither is a good source

### “What about the new beef value cuts from the round and chuck? How are they selling?”

### BEEF INNOVATION: NEW VALUE-ADDED CUTS IN THE CHUCK AND ROUND


Through a series of related checkoff-funded projects, set in motion by the Beef Promotion and Operating Committee in the 1990s, the industry responded to depressed prices for the beef round and chuck and developed new value-added beef cuts to meet consumer needs, both in retail and foodservice. A stringent, scientific process to analyze individual muscles in the chuck and round identified those with marketable value beyond their traditional use. Through technical development and targeted marketing programs, these “diamonds in the rough” have become the industry’s new value-added cuts.



For more information about the development of value-added beef cuts, go to [www.beefinnovation.org](http://www.beefinnovation.org) and visit the BOLD team on the top right bar.

## Become Sales Tax Savvy

- ### Topics We'll Cover
- Tennessee Sales Taxes on Sales of:
    - Raised Farm Products
    - Value-added Products
  - Sales Tax Liability and Registering with Tennessee Department of Revenue

- ### Should I Collect Sales Tax?
- It depends!
- 
- Consider a man driving 65 miles per hour on Highway 64. Is he breaking the law?

- ### Disclaimer
- The examples provided and interpretations given are considered correct and accurate based on our current understanding of the rules, input, and explanations provided by Tennessee Department of Revenue. Rules and interpretations of such rules do change. This presentation cannot be relied upon as legal advice and is not an official statement of department policy.

- Some points in the Law (Title 67 of Tennessee Code) are clearer than others.
- Consult Sales and Use Tax Guides
- For specific situations, consider requesting a Letter Ruling

- ### Sales Tax
- A tax that permits you to engage in the business of:
    - Selling tangible personal property at retail

### Exemption for Farmers

- Sales of **farm products** by the farmer who raised them are exempt from sales tax.
- *Tennessee Code Annotated, 67-6-301. Agricultural products.*

### Sales of Farm Products by the Farmer Who Raised Them

- “Products of the farm sold by the farmer who raised them” are exempt from sales tax.

- Livestock
- Nursery Stock
- Fruits
- Vegetables
- Poultry



### Sales of Farm Products by the Farmer Who Raised Them

- The *farmer* who raises the product may be a person or an entity. When we talk about “sales of farm products by the farmer who raised them” we mean that the person or entity who sells the farm products to the consumer is the same person or entity who raised them.

### Sales of Farm Products by the Farmer Who Raised Them

- Any Buyer
- Any Location
- No special registration needed



### Value-added Products

- Farm products may be preserved and sold tax exempt if the only non-raised ingredients are water, sugar, salt, pectin and preservatives.
- If a value-added product is to be sold tax exempt:
  - Farmer must raise **all** the products used to make the value-added product (except for above ingredients)
  - Same entity must raise the products and sell the value-added product


### Can These Be Sold Tax Exempt?

- Steaks
- Roasts
- Ground Beef
- Sausage
- Marinated Meats

Has anything been added other than water, salt, sugar, pectin and preservatives?

### Example 1

**Farmer Fred** (sole proprietor) raises cattle. Cattle are processed and **Farmer Fred** (sole proprietor) sells the meat.




Is sales tax due on the meat sales?

Answer: No, because the same entity raised the cattle and sold the meat.

### Example 2

**Farmer Fred** (sole proprietor) raises cattle. Cattle are processed and **Farmer Fred Family Farms LLC** sells the meat.




Is sales tax due on the meat sales?

Answer: Yes, because a different entity sold the meat than raised the animal.

### Example 3

Farmer Fred raises cattle and Farmer Fred sells the meat from those animals.

Farmer Fred's meat business takes off and he needs more animals. He buys cattle from Neighbor Nelda and immediately takes those cattle to be processed. When **Farmer Fred** sells the meat from the animals **Neighbor Nelda** raised, are the sales subject to sales tax?



Answer: Yes, the meat was sold by a different entity than the entity that raised the animals.

### Example 4

Farmer Fred buys cattle from Neighbor Nelda and "raises" them for some time before having them processed.

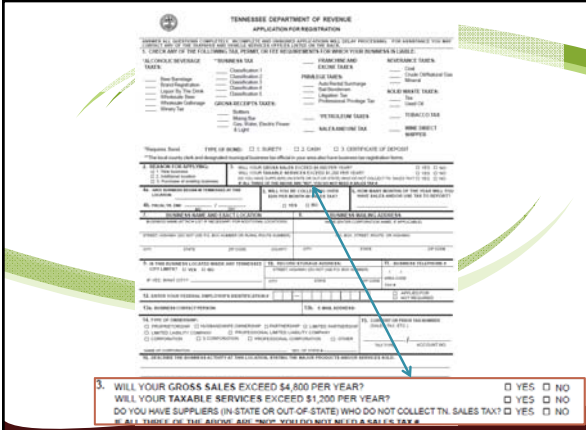
Does Farmer Fred owe sales tax when the meat is sold?

Answer: The Tennessee Department of Revenue has not defined the amount of time that is required for the animal or farm product to qualify as being "raised."

## Registering with Tennessee Department of Revenue

If you are required to register for sales tax, complete an Application for Registration with Tennessee Department of Revenue.

Application for Registration may be completed and submitted online at <http://www.tn.gov/revenue/forms/sales/index.shtml>



The screenshot shows the 'APPLICATION FOR REGISTRATION' form from the Tennessee Department of Revenue. It includes sections for 'TAXABLE SERVICES', 'TAXABLE SALES', and 'TAXABLE SERVICES'. A blue arrow points to the 'TAXABLE SERVICES' section, which contains a question: '3. WILL YOUR GROSS SALES EXCEED \$4,800 PER YEAR? WILL YOUR TAXABLE SERVICES EXCEED \$1,200 PER YEAR? DO YOU HAVE SUPPLIERS (IN-STATE OR OUT-OF-STATE) WHO DO NOT COLLECT TN SALES TAX?' with 'YES' and 'NO' checkboxes.





## Evaluate Today's Webinar

- Please take a few minutes to complete the short online survey at <http://www.surveymonkey.com/s/XBJB3DL>

Special thanks again to our funding partners:



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- March 12, 2013
- 6:30 pm Central/ 7:30 pm Eastern
- Developing Effective Marketing Materials and Tools
- Slides and archived versions of all webinars will be made available at <https://ag.tennessee.edu/cpa>

