

Classification 5

Notice #09-12

Business Tax

October 2009



Highlights

- *Industrial loan & thrift companies will file business tax returns with the Department of Revenue.*
- *The Class 5 tax rate is 3/10 of 1% of gross income.*
- *The minimum tax is \$450 and the maximum tax is \$1,500.*
- *The tax return is due February 28, 2010.*
- *New companies must also register with the Department of Revenue.*

INTRODUCTION

Chapter 530 of the Public Acts of 2009 amends various provisions of the Business Tax Act for purposes of simplifying the tax and shifting its primary administration from the local level to the state level.

In addition to shifting primary administration of the business tax from the local to state level, these changes also shift the administration of the business tax applicable to industrial loan and thrift companies from the Department of Financial Institutions to the Department of Revenue. These changes will first take effect with the filing of tax returns due on February 28, 2010.

DISCUSSION

Under the 2009 amendments to the Business Tax Act, persons taxable under Tenn. Code Ann. § 67-4-708(5), i.e., Classification 5 taxpayers, must file returns with the Commissioner of Revenue on forms prescribed by the commissioner. The tax rate as provided in Tenn. Code Ann. § 67-4-709(5) is three tenths of one percent (3/10 of 1%) of the gross income of the business. The minimum tax payable is \$450 and the maximum tax payable is \$1,500.

Gross income of the business means all interest income, earned discounts, earned lease rentals, commission fees exclusive of insurance commissions, past due charges, contract earnings or charges, collection charges, loan service fees, late fee income, and all other income, without any deduction except for those deductions provided by Tenn. Code Ann. § 67-4-711.

Returns filed with the Department of Revenue

The tax return is due to the Department of Revenue on February 28 of each year and will cover the tax period from January 1 to December 31 of the previous year. The Department of Revenue will be mailing returns to Classification 5 taxpayers at the end of the 2009 calendar year. However, please note that failure of any person to receive a return from the Department does not relieve such person from the payment of the tax. Forms will be made available on the Department of Revenue's website at www.tn.gov/revenue/forms.

Registration with the Department of Revenue

At the time a company makes application to register with the Department of Financial Institution as an industrial loan and thrift company, it must also file an Application for Business Tax License form with the Department of Revenue. The company will then receive an account number to use when filing the annual business tax return with the Department of Revenue.

**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.