

Business Tax Return for Counties and Cities

Notice #09-17

Business Tax

December 2009



Highlights

➤ *County clerks and city officials will continue to use the current business tax return until May 31, 2010.*

➤ *County clerks and city officials will continue to file returns based on a period of June 1 to May 31.*

➤ *A newly designed local government business tax return will be available for periods beginning June 1, 2010.*

INTRODUCTION

This notice is intended to provide an update to county clerks and city officials concerning the filing of their annual business tax return with the State.

County clerks and city officials will continue to file their business tax return with the Department of Revenue based on a period of June 1 to May 31, for those filing annually. County clerks and city officials filing on a monthly basis will continue to file monthly.

County clerks and city officials will use the current Business Tax Return for Counties and Cities (BUS402) for the period of June 1, 2009 to May 31, 2010. For any period beginning on or after June 1, 2010, county clerks and city officials will report business tax collections using a newly designed, streamlined tax return.

DISCUSSION**Clerk's return**

In response to concerns expressed by many local officials regarding a proposed change to their current filing schedule with the Department for business tax purposes, the Department will not be making any changes to the filing schedule used by local governments. Most local governments currently file an annual Business Tax Return for Counties and Cities with the Department of Revenue based on a period of June 1 to May 31, while some file monthly returns.

For the period of June 1, 2009 to May 31, 2010, county clerks and city officials should continue to use the current return to report all collections received from businesses, including collections received from late filed returns, transient vendors, flea market collections, and penalty and interest collections. When using this form, county clerks and city officials will continue to retain their portion of the collections and remit the State portion to the Department.

For any period beginning on or after June 1, 2010, county clerks and city officials will use the newly designed Business Tax Return for Counties and Cities and will be required to remit all collections to the Department. Local governments may file with the Department monthly or annually. The State will distribute the local portion of the business tax collections to the local governments on a monthly basis. Revenue collected by local governments from transient vendors, antique malls, flea markets, craft shows, antique shows, gun shows and auto shows pursuant to Tenn. Code Ann. § 67-4-710, as amended in 2009, will be distributed as follows:

- A. 5% of collections will be paid to the county clerk or city official; then
- B. 57% of the remaining collections (less 1.125% administration fee) will be paid to the county or city; then
- C. 43% will be retained by the State

➤ *Class 1 returns will be filed with the Department of Revenue Feb. 28, 2010.*

➤ *The local portion of state business tax collections will be distributed monthly.*

Class 1 returns filed with the Department February 28, 2010

As a reminder, beginning with the Class 1 return due February 28, 2010, the Department will begin accepting and processing business tax returns filed by businesses. The Department will notify each county clerk and/or city official when tax returns are filed for businesses located within their jurisdiction. County clerks and city officials will be responsible for sending business tax license renewals to all compliant businesses upon notification from the Department that the appropriate business tax return has been filed and taxes paid. There is no fee for the annual renewal of an existing license. If a business fails to file a return or pay taxes, then its license will be allowed to expire without renewal.

Once the Department begins collecting the business tax, the State will distribute to the local governments their portion of the collections monthly. In accordance with Tenn. Code Ann. § 67-4-724, as amended in 2009, business tax collections will be distributed as follows:

- A. \$7.00 per return will be paid to the county clerk or city official (\$2.00 of the \$7.00 paid to the county clerk is earmarked for computer hardware purchases or replacement); then
- B. 5% of the remaining collections will be paid to the county clerk or city official; then
- C. 57% of the remaining collections (less 1.125% administration fee) will be paid to the county or city; then
- D. 43% will be retained by the State



References:

*PC 530 §§ 69-93
(2009)*

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.