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Chapter 3: Registration and Licensing

Registration

Every person subject to state-level and/or municipal-level business tax must register with the Department of Revenue (the “Department”) before engaging in business in the state.¹

The Department registers businesses under *one consolidated business tax account*. For businesses with multiple locations, the Department will register each business location, both in state and out-of-state (if applicable) by assigning separate profile identifications under the consolidated account to reflect business tax activity at each location. Providing information for each location is necessary to account for variations in dominant business activity and to ensure the proper distribution of funds to cities and counties. For example, a business set up as an LLC may have multiple subsidiaries that each have different dominant business activities. Taxpayers may review this account information by logging into their Tennessee Taxpayer Access Point (“TNTAP”) account.²

Taxpayers may have both in state and out-of-state locations with taxable receipts. Please see Chapter 7 for more information on sourcing sales receipts.

1. In-State Businesses

Businesses with a Tennessee location may register for business tax directly with the Department or through the county clerk in the county where the business is located. Businesses located in a city that has enacted the municipal-level business tax may register directly with the Department or through the appropriate city official.³

When a taxpayer registers directly with the Department, the taxpayer does not have to communicate with the county clerk to alert the county clerk of the registration. The county clerk receives the data transmitted by the taxpayer when the taxpayer registers with the Department. The same is true when a taxpayer registers through TNTAP, or with the county clerk. Upon registration, both the county clerk and the Department receive the taxpayer’s registration information.

Industrial loan and thrift companies located in Tennessee must register directly with the Department.⁴ Industrial loan and thrift companies are not required to obtain a business license or register with a city or county.

Businesses may register with the Department through TNTAP.

Multiple In-State Locations

Businesses with multiple locations must register and remit tax for each location.⁵ As stated above, the taxpayer will have one consolidated account with a specific identifier for each individual location. If the business is not located in Tennessee, it must register directly with the Department. Taxpayers who extend operations into other counties or cities without establishing an office, headquarters, or other place of business generally do not have to register in such counties.⁶ Please see Chapter 2 for more information on activities or actions the Department considers when determining if a business has established a location.

2. Out-of-State Businesses

Businesses that do not have a Tennessee location but are still subject to the business tax must register directly with the Department through TNTAP.

Business License

In addition to registering, generally every in-state business subject to state-level or municipal-level business tax must also obtain a business license before engaging in business in this state.⁷ Businesses meeting specific gross sales thresholds may forego obtaining a standard business license in favor of a minimum activity license.

Businesses must display each respective business license at each of their locations.⁸ The licenses vary based upon gross sales thresholds, which are as follows:

- Standard business license: More than \$10,000 in gross sales;
- Minimum activity license: Between \$3,000 and \$10,000 in gross sales; and

- Businesses with below \$3,000 in gross sales do not have to obtain a business license. Either a minimum activity license or a standard license may be obtained.

Businesses choosing to have a standard business license must file a business tax return with the Department and remit tax for that location. The minimum tax is \$22 for each location - \$44 if located in a city as both city and state/county tax are due.

The Department does not issue business licenses. These licenses are issued by the appropriate county clerk or city official. Businesses must contact local county clerks and city officials if there are issues in obtaining a business license.

1. Standard Business License

Taxpayers with more than \$10,000 in Tennessee gross sales must apply for a standard business license. Each standard business license is \$15. Each license is valid for 1 year and expires 30 days after the due date of the taxpayer's return. When the taxpayer files the return and pays the business tax due, the county clerk and/or appropriate city official will automatically renew the license at no additional cost.

How to Obtain a Standard Business License

In-State Businesses

Businesses obtain a standard business license from the county clerk of the county in which the business is located. Businesses located in a municipality that has enacted the municipal-level business tax must also obtain a standard business license from the appropriate city official.

Multiple In-State Locations

A business with multiple locations is required to get a standard business license by registering with the county and/or city for each location. Businesses with multiple locations that fall within the minimum activity license range must also obtain such a license for each location.⁹ Each minimum activity license is subject to the \$15 fee.

Out-of-State Businesses

Although out-of-state businesses must register with the Department and pay the state-level business tax, business licenses are generally not required nor issued by the state. If a business license is not required, the out-of-state business is not required to pay a \$15 fee.

Out-of-state contractors with more than \$50,000 in gross sales annually in a city or county must obtain a business license in that city or county. Please see the section on the following page titled Contractors.

2. Minimum Activity License

The General Assembly created the minimum activity license to ease the tax compliance burden on small businesses. A business is required to apply for a minimal activity license from the appropriate county and/or municipality for each location at which its gross sales are more than \$3,000 but less than \$10,000.¹⁰ Each time a business applies for a minimal activity license, it must pay a required \$15 fee to each county and, if applicable, city.

⚠ Businesses with gross sales of \$3,000 or less may obtain a minimal activity license but are not required to do so.

3. Transferring Licenses

Generally, businesses may not transfer their business license to a different taxpayer or to a different location owned by the same taxpayer. However, a taxpayer may transfer its business license to a different location within the same municipality one time per tax year without obtaining a new business license. The taxpayer must notify the appropriate county clerk and city official of this change at least 5 days prior to the last day of business at the prior location.¹¹

4. Contractors

Special registration and licensing rules apply to contractors. For business tax purposes, a contractor has a “deemed location” in a county and/or municipality based not only on domicile or physical location, but also where the contractor has taxable sales of more than \$50,000 for work performed in the jurisdiction.¹²

The contractor will need to correctly determine the jurisdiction of each job to correctly file as city and county, and districts for metropolitan governments. When the charges billed exceed

\$50,000 for work performed in a deemed location, during the tax period, the contractor is required to register for business tax and pay the one-time standard business license fee of \$15 for that location to the county and municipality, if within a city's limits. Taxable sales of more than \$50,000 received during the tax period will be reported on the return for the deemed location.

Taxable sales of \$50,000 or less for compensation from contracts in a county and/or municipality other than the contractor's place of domicile or location must be reported on the return for the county and/or municipality of domicile or location.

Therefore, all taxable receipts for work done in any county will be subject to the state tax. However, where those sales are sourced, and which county is apportioned the tax still depends on whether work is done in a deemed location.

For example:

- A Tennessee contractor who normally works in Wilson County is hired to repave I-24 between downtown Nashville and Clarksville and completes the work in one calendar year. The contractor should register for business tax where the contractor is receiving gross income prior to beginning work. In this case, the contractor should register for business tax, obtain business licenses, and pay license fees in Metropolitan Nashville, Davidson County, Cheatham County, Pleasant View, Robertson, Coopertown, Montgomery County, and Clarksville. The revenue should be allocated to these jurisdictions in a manner that reflects the amount of work completed in each jurisdiction, e.g., revenue per number of paved miles.

Closing a Business

Any person liable for any tax, penalty, or interest levied under the business tax who:

- Sells the person's business or stock of goods;
- Changes the legal structure of the business (i.e., from sole proprietor to corporation, corporation to limited liability company, etc.); or
- Closes the business;

must file a final return and payment within **15 days** of selling or closing the business.¹³

For example:

- If a contractor finishes a job in a city with no prospect of another job in the same city and would like to close the business tax account in that jurisdiction, the contractor should notify the Department and file a final return.

⚠ A taxpayer who ceases business activity but does not properly terminate will still be liable for the applicable minimal business tax.

Businesses holding a minimum activity license should contact the county clerk and city recorder's office to advise them the business is no longer operational.

Taxpayers closing their account should also contact the Department. Most account closures can be handled by calling the Department at (800) 342-1003 (Nashville-area and out-of-state: (615) 253-0600).

1. Successor Liability

The person's successor, successors, or assignees, if any, must withhold a sufficient amount of the purchase money to cover the taxes, interest, and penalties due and unpaid until the former owner can produce a receipt from the Commissioner of Revenue showing that the taxes have been paid, or a certificate stating that no taxes, interest, or penalties are due.¹⁴

If the purchaser of a business or stock of goods fails to withhold the purchase money as indicated, the purchaser will be personally liable for the payment of the taxes, interest, and penalties accruing and unpaid on account of the operation of the business by any former owner or operator.¹⁵

The amount of the purchaser's liability for payment of such taxes, interest, and penalties cannot exceed the amount of purchase money paid by the purchaser to the seller in good faith and for full and adequate consideration in money or money's worth.¹⁶

“Purchase money” includes cash paid, purchase money notes given by the purchaser to the seller, the cancellation of the seller’s indebtedness to the purchaser, the fair market value of property or other consideration given by the purchaser to the seller. It does not include indebtedness of the seller either taken or assumed by the purchaser when a tax lien has not been filed.¹⁷

The purchaser shall have no liability for taxes, penalties, and interest if the Department of Revenue releases the former owner, owners, or assigns from the original liability for such taxes, interest, or penalty through payment of the amount due, and settlement with the Department.¹⁸

For example:

- Assume that a purchaser receives, in good faith and without knowledge of any false statement therein, an affidavit from the seller at the time of the purchase. The affidavit states under oath the amount of such taxes, interest, and penalty due and unpaid by the seller to the Department through the date of purchase, or a statement from the seller that there are no due and unpaid taxes, interest, and penalty. The purchaser in good faith withholds and sets aside from the purchase money to be paid to the seller in an amount sufficient to pay the amount of taxes, penalty, and interest shown to be unpaid by the seller’s affidavit.
- If that purchaser tenders a copy of the seller’s affidavit by registered or certified mail to the Department’s Collection Services Division, the purchaser will be released from any liability, in excess of that which is shown on the affidavit, for taxes, penalty, and interest unpaid by the previous owner, owners, or assigns.
- That will not be the case, however, if the Commissioner notifies the purchaser of the correct tax liability at the correct return address provided by the purchaser within 15 days of receipt of the affidavit.

¹ Tenn. Code Ann. § 67-4-706.

² TNTAP may be accessed at [https://tntap.tn.gov/eservices/ /](https://tntap.tn.gov/eservices/)

³ Tenn. Code Ann. § 67-4-706(a).

⁴ Tenn. Code Ann. § 67-4-706(c).

⁵ TENN. COMP. R. & REGS. 1320-04-05-.28(1).

⁶ TENN. COMP. R. & REGS. 1320-04-05-.28(2).

⁷ Tenn. Code Ann. § 67-4-723(a).

⁸ Tenn. Code Ann. § 67-4-723(c).

⁹ Tenn. Code Ann. § 67-4-723(b)(1).

¹⁰ Tenn. Code Ann. § 67-4-723(b)(1).

¹¹ Tenn. Code Ann. § 67-4-721(e). TENN. COMP. R. & REGS. 1320-04-05-.57.

¹² Tenn. Code Ann. § 67-4-709(4)(A)(i).

¹³ Tenn. Code Ann. § 67-4-721(a).

¹⁴ Tenn. Code Ann. § 67-4-721(b).

¹⁵ Tenn. Code Ann. § 67-4-721(c)(1).

¹⁶ Tenn. Code Ann. § 67-4-721(c)(2).

¹⁷ *Id.*

¹⁸ Tenn. Code Ann. § 67-4-721(c)(3).