Welcome to the Tennessee Value-Added Beef Webinar Series
Made Possible By:

Today’s Topics & Presenters
What You Should Know About Your Product
(continued)

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

“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 ⅓ 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 do I know when my cattle are ready for harvest?”

Over finished heifer with .90 fat and below average muscling

“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?”
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.

Sales Tax

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

• 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
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.

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
Remitting Sales Taxes

- When the Application for Registration is completed, the business is given the option of filing online or on paper.
- File State and Local Sales & Use Tax Return—SLS 450—to report to Tennessee Department of Revenue by the 20th of the month following the period for which tax is due.

Documents Business Will Receive

- Upon registering, a business will receive
  - Certificate of Registration
  - Blanket Certificate of Resale (if qualified to make purchases for resale)

Purchases for Resale

- The Blanket Certificate of Resale allows a business to make tax free purchases of goods for resale.
- The Streamlined Sales Tax Certificate of Exemption may also be used.
- With proper documentation, there is no sales tax on purchases for resale.

Purchases for Resale

- With proper documentation, sales tax should be collected only one time—when the end product is sold.
- When properly documented, sales tax should not be charged on:
  - Purchases of products that will be resold
  - Purchases of inputs to be used in making a product
Thresholds

- Thresholds when sales taxes become due:
  - Taxable product sales are more than $4,800/year
  - Taxable services (i.e., entertainment, hunting, agritourism) are more than $1,200/year
  - Business is liable for sales tax, even if it doesn’t collect from customer.

Occasional and Isolated Sales

- Exemption for persons not regularly engaged in business.
- Sales are not subject to sales tax
- No limit to the dollar amount of these sales
- Limited to 1 or 2 temporary sales periods per year
  - Yard Sales
  - Girl Scout cookie sales

Sales Tax Rates

- State rate 7.00%
  - Exception: Food and food ingredients taxed at lower rate of 5.25% if not prepared by the seller
  - Candy & prepared food taxed at 7.00%
- Local rate varies from 1.00% to 2.75%
- Maximum combined tax rate 9.75% (8.00% for food and food ingredients)

Take Home Messages

- A farmer’s sales of raised farm products (“products of the farm sold by the farmer”) are exempt from sales tax.
- The same business entity must raise and sell the farm products if the sale is to be tax exempt.
- Business with taxable sales of products (>$4,800) or services (>$1,200) should complete Application for Registration and remit sales tax.

Resources

- Sales Tax in Tennessee on the Purchase and Sale of Farm Products
- Agricultural Tax Guide
  - [http://www.state.tn.us/revenue/taxguides/agricultural.pdf](http://www.state.tn.us/revenue/taxguides/agricultural.pdf)
- Sales and Use Tax Guide
  - [http://state.tn.us/revenue/taxguides/salesanduse.pdf](http://state.tn.us/revenue/taxguides/salesanduse.pdf)
- Tennessee Department of Revenue
  - (800)342-1003
  - Email TN.revenue@TN.gov

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