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Business Tax Law Changes

County Clerks 2023

TN WORKS TAX ACT: Business Tax Changes

Minimal Business License/No Business Tax Filing Requirement:

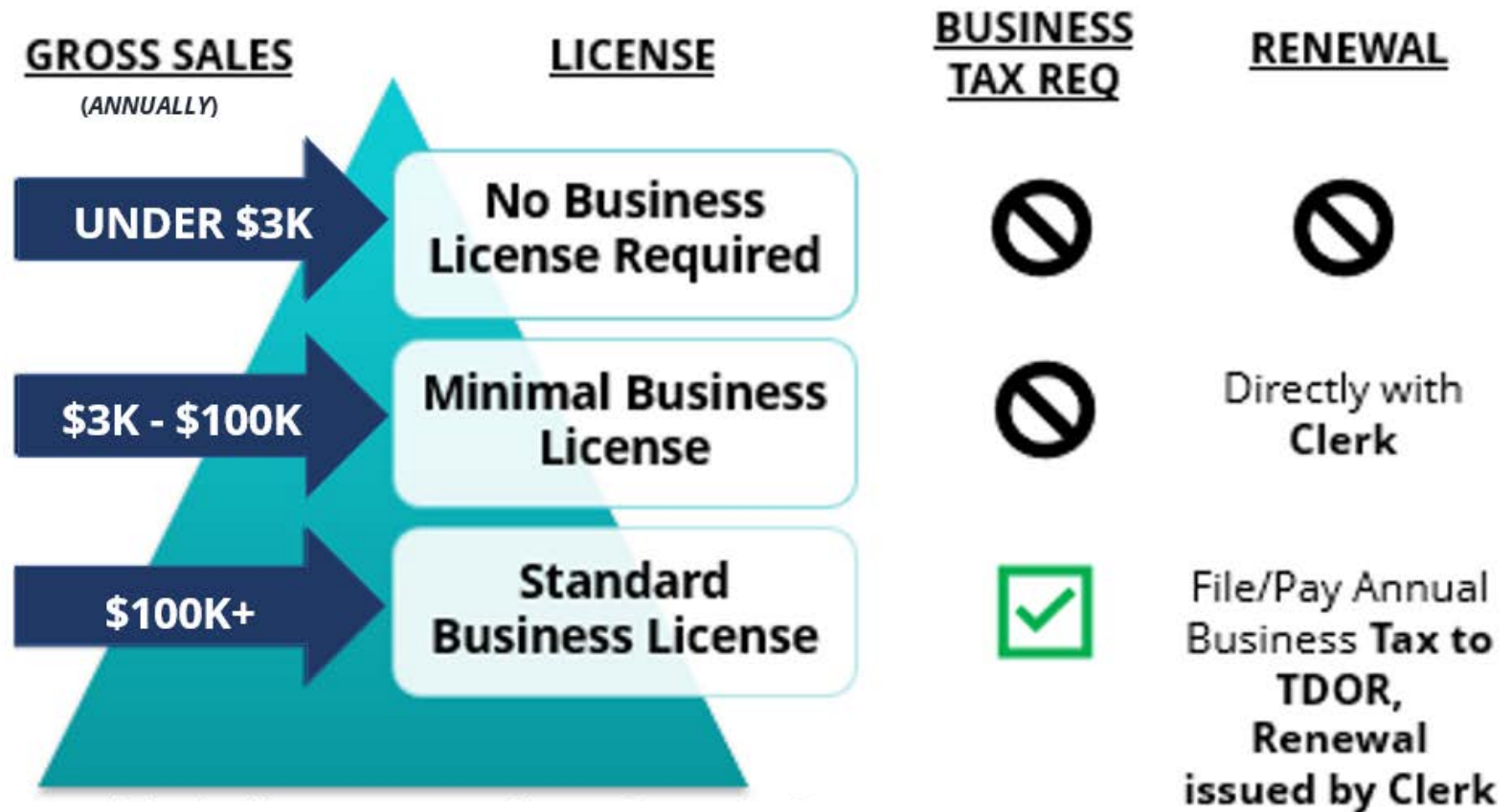
- Businesses whose gross receipts are **less than \$100,000** only need to get a minimal activity business license from their county/city clerks.
- Each license is \$15 annually and must be renewed directly with the clerk each year for as long as the business remains open.
- There is no business tax requirement with the state.

Standard Business License/Business Tax Filing Required:

- Businesses whose gross receipts are **\$100,000 or more** annually must obtain a standard business license locally and file a business tax return with the Tennessee Department of Revenue.
- This requires a business tax account registration and the payment of tax using Revenue's TNTAP filing and payment system.
- Once the return is filed and paid, the local clerks will make a license available on the TNTAP system to view or print or will mail the business a paper license.

Contractors who previously were required to have a business license in jurisdictions when their gross income was more than \$50,000 are now only required to have a standard business license and file Business Tax if gross income in that jurisdiction exceeds or is expected to exceed **\$100,000**.

Business Tax & Licensing



NEW THRESHOLD based on total gross per jurisdiction

Fall 2023: Communicating with Taxpayers

- **TDOR to send letter to Business Tax accounts with appx. \$80,000 or less in gross receipts, on average.**
 - Letter will inform taxpayers of the new filing threshold requirements and that they may *contact TDOR to request switching to a minimal activity license* for the current tax period, this will relieve them of the business tax obligation but will require them to renew the minimal license directly with the clerk.
 - If taxpayers reach out to the clerk to switch to a minimal license, the clerk should inform TPS clerk support via the clerk line at (615) 253-0704 or revenue.support@tn.gov
 - If taxpayers reach out to TDOR to switch to a minimal license, the clerks will be notified. Currently the plan is to list such businesses on a report available on the Business Tax Portal (BTP). More details to come!
- **Tax Webinar: September Tax Webinar Recorded Video**

Letter (10/23)

- **Please note: This is a draft and has not yet been sent** (as of the date of this training).

Business Tax Changes

[LETTER DATE]

[TAXPAYER NAME]	Letter ID:	L0000000000
[STREET ADDRESS]	Account ID:	#####-BUS
[CITY, STATE, ZIP]	Account Type:	Business Tax
	Filing Period:	December 31, 2023

Due to a recent change in Tennessee law, **you may no longer owe business tax** to the Department of Revenue.

What changed?
The Tennessee Works Tax Act, Public Chapter 377 (2023), eliminated the business tax filing obligation for any business whose annual gross sales total less than \$100,000 within a county or city. This change applies to tax periods ending on or after December 31, 2023. For additional details and examples, see [Important Notice #23-08](#).

Do I owe business tax?

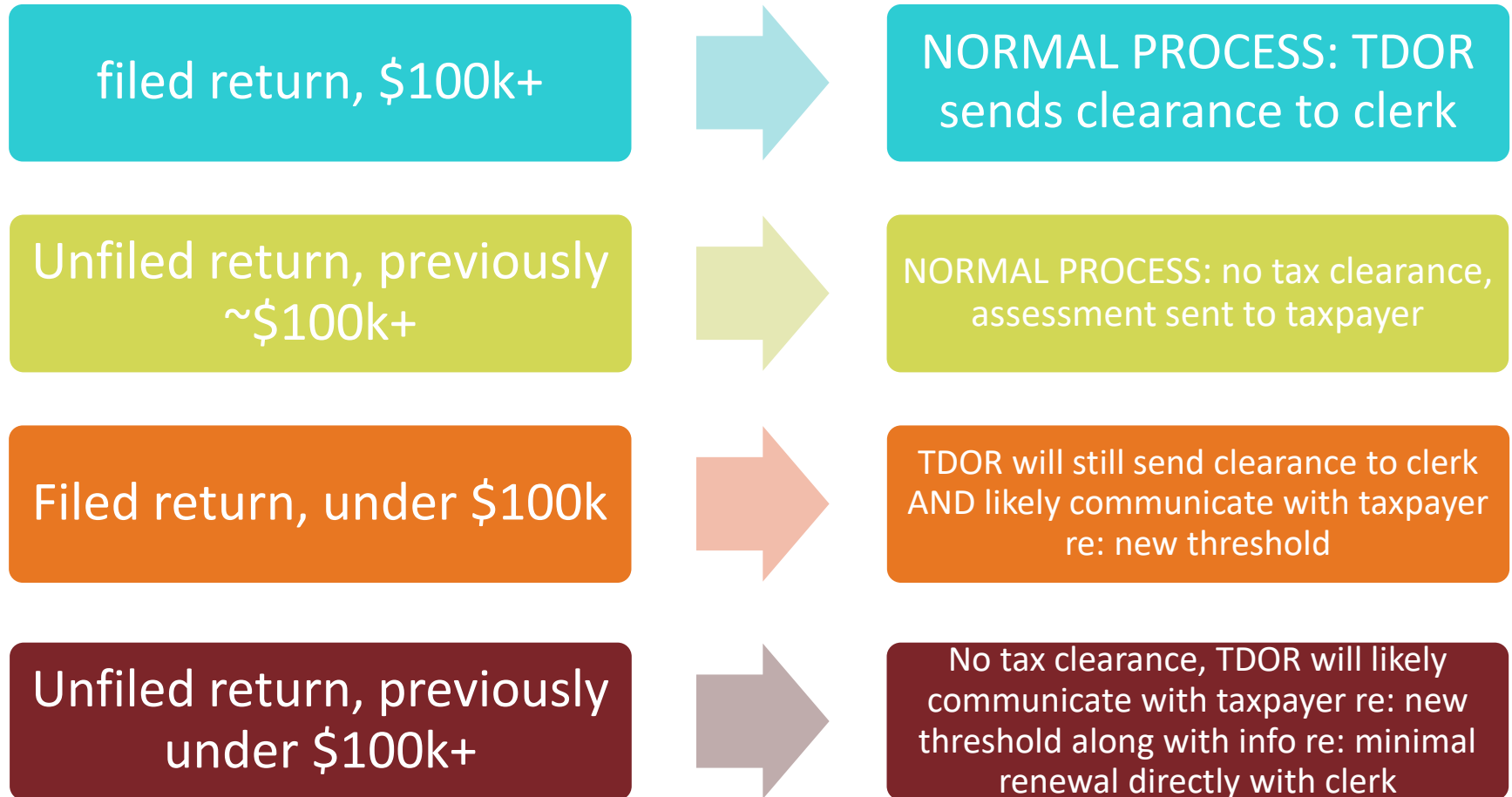
1. Review your 2023 total gross sales before filing your next business tax return. Calculate the annual gross sales for all the locations you have in a single county or city. If the calculated gross sales are less than \$100,000 within a county or city, the location(s) are not subject to business tax.
2. If you have locations not subject to business tax, please contact the Department of Revenue to update your account.

What about my current business license?

1. Your current license is valid until the expiration date. If your total gross sales are more than \$3,000 but less than \$100,000, you must obtain a minimal activity license for 2024 directly from the county and/or city clerk on or before the date the license expires.
2. If you determine you should file a business tax return, your business license will be automatically renewed after the return is filed.

Please visit our website for updates and helpful information on this law change. If you need assistance, please message Taxpayer Services via the Department's help desk at <https://revenue.support.tn.gov> or call (615) 253-0600.

Spring 2024 (or upon tax due date/license expiration)



Class 4 Contractors

Contractor “Deemed Location” Threshold Increases to \$100,000

- The TN Works Tax Act also increases the gross sales threshold for contractors who perform contracts in Tennessee from \$50,000 to \$100,000.
- These contractors will only be considered to have established a “deemed location” in a given jurisdiction if their annual gross receipts are more than \$100,000.

In-State Class 4 Contractors

GROSS	LICENSE FROM...	STATE (COUNTY) LEVEL TAX	MUNICIPAL (CITY) LEVEL TAX
\$0-\$2,999	n/a	<p>Receipts under \$100k from contracts in a county/city other than the contractor's place of domicile must be reported on the return for the county/city of their domicile location*.</p> <p>*If there is no domicile city (i.e. contractor is in unincorporated area), city receipts under \$100k are not reported to any city.</p>	
\$3000-\$100,000	MINIMAL ACTIVITY LICENSE (from domicile and/or deemed location(s))		
\$100,000+	STANDARD LICENSE (from domicile and/or deemed location(s))	<p>Receipts over \$100k** are reported on the return for the location where receipts are generated</p> <p>**If there are receipts for over \$100k in an unincorporated area, those receipts are not reported to any municipality.</p>	

Out-of-State Class 4 Contractors

GROSS	LICENSE FROM...	STATE (COUNTY) LEVEL TAX	MUNICIPAL (CITY) LEVEL TAX
Under \$100,000	n/a	no	no
\$100,000+	STANDARD LICENSE (COUNTY/ CITY)	Yes, reported on return for county location	Yes, reported on return for city location

Next Steps for Taxpayers

GROSS RECEIPTS FOR FY2023	ACTION NEEDED	RENEWING YOUR LICENSE
LESS THAN \$100,000	CONTACT TDOR RE: CHANGING STATUS OF BUSINESS TAX ACCOUNT*	RENEW DIRECTLY WITH CLERK(S) UPON LICENSE EXPIRATION**
MORE THAN \$100,000	MUST FILE/PAY BY FILING DEADLINE	FILE/PAY BUSINESS TAX AND CLERK WILL ISSUE RENEWED LICENSE
NOT SURE	WAIT FOR NOW, MUST EITHER CHANGE ACCOUNT STATUS <u>OR</u> FILE/PAY BY FILING DEADLINE	DEPENDS

*** Upon the taxpayer requesting changing the business tax account status to “filing not required”, TDOR will communicate this action to the appropriate city/county clerk's office.**

**** Current license will be good until the expiration date listed on the license.**



Manufacturers

- **Effective May 11, 2023, the new law changes the application of the manufacturing exemption. Under the Act, to qualify for the manufacturing exemption the sales of manufactured products may be made from the manufacturing location or a storage or warehouse facility that is located within a ten-mile radius of the manufacturing location.**
- **Additionally, the Act provides that both in-state and out-of-state manufacturers may qualify for the manufacturing exemption.**

STAY IN THE LOOP!

For county clerks and clerk's office staff, a list will be maintained and used to send important communication from Taxpayer Services regarding pertinent tax issues.

- FOLLOW LINK: <https://forms.office.com/g/1C66yjpu8d>
or
- SCAN QR CODE:

