



# Revenue Review

Tennessee Department of Revenue

January 2009

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## Revenue Review Goes Online!

In an effort to reduce costs, *Revenue Review* is moving to the Web beginning with the March 2009 edition. Currently, the Department of Revenue mails three annual issues to taxpayers, and many people access it online at our Web site, [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue). The department is taking steps to make sure taxpayers are aware of new issues by adding reminders to returns and electronic filing applications.

The department will continue to publish a regular tax season issue, posted on the Web site in March, and an end of year issue, published online in December. These publication dates will be noted on the franchise and excise and sales and use tax returns. A link to new issues will be posted on the home page, [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue), as well as the online filing portals for franchise and excise and sales and use taxes. We will also continue to e-mail *Revenue Review* via our listserv. If you are currently not on the list, please visit the Web site and click on "Contact Us" to sign up. In addition to *Revenue Review*, subscribers receive important reminders, legislative summaries, new Web site features and other updates via e-mail, ensuring that you will receive news instantly.

In order to guarantee that all taxpayers are aware of new legislation, the department will continue to mail the legislative edition, typically published in the summer, directly to the address listed on the return.

## Title and Registration Legislative Updates

In the October 2008 edition of *Revenue Review*, legislative changes to tax-related laws were outlined. This issue presents notable changes to motor vehicle title and registration laws administered by or affecting the Tennessee Department of Revenue. View a complete list of legislative changes at the department's Web site, [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue). Upcoming notices and other information about these changes also will be posted online.

### ➤ Specialty Plates

Public Chapter 1165 creates several new specialty license plates:

- Appalachian Bear Rescue
- Appalachian Quilt Trail
- Appalachian Trail Conservancy
- Autism Awareness
- Ford Foundation
- Military Family Assistance

- Mitochondrial Disorder
- Mothers Against Methamphetamine (MAMA)
- National Rifle Association (NRA)
- Share the Road
- Shriners
- Tennessee Association of Realtors
- Tennessee Councils of the Boy Scouts of America
- Tennessee Emergency Medical Services Education Association (TEMSA)
- Tennessee Performing Arts Center (TPAC)
- Tennessee Urban Forestry Council
- Tennessee Wildlife Federation Non-Game and Education Programs
- Veterans of Foreign Wars (VFW)

This chapter also permits the issuance of the following specialty license plates under the category of "Emergency:" Tennessee State Guard, U.S. Coast Guard Auxiliary and on-call surgical personnel.

This chapter further revises the name of the "Women Veterans of America" license plates to "Tennessee Woman Veteran." It also provides that vehicles registered with the Tennessee Association of Realtors are not commercial vehicles. It also permits a person who has obtained a Holder of the Purple Heart plate to receive additional plates upon payment of the regular registration fee and the fee equal to the cost of producing the plate. This chapter reissues the Bryan College collegiate license plate. Additionally, the Shriners new specialty earmarked license plate and the Bryan College collegiate license plate shall not be subject to the requirement that three years expire prior to re-issuance of the plates.

This chapter authorizes the issuance of the Masons new specialty earmarked license plate to owners of motorcycles. It also reauthorizes the "Gold Star Mothers" memorial license plate as the "Gold Star Family" plate and expands eligibility for such plates to any person whose spouse, parent, sibling or child died in the line of duty in the U.S. armed forces.

The public chapter also extends, until July 1, 2009, the time period for the Trout Unlimited, 101st Airborne Division Air Assault, Sandhill Crane, Civil War Preservation, Nashville Predators, Historic Franklin and National Association for Stock Car Auto Racing, Inc. (NASCAR) license plates to meet all issuance requirements. *Effective date: June 14, 2008 for purposes of extending the time periods for certain specialty plates to meet all issuance requirements and July 1, 2008 for all other purposes.*

### ➤ University of Tennessee Lady Volunteers Plate

Public Chapter 1007, Section 10, amends the language of the University of Tennessee Lady Volunteers specialty plate provision to commemorate the team's eighth national championship. *Effective date: July 1, 2008.*

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(800) 342-1003

## ➤ New Specialty Earmarked License Plates

Public Chapter 1145 provides that all nonprofit organizations for which new specialty earmarked license plates are issued on or after July 1, 2008, must be certified for nonprofit status by the secretary of state prior to such plates' initial issuance. This chapter also requires nonprofit organizations to submit an annual accounting of all such funds received from the sale of new specialty earmarked license plates to the Comptroller of the Treasury, and provides that the Comptroller of the Treasury may audit any nonprofit organization receiving such funds to ensure that such funds are being used in accordance with statutory authority. The chapter further provides that a nonprofit organization receiving funds in violation of statutory authority must return any proceeds received and shall be subjected to appropriate legal action to be instituted by the Attorney General and Reporter. *Effective July 1, 2008.*

## ➤ Early Registration Renewal

Public Chapter 1196 allows a motor vehicle owner who will be out of state during his or her annual registration plate renewal month to apply for and receive early renewal during the ninety-day period immediately preceding such annual registration renewal month. This chapter also provides that the Commissioner of Revenue shall provide all registration plates, tabs, stickers and other required devices to county clerks at least 90 days prior to each registration period to facilitate such early renewal. *Effective date: July 1, 2008.*

## ➤ High Occupancy Vehicle Lanes – Low Emission and Energy Efficient Vehicles

Public Chapter 1121 permits the operation of inherently low-emission motor vehicles and low-emission and energy efficient motor vehicles in HOV lanes in Tennessee, regardless of the number of occupants. Upon presenting proper documentation, qualified applicants will receive a sticker or decal from the Department of Revenue. The Departments of Revenue and Transportation will approve the sticker or decal in consultation with the Department of Safety. *Effective dates: June 13, 2008 for purposes of rulemaking and January 1, 2009 for all other purposes. (For more information, please see page 3.)*

## ➤ Recycling Used License Plates

Public Chapter 605 requires the Department of Revenue to create a program that promotes and permits the recycling of used or outdated registration plates, and requires each county facility where plates are issued to provide a location for a recycling bin for such plates. *Effective date: July 1, 2008.*

## ➤ Disabled Parking: Penalties for Unauthorized Use

Public Chapter 909 increases the fine from \$150 to \$200 for unauthorized parking in a space limited to disabled drivers and passengers, and adds a requirement that a violation of this statute subjects a person to five hours of community service. *Effective date: July 1, 2008.*

## ➤ Issuance of Disabled License Plates

Public Chapter 1007, Section 5, permits the issuance of disabled license plates to parents or legal guardians of permanently disabled individuals who do not own and are incapable of operating a motor vehicle. *Effective date: July 1, 2008.*

## ➤ Disabled Parking: Definition of Disabled Drivers and Passengers

Public Chapter 777 revises the definition of disabled drivers and passengers eligible to receive a disabled plate or placard to include persons with 20/200 vision or worse in both eyes with correcting glasses. *Effective date: July 1, 2008.*

## ➤ Title and Registration Fees

Public Chapter 924 repeals the sunset provision applicable to the \$1 fee for motor vehicle registrations earmarked to fund the TRUST system, so that the fee stays in effect after June 30, 2008. The chapter also revises certain fees retained by county clerks and the state as compensation for services. It sets the fee for temporary operation permits at \$10 and provides that the county clerk shall retain \$4.50 for any such permits issued through the clerk's office. It increases the clerk's fee for mail ordering decals from \$1 to \$2 and increases the clerk's fee for issuing dealer plates from \$1.25 to \$2. The fee retained by the clerk for issuing replacement certificates of registration is increased from \$0.50 to \$3. The chapter also adds a new handling fee of \$1 for a county clerk's issuance or renewal of cultural, specialty earmarked and new specialty earmarked license plates, but the fee does not apply to any plates issued free of charge. It deletes the requirement that \$0.50 of the \$5.50 clerk's fee for issuing titles and duplicate titles be sent to the state general fund and concurrently raises by \$0.50 the state's fee for issuing titles and duplicate titles. *Effective date: July 1, 2008, except the \$1 fee for issuance or renewal of special plates is effective January 1, 2009.*

## ➤ Low Speed Vehicles

Public Chapter 719 revises the definition of "low speed vehicle" to include gasoline-powered vehicles. Previously, the definition included only electric vehicles. *Effective date: April 10, 2008.*

## ➤ Medium Speed Vehicles

Public Chapter 959 amends the definition of "motor vehicle" to include medium speed vehicles. This chapter also defines "medium speed vehicle" as a four-wheeled electric or gasoline powered vehicle, excluding golf carts, whose top speed is greater than 30 mph but not greater than 35 mph. This chapter creates a registration fee of \$9.50 for medium-speed vehicles. *Effective date: July 1, 2008.*

## ➤ Custom-built Cars

Public Chapter 765 defines "custom built car" as a motor vehicle that is built for private use and is not constructed by a licensed manufacturer or re-manufacturer. This chapter also provides that a custom-built car for which no certificate of title has ever been issued may be titled as the make, model and year of the car it most closely resembles. This chapter also requires that the certificate of title clearly identify the car as a replica. *Effective date: April 21, 2008.*

## Tennessee Continues Economic Development Successes

In November, Site Selection Magazine ranked Tennessee second in the U.S. for business climate. This is the highest ranking Tennessee has received, moving up from sixth place in 2007.

"We've worked hard to create a business friendly climate in Tennessee, and this new ranking tells me our investments are yielding tangible results," said Governor Phil Bredesen about the state's ranking. "We will continue to focus on job creation efforts that help businesses grow and create high skilled, high paying jobs for Tennesseans."

The annual rankings are determined 50 percent by the state's economic performance in Conway Data's New Plant Database, which tracks new and expanded business facility activity, and 50 percent by a survey of corporate site selectors across the country. The survey focused on factors including lack of red tape and ease of permitting and regulatory procedures, financial assistance, government officials' cooperation, transportation infrastructure and existing work force.

Tennessee's recent successes, including Volkswagen of America's decision to build a \$1 billion auto assembly plant in Chattanooga that will create 2,000 jobs, have continued to move Tennessee up in the rankings as a business-friendly state. The state continues to place a priority on job creation and is focusing on diversifying businesses here.

On December 15, Tennessee announced that Hemlock Semiconductor and its parent company, Dow Corning, plan to locate a polycrystalline silicon manufacturing operation in Clarksville. The facility will produce



Above, Revenue Commissioner Reagan Farr; Governor Phil Bredesen; Dow Corning Chairman, President and CEO Dr. Stephanie Burns; Hemlock Semiconductor President and CEO Rick Doornbos; and ECD Commissioner Matt Kisber celebrate Hemlock and Dow's record investment in Tennessee.

a main component used in the manufacture of solar panels and other energy equipment. The new facility shows Tennessee's commitment to bringing varied jobs to Tennessee and expanding green industry in the state.

Hemlock Semiconductor's choice to build in Tennessee could prove to be the largest announced corporate capital investment in the state's history.

Of the new investment, Governor Bredesen said, "This announcement shows Tennessee's commitment to becoming a significant player in the development of 'green collar' jobs related to clean energy technologies." He continued, "With this announcement, Hemlock Semiconductor and Dow Corning have signaled a major shift in the direction of Tennessee's and the nation's economies. The people of Tennessee appreciate the leadership of both companies for their confidence in our state."

Learn more about Tennessee's investment and job creation incentives by visiting the online Tool Kit at [www.Tennessee.gov/ecc](http://www.Tennessee.gov/ecc).

**REMINDER: NEW LINE ON SALES TAX RETURN FOR DIGITAL GOODS**

*Tennessee's sales and use tax return will change on Jan. 1, 2009. The department will add a new line for reporting digital goods. Please make sure to report sales, leases, licensing or use of certain digital equivalents, including downloaded music, movies and books on your January return. Products exempt from sales tax include gift cards redeemable for digital goods, subscriptions to satellite radio and free use digital music, books and videos on a trial basis. Learn more about taxable digital goods at [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue) in "Legislative Summaries."*

**Remember to File Use Tax for Holiday Purchases**

Don't forget to file consumer use tax for gifts purchased over the Internet during the holiday season. Tennessee law requires taxpayers to file use tax for online, and out-of-state, purchases that do not include Tennessee sales tax.

Use tax, passed into law at the same time as sales tax in 1947, is imposed on items purchased out-of-state or online when Tennessee sales tax is not applied. This tax is designed to put Tennessee retailers on equal footing with retailers outside the state who do not charge

Tennessee sales tax. For most purchases, the department must rely on consumers to file the tax voluntarily. Taxpayers can take credit for any tax paid in another state.

Although the department relies on taxpayers to remit the tax voluntarily, it does work with other states and outside organizations to exchange information about purchases on which sales tax has not been paid. To avoid a potential penalty, make sure you remember to pay your use tax this season.

It's easy to file use tax online, whether monthly, quarterly or annually, at [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue). Go to the "Online Filing" section, where users can also view a demo. Credit card and ACH debit payments are accepted. MasterCard, American Express and Discover Card are accepted and will be charged an associated 2.49 percent processing fee.

**HOV Lanes Go Green!**

Effective January 1, 2009, the Department of Revenue began accepting applications for the Smart Pass program, which allows hybrid vehicles to drive in high occupancy vehicle (HOV) lanes without satisfying the two-passenger minimum. An application is online at [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue), where registered owners of qualifying hybrid vehicles can download it and submit it to the department. Drivers will receive a small decal for their vehicle that must be displayed in order to drive in HOV lanes without additional passengers.



*Owners of qualified hybrids can apply for a Smart Pass decal that allows them to drive in the HOV lane without meeting the two-person requirement.*

Public Chapter 1121, passed in 2008, allows qualifying hybrid vehicles to drive in HOV lanes because they are inherently low-emission and energy efficient. The first HOV lane opened in the Nashville area in 1993, and lanes continue to expand in the Davidson and Shelby County areas.

Learn more about Smart Pass and view a complete list of qualifying vehicles at <http://www.tdot.state.tn.us/smartcommute/>.

**Revenue Reaches New Online Filing Milestone**

Since the first electronic filing option was launched in March 2002, Tennessee taxpayers and tax professionals are increasingly turning to the convenience of online filing with the Tennessee Department of Revenue. In December, filings through the department's Web portal exceeded a \$12 billion milestone. At [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue), all customers can take advantage of the time-saving benefits of electronic tax administration.

"Online filing offers 24/7 accessibility to taxpayers and has made processing of returns more efficient in the department," said Revenue Commissioner Reagan Farr. "It takes the department two days, less than half the time it took three years ago, to post 95 percent of returns."

In 2007, the Department of Revenue processed its one-millionth electronic transaction and surpassed \$8 billion in online filings. Now, in December 2008, the department has surpassed \$12 billion in online filings. Today, taxpayers can file 15 different tax returns online and they are doing it more frequently. Since 2005, the total percentage of tax returns filed online has increased from 14 percent to 25 percent in 2008. The percentage of electronically filed sales tax returns alone has nearly doubled from 21 percent in 2005 to almost 41 percent in 2008. This allows the Processing Division to operate with 10 fewer employees than it did in 2007 while processing 173,000 more returns.

The Department of Revenue continues to add to the suite of online options, increasing accuracy and saving costs and time for taxpayers. The latest update was in June 2008 with the addition of payment by credit card for F&E online minimum pay returns, estimated payments and extensions. Now, all Department of Revenue online tax filing programs accept payment by credit card or electronic funds transfer through ACH debit.

## Tell Us What You Think!

As you know, Revenue launched a new Web site in October. We worked hard to make the site easier to use, and we want to hear from you. What do you think about Revenue's new Web site? Is there something missing, a change you like or an update you dislike?

Please be sure to fill out our Web site survey online at [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue), located in the "Contact Us" section. The short survey only has eight questions and takes just a minute to fill out and submit.

Your feedback tells us what's working, what's not and what we can do to make the Web site more convenient for visitors. Please be sure to fill out the survey and let us know what you think.

## IRS's Latest Hot Product: 2009 Small Business Tax Calendar

The IRS 2009 Small Business/Self-Employed Tax Calendar is now online at IRS.gov for small businesses. The popular 12-month wall calendar features in-depth business tax information and day-to-day reminders for when business taxes are due.

Small business and self-employed taxpayers can download the business tax dates and reminders directly to their Microsoft Outlook calendars and access the calendar via electronic organizers and portable hand-held devices.

New 2009 topics include:

- The 2008 Economic Stimulus Act
- Section 179 Expensing
- Minimizing Identity Theft
- Disaster Recovery for Small Businesses

To download or print the calendar, visit IRS.gov and type "Tax Calendar for Small Business" or "Publication 1518" in the search box.

To get the latest IRS information and learn about IRS products and services as they become available, subscribe to e-News for Small Businesses. To sign up, visit IRS.gov and type "Subscribe to e-news" in the search box.

## Save the Date: Upcoming New Business Workshops

### January

- Jan. 8 – Johnson City, 8:30 a.m. to 11:45 a.m.
- Jan. 8 – Memphis, 9 a.m. to noon
- Jan. 14 – Chattanooga, 8:30 a.m. to 1:15 p.m.
- Jan. 14 – Knoxville, 8:30 a.m. to 12:30 p.m.
- Jan. 27 – Nashville, 9 a.m. to 1:30 p.m.

### March

- March 5 – Johnson City, 8:30 a.m. to 11:45 a.m.
- March 5 – Memphis, 9 a.m. to noon
- March 11 – Chattanooga, 8:30 a.m. to 1:15 p.m.
- March 18 – Knoxville, 8:30 a.m. to 12:30 p.m.
- March 24 – Nashville, 9 a.m. to 1:30 p.m.

### May

- May 13 – Chattanooga, 8:30 a.m. to 1:15 p.m.
- May 13 – Knoxville, 8:30 a.m. to 12:30 p.m.
- May 14 – Johnson City, 8:30 a.m. to 1:15 p.m.
- May 14 – Memphis, 9 a.m. to noon
- May 19 – Nashville, 9 a.m. to 1:30 p.m.

### July

- July 2 – Memphis, 9 a.m. to noon
- July 9 – Johnson City, 8:30 a.m. to 11:45 a.m.
- July 15 – Chattanooga, 8:30 a.m. to 1:15 p.m.
- July 15 – Knoxville, 8:30 a.m. to 12:30 p.m.
- July 21 – Nashville, 9 a.m. to 1:30 p.m.

Visit [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue) and click on "Taxpayer Education" to register or learn more.

## Contact Us

- Taxpayer Services hot line: Statewide toll-free (800) 342-1003; Nashville-area and out-of-state callers, dial (615) 253-0600
- Vehicle Services hot line: Statewide toll-free (888) 871-3171; Nashville-area and out-of-state callers, dial (615) 741-3101
- Online tax help by e-mail: [TN.Revenue@state.tn.us](mailto:TN.Revenue@state.tn.us)
- Streamlined Sales Tax hot line: Statewide toll-free (877) 250-2299; Nashville-area and out-of-state callers, dial (615) 253-0752
- Streamlined Sales Tax online assistance by e-mail: [Streamlined.Salestax.QandA@state.tn.us](mailto:Streamlined.Salestax.QandA@state.tn.us)
- Tax practitioner hot line: Statewide toll-free (800) 387-8395; Nashville-area and out-of-state callers, dial (615) 253-0700
- Local government hot line: (866) 562-2549
- E-mail updates: Visit our Web site, [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue), to subscribe
- Electronic commerce hot line: Statewide toll-free (866) 368-6374; Nashville-area and out-of-state callers, dial (615) 253-0704
- Speakers bureau: (615) 532-4975
- Tax fraud hot line: Report tax fraud by calling (800) FRAUDTX (372-8389)



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