



REVENUE ...  
Working For You

# Revenue Review

Tennessee Department of Revenue

March 2010

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### Business Tax Administration Shifts to Department of Revenue

#### *State/Local Governments Form Partnership to Improve Compliance, Increase Revenue and Simplify Tax Process for Business Owners*

On June 25, 2009, Governor Bredesen signed Public Chapter 530, shifting the administration and collection of business tax from local municipalities and counties to the Department of Revenue. With this change, the Department of Revenue will use its resources and experience in tax administration to collect the business tax, resulting in greater efficiency in the collection process and increased revenue for the State and for local governments.

“This undertaking is a true partnership between state and local governments,” said Commissioner Reagan Farr. “While increasing revenue through improved tax compliance, we also simplified the tax process for business owners including developing a new, simplified tax return and initiating major education programs.”

Beginning with Classification 1 taxpayers, due Feb. 28, 2010, all business tax returns will now be filed with the Tennessee Department of Revenue. Businesses will continue to obtain business licenses from the county clerks and/or municipal officials.

The Department of Revenue is working closely with local municipalities and counties to make this transition a smooth process. More information is available at the Department of Revenue’s Web site [www.TN.gov/revenue](http://www.TN.gov/revenue).

The Department of Revenue offers several ways to file a business tax return and payment electronically. For more information on these options, please visit: <http://www.TN.gov/revenue/onlinefiling/bustaxefile.htm>.

### Important Notice to Taxpayers on Voluntarily Disclosing Business Tax Liabilities

This notice is intended to provide taxpayers with information regarding an opportunity to enter into a Voluntary Disclosure Agreement with the Department of Revenue for business tax purposes.

The department has obtained data including all taxpayers currently registered with cities and counties that have adopted business tax. The department has initiated a compliance program designed to identify taxpayers subject to business tax but not yet registered and filing returns. Non-filers will be identified

in large part through matching current business tax registration information with a variety of other data sources including registration and reporting data for other state and federal taxes.

Taxpayers who are not yet registered for business taxes with the applicable county clerk and/or city official should review their operations to determine their potential liability. Prior to being contacted by the department, or applicable county clerk and/or city official, taxpayers can contact the department and voluntarily disclose their liability.

With this program, the department will waive all penalties for businesses that have not been paying Tennessee’s business tax if they voluntarily register and agree to pay three years’ back taxes and any interest. Companies that do not voluntarily come forward to register and file for business tax purposes, and wait to be contacted will have to pay from six to 10 years worth of back taxes and interest. In addition, a mandatory penalty of up to 25 percent will be assessed on any tax due.

To enter into the voluntary disclosure program, a letter must be written to: Tennessee Department of Revenue-Discovery Unit – Business Tax, P.O. Box 190644 - Nashville, TN 37219. For more information, please visit [www.TN.gov/revenue](http://www.TN.gov/revenue).

### New Electronic Filing Options Available for Franchise and Excise Tax

The Department is offering two new franchise and excise tax electronic filing options to taxpayers that are scheduled to begin in early 2010.

1. The franchise and excise tax exemption form, FAE183, is being added to the department’s existing franchise and excise tax portal site. Taxpayers will be able to file the FAE183 and the appropriate Disclosure of Activity form online. These forms must be filed by the 15th day of the fourth month following the close of the entity’s taxable year in order to certify that it continues to be eligible for the franchise and excise tax exemption.

2. In partnership with the Internal Revenue Service, the Department will begin accepting franchise and excise tax returns electronically through the IRS Modernized E-file Program, beginning with calendar year 2009 returns. Taxpayers using an approved tax preparation software vendor will be able to file their IRS return as well as their Tennessee franchise and excise tax return at a single transmission point (the IRS). The IRS will forward the Tennessee return to the Department of Revenue for processing and posting to the appropriate account. Please visit [www.TN.gov/revenue](http://www.TN.gov/revenue) and click on “online services” for more information.

**Contact Us:**  
TN Department of Revenue  
Attn: Taxpayer Services

500 Deaderick Street  
Nashville, TN 37242  
(615) 253-0600  
Statewide toll-free:  
(800) 342-1003

## Tennessee Ranked Among Five Best States for Business Climate

The editors of Site Selection magazine, one of the nation's premier economic development publications, have ranked Tennessee among the five best states in the U.S. for best business climates. The announcement marks the seventh time in the past decade Tennessee has been listed among the top ten states for business climate. The state has been ranked among the top five states in five of the past seven years. The closely watched annual rankings appear in the November 2009 issue.

The annual business climate rankings are determined by the number of new and expanded business facility projects in each state as well as perceptions in a survey of corporate site selectors across the country. Site selectors were asked to rank the factors most important to them when determining a location for a new facility. Some of those factors included transportation infrastructure, existing work force skills, and state and local taxes. In the site selector "executive survey" portion of the rankings, Tennessee also ranked 5th.

The Site Selection accolade is one of many that Tennessee has collected this year for its economic development efforts. Southern Business & Development magazine named Tennessee a co-state of the year and Governor Phil Bredesen, Commissioner Kisber and Revenue Commissioner Reagan Farr were named to the publication's Ten People Who Made a difference list. Tennessee also won Area Development magazine's prestigious Gold Shovel Award, which is presented annually to the state achieving the most success in terms of job creation and economic impact.

## Commissioners Kisber, Farr Announce TNInvestco Finalists



Commissioner Reagan Farr, Department of Revenue and  
Commissioner Matt Kisber, Economic and Community Development

Tennessee Economic and Community Development Commissioner Matt Kisber and Revenue Commissioner Reagan Farr recently announced the names of the six selected venture capital firms and two alternates to participate in the TNInvestco program.

They are:

- **Tennessee Community Ventures Fund, LLC, Nashville, Tennessee.**
- **XMi High Growth Development Fund, LLC, Nashville and Chattanooga, Tennessee.**
- **Limestone Fund, LLC, Nashville, Tennessee.**
- **Tri-Star Technology Fund, LLC, Nashville, Tennessee.**
- **Innova Fund II, LP, Memphis, Tennessee.**
- **Council & Enhanced Tennessee Fund, LLC, Nashville, Tennessee.**

The two alternate funds selected include:

- **Solidus-TNInvestco LLC, Nashville, Memphis, Chattanooga and Oak Ridge, Tennessee.**
- **Tennessee Angel Fund, Nashville, Tennessee.**

Each of the six TNInvestco funds will receive an allocation of \$20 million dollars in gross premiums tax credits which will be marketed to insurance companies to create a pool of venture capital funds for investment in early- and mid-stage companies in Tennessee. In addition, Commissioners Kisber and Farr also announced their intention to request an additional \$40 million dollars in tax credits from the Tennessee General Assembly in 2010 in order to allow the two alternate funds to proceed as well.

## Tennessee Named 2009 State of the Year by Business Facilities

The editors of Business Facilities magazine, a national economic development publication, have named Tennessee the magazine's 2009 State of the Year for the number of new jobs created and amount of capital investments made during the calendar year. New Jersey-based Business Facilities also named the Hemlock Semiconductor project in Clarksville, Tennessee its 2009 Silver Award winner for Economic Development Deal of the Year, citing the company's announced investment of \$1.2 billion dollars and the creation of 500-900 new jobs.

Business Facilities editors noted Tennessee won the honor "due to an aggressive and creative development effort that defied the economic downturn with a series of multi-billion-dollar projects." Cementing Tennessee's position on top were back-to-back announcements that the world's two largest polysilicon manufacturers, Hemlock Semiconductor and Wacker Chemie AG, would both locate major production facilities in the state.

The magazine also recognized Tennessee's commitment to the creation of clean energy jobs with its innovative Green Energy Tax Credit for certified green energy supply chain manufacturers. The Green Energy Tax Credit was also expanded last year to include integrated customers and suppliers and qualified affiliates of green energy manufacturers.

## THDA, Department of Revenue Receive Award For Community Investment Tax Credit

The National Council of State Housing Agencies has recognized a partnership between the Tennessee Housing Development Agency (THDA) and the Tennessee Department of Revenue with an award for Tennessee's Community Investment Tax Credit.

The award recognized the partnership for innovation and creativity in engaging the private sector in affordable housing. The special achievement category award was announced at the National Council's annual conference in October.

The THDA program, which is administered in cooperation with the Department of Revenue, allows financial institutions to receive a tax credit when qualified loans, investments, grants or contributions are offered to support low income housing activities.

THDA and Revenue developed the innovative program to provide incentives for the private sector to invest in affordable housing with minimal impact on the state budget. Private lending institutions have invested more than \$81 million in affordable housing efforts, and have received nearly \$8 million in credits against their franchise and excise fees in return. As a result, 2,764 affordable housing units have been produced. The 145 projects and initiatives, which were funded at an average of \$559,200 per investment, have leveraged approximately \$50 million in additional funding from other sources.

For more information about THDA, visit <http://thda.org/>.

## January Collections

January 2010 collections of the Tennessee Department of Revenue were \$947,387,419, an increase of \$11,024,230 or 1.2 percent from January 2009 collections.

**Sales and use** tax collections totaled \$633,434,923, a decrease of \$12,032,020 or 1.9 percent from January 2009 collections.

Collections from the **retail trade** group increased 0.5 percent. Items with significant changes include:

- Motor vehicle dealers and service stations: up 5.5 percent (with a 6.5 percent increase in the new, used motor vehicle sub-category item)
- Food stores: down 2.7 percent
- General merchandise stores: up 0.6 percent
- Building materials: down 2.7 percent
- Eating and drinking places: up 1.2 percent

Collections from the **service** group decreased 3.9 percent from January 2009. The biggest contributors to the decline were business services (6.2 percent) and personal services (22.9 percent).

Collections from the **non-retail, non-services** group decreased 8.5 percent led by losses in manufacturing (17.3 percent), electric, gas & sanitary services (18.9 percent), wholesale trade (6.1 percent), and construction (16.3 percent); partially offsetting these losses was a gain

in communications (3.6 percent).

**Consumer use** tax collections were \$689,255, a decrease of \$37,715 or 5.2 percent, from January 2009.

**Franchise and excise** tax collections were \$139,772,879, an increase of \$16,109,257 or 13.0 percent over the collection in January 2009. Separately, franchise tax collections were \$52,115,099, an increase of \$26,109,652 or 100.4 percent from last January. Excise tax collections were \$87,657,780, a decrease of \$10,000,395 or 10.2 percent from January 2009.

**Inheritance, gift and estate** tax collections were \$6,562,917, an increase of \$2,059,437 or 45.7 percent compared to January 2009 collections.

**TVA in-lieu of** tax collections were \$26,498,172, an increase of \$2,483,736 or 10.3 percent compared to January 2009 collections.

**Motor vehicle registration** tax collections were \$16,905,434, a decrease of \$1,230,279 or 6.8 percent compared to January 2009 collections.

**Tobacco** tax collections were \$22,350,733, an increase of \$844,797 or 3.9 percent compared to January 2009.

**Gasoline** tax collections were \$47,139,181, an increase of \$2,688,047 or 6.1 percent compared to January 2009.

| Online Sales Tax Filing Statistics |                   |                           |
|------------------------------------|-------------------|---------------------------|
| Month                              | Number of Returns | Total of Amount Collected |
| October 2009                       | 47,260            | \$324,946,541             |
| November 2009                      | 42,298            | \$324,340,555             |
| December 2009                      | 44,388            | \$307,931,904             |
| January 2010                       | 59,817            | \$423,623,006             |

| Save the Date: Upcoming Tax Workshops for New Businesses |          |        |
|--|----------|--------|
| Chattanooga office:                                      | March 10 | May 12 |
| Johnson City office:                                     | March 11 | May 13 |
| Knoxville office:  | March 17 | May 12 |
| Memphis office:  | March 11 | May 13 |
| Nashville office:  | March 23 | May 18 |

For registration and office location information, visit [www.TN.gov/revenue](http://www.TN.gov/revenue).

### Did You Know...

You can receive notices and other publications instantly by signing up on one of the department's ListSers? Visit our Web site, [TN.gov/revenue](http://TN.gov/revenue) to subscribe to Revenue-News or lists dedicated to county clerks and city officials.

## IRS Reminds Taxpayers That Keeping Good Records Reduces Stress at Tax Time

The tax filing season is just around the corner, so if you haven't already done so, it's time to organize your records.

Whether you are a business owner or an individual taxpayer, you can avoid headaches at tax time with good records because they will help you remember transactions you made during the year.

Keeping well-organized records also ensures you can answer questions if your return is selected for examination or prepare a response if you are billed for additional tax. In most cases, the IRS does not require you to keep records in any special manner. Generally speaking, you should keep any and all documents that may have an impact on your federal tax return.

### Small Business Owners

If you are a small business owner, you must keep all your employment tax records for at least four years after the tax becomes due or is paid, whichever is later. Examples of important documents business owners should keep include: Gross receipts: Cash register tapes, bank deposit slips, receipt books, invoices, credit card charge slips and Forms 1099-MISC; Proof of purchases: Canceled checks, cash register tape receipts, credit card sales slips and invoices; Expense documents: Canceled checks, cash register tapes, account statements, credit card sales slips, invoices and petty cash slips for small cash payments; Documents to verify your assets: Purchase and sales invoices, real estate closing statements and canceled checks

### Individuals

Individual taxpayers should usually keep the following records supporting items on their tax returns for at least three years: Bills, Credit card and other receipts, Invoices, Mileage logs, Canceled, imaged or substitute checks or any other proof of Payment, Any other records to support deductions or credits you claim on your return

For more information about recordkeeping, check out IRS Publications on the IRS Web site, [IRS.gov](http://IRS.gov) or by calling 800-TAX-FORM.

**Reminder:** In preparation for tax season, the Tennessee Department of Revenue reminds Tennessee taxpayers that the individual income tax, commonly known as the Hall income tax, and franchise and excise taxes are due Tuesday, April 15. Fast, easy filing alternatives, including payment by credit card and other electronic filing options, are available on the department's Web site at [www.TN.gov/revenue](http://www.TN.gov/revenue).

## Department of Revenue Hints for Avoiding Common Filing Errors

1. Include your tax account number or business name on your payment.
2. Be sure to supply the filing period.

3. Don't send IRS forms or checks to us. Please send them to the IRS.
4. Make your check payable to the Tennessee Department of Revenue – not the IRS.
5. Fill out your check completely before sending to us.
6. Make sure the amount of the check matches the amount due line.
7. Don't staple checks to returns.
8. Use the pre-printed tax return that is provided by the department if possible.
9. If filing electronically, save your confirmation page for your records.
10. Remember to sign your return!
11. Keep a copy of your return for your records.

Questions? E-mail [TN.Revenue@tn.gov](mailto:TN.Revenue@tn.gov)

## 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@tn.gov](mailto:TN.Revenue@tn.gov)
- 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@tn.gov](mailto:Streamlined.Salestax.QandA@tn.gov)
- 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)

## 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 the Department of 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 [TN.gov/revenue](http://TN.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 is working, what is not and what we can do to make the Web site more convenient for visitors.



Authorization number 347193: December 2009.