



# BUSINESS TAX FOR CONTRACTORS

**UPDATED** March 2024 Tax  
Webinar



# In this Presentation...

**Special business tax registration and business licensing rules apply to contractors. In this presentation we will explore the following:**

- In-State Contractors
- Out-of-State Contractors
- Filing
- Subcontractor Deductions
- Closing Locations
- Resources

# TN Works Tax Act

## Important Notice 23-08

<https://www.tn.gov/content/dam/tn/revenue/documents/notices/business/bus23-08.pdf>



## Business Tax Notice

Notice #23-08

May 2023

### Tennessee Works Tax Act Increases Business Tax Filing Threshold

#### **Filing Threshold Increases to \$100,000**

The Tennessee Works Tax Act (the "Act"), Public Chapter 377 (2023), increases the business tax filing threshold from \$10,000 to \$100,000 per jurisdiction. Therefore, taxpayers with less than \$100,000 in annual gross receipts are not required to file an annual business tax return.

#### **Contractor "Deemed Location" Threshold Increases to \$100,000**

The 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.

#### **Threshold Calculated on Per Jurisdiction Basis**

The filing threshold is calculated on a per jurisdiction basis. Businesses with multiple locations in the same jurisdiction must combine the gross receipts of each location. For example, if a business has two locations in Knoxville, one location has \$55,000 in gross sales and the other location has \$50,000 in gross sales, the business will have to file and pay business tax because it has more than \$100,000 in gross sales in the same jurisdiction.

#### **Minimal Activity License**

Businesses with annual gross receipts of more than \$3,000 but less than \$100,000 within a jurisdiction

are required to obtain a minimal activity license from the local county and/or incorporated municipality. The Department of Revenue does not issue business licenses. The license must be renewed annually, and the fee is \$15. A separate minimal activity license is required for each location within the jurisdiction.

#### **Standard Business License**

Businesses with annual gross receipts of \$100,000 or more within a jurisdiction are required to obtain a standard business license from the local county and/or incorporated municipality for each location within the jurisdiction. 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.

#### **Effective Date**

These changes apply to tax years ending on or after December 31, 2023.

#### **For More Information**

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents. Additional information is also available in the Department's [Business Tax Manual](#).

#### **References**

Pub. Ch. 377 (2023)



# Definition of Contractor



- Receiving compensation from rendering exterminating service
- Installing TPP (tangible personal property)
- Constructing, building, erecting, repairing, grading, excavating, drilling, exploring, testing, or adding to any building, highway, street, sidewalk, bridge, culvert, sewer, irrigation or water system, drainage or dredging system, air conditioning system, heating system, transmission line, pipeline, tower, dock, storage tank, wharf, excavation, grading, water well, or any other improvement, structure, or part of thereof

# Definition of Deemed Location?

**A “deemed location” is a county/municipality where a contractor is not domiciled or located but where the contractor earns taxable receipts of **\$100,000+**.**

- Taxable receipts from contracts performed in each deemed location must be reported on the return for the county and/or municipality where the work was performed.
- Taxable receipts of **\$100,000 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.

The contractor will need to correctly determine the jurisdiction of each job to obtain licensing and file for business tax accordingly.

Jurisdiction listing: <https://www.tn.gov/content/dam/tn/revenue/documents/taxes/business/comprehensivelisting.pdf>



# The Business License

## The STANDARD BUSINESS LICENSE and business tax are tied together.

### INITIAL BUSINESS LICENSE:

- Standard and minimal activity licenses are obtained locally (county clerk/municipal office)
- The local official transmits the info to TDOR and the standard license applicant is registered for business tax

### RENEWING A LICENSE:

- Standard business license is renewed by filing the annual business tax return with TDOR
- Minimal business license is renewed directly through the local official

# In-State Contractors Recap

ANNUAL GROSS RECEIPTS	LICENSE	REPORTING RECEIPTS
\$0 - \$2,999	n/a	n/a
\$3,000-\$100,000 (receipts in domicile location)	Domicile Location - Minimum Activity License	n/a
\$3,000-\$100,000 (receipts in jurisdictions outside of domicile location)	n/a	Taxable receipts of \$100,000 or less in compensation from contracts in a county/municipality other than the contractor's place of domicile must be reported on the return for the county/municipality of domicile.
\$100,000 in any jurisdiction	Standard License from jurisdiction	Report on the return for the jurisdiction.



# In-State Contractor Example 1

Contractor domiciled in the city of Clarksville in Montgomery County

**All Gross Receipts**

GROSS RECEIPTS	COUNTY	CITY
\$1,505,000	Montgomery^	Clarksville^
\$110,000	Madison^	Jackson^
\$35,000	Robertson	Springfield
\$1,500,000	Shelby^	none
\$105,000	Morgan^	Oliver Springs^

**How Receipts are Sourced**

RECEIPTS	JURISDICTION	NOTE
1540000	Clarksville	\$1505K from Clarksville \$35k Springfield*
1540000	Montgomery Co.	\$1505K from Montgomery Co. \$35k Robertson Co.*
110000	Jackson	
110000	Madison Co.	
105000	Oliver Springs	
105000	Morgan Co.	

^Standard License must be obtained from jurisdiction

\*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.





# In-State Contractor Example 2

Contractor domiciled in the city of Chattanooga in Hamilton County

**All Gross Receipts**

Gross receipts	County	City
\$250,000	Hamilton^	Chattanooga^
\$40,000	Hamilton	Red Bank
\$60,000	Hamilton	East Ridge
\$100,000	Hamilton	None
\$150,000	Bradley^	Cleveland^
\$35,000	Bradley	None
\$20,000	Marion	Whitwell
\$15,000	Marion	Jasper

**How Receipts are Sourced**

totals	Jurisdiction	Note
\$485,000	Hamilton Co.	\$450 Hamilton + \$35k Marion*
\$425,000	City of Chattanooga	\$250k Chattanooga + \$40k Red Bank* + \$35k unincorp.* + \$20k Whitwell* + \$15k Jasper* + \$60k East Ridge*
\$185,000	Bradley Co.	
\$150,000	City of Cleveland	

^Standard License must be obtained from jurisdiction

\*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.



# In-State Contractor Example 3

Contractor domiciled in **unincorporated** Hamilton County

**All Gross Receipts**

Gross receipts	County	City
\$250,000	Hamilton^	Chattanooga^
\$40,000	Hamilton	Red Bank
\$60,000	Hamilton	East Ridge
\$100,000	Hamilton	None
\$150,000	Bradley^	Cleveland^
\$35,000	Bradley	None
\$20,000	Marion	Whitwell
\$15,000	Marion	Jasper

**How Receipts are Sourced**

totals	Jurisdiction	Note
\$485,000	Hamilton Co.	\$450 Hamilton + \$35k Marion*
\$250,000	City of Chattanooga	
\$185,000	Bradley Co.	
\$150,000	City of Cleveland	
NOTE: Receipts under \$100k in incorporated municipalities do not get sourced on any return since the contractor is not domiciled in a municipality		

^Standard License must be obtained from jurisdiction

^^Minimal Activity License must be obtained from jurisdiction

\*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.



# Out-of-State Contractors Recap

ANNUAL GROSS RECEIPTS PER JURISDICTION	LICENSE	REPORTING RECEIPTS
\$0 - \$100,000	n/a	n/a
\$100,000+	Standard License from jurisdiction where work was done	Receipts reported on return for jurisdiction where work was done (out-of-state location "9999")

A contractor that does not have a location or domicile in Tennessee and has taxable gross receipts in the state of less than \$100,000 per county is exempt from the business tax and does not need to register for business tax or obtain a business license.

# Out-of-State Contractor Example 1

Contractor A is domiciled in Kentucky but receives compensation of \$10,000 in Davidson County, \$121,000 in Williamson County, and \$5,000 in Sumner County during a tax period. Because he has receipts of \$100,000 or more in at least one TN county, Contractor A should register and file one return with TDOR. His total taxable receipts are \$121,000 (only the receipts from counties where he earns at least \$100,000).

totals	Jurisdiction	Reported to
\$10,000	Davidson Co.	Not reported (county receipts are under \$100k)
\$121,000	Williamson Co.^	Out-of-state location return (county receipts are between \$10k-\$50k)
\$5,000	Sumner Co.	Not reported (county receipts are under \$100k)

^Standard License must be obtained from jurisdiction

# Out-of-State Contractor Example 2

Contractor B is domiciled in Georgia but receives compensation of \$162,000 in Chattanooga/Hamilton County, \$112,000 in Bradley County (unincorporated), and \$123,000 in Polk County (unincorporated), and \$60,000 in Dunlap/Sequatchie County.

totals	Jurisdiction	Reported to
\$162,000	Hamilton Co.^	Hamilton Co.
\$162,000	Chattanooga^	City of Chattanooga
\$112,000	Bradley Co.^	Bradley Co.
\$123,000	Polk Co.^	Polk Co.
\$60,000	Sequatchie Co.	Not reported (county receipts are under \$100k)
\$60,000	Dunlap	Not reported (municipality receipts are under \$100k)

^Standard License must be obtained from jurisdiction

# Business Tax Filing

**All businesses tax returns and payments must be submitted electronically.**

- **Webinar: Filing the Business Tax Return**
  - Video- <https://www.youtube.com/embed/l1U66hrqzxo?rel=0&autoplay=1&loop=1>
  - PDF- [https://www.tn.gov/content/dam/tn/revenue/documents/taxpayer\\_education/biztax/business\\_tax\\_filing.pdf](https://www.tn.gov/content/dam/tn/revenue/documents/taxpayer_education/biztax/business_tax_filing.pdf)
- **Gross sales are reported per location on line 1 of the location return.**
  - Most businesses report sales for the period in which the sale is made. However, contractors report business tax on a cash basis.
  - Progress payment charges billed pursuant to a contract are reported in the period for which the payments are received.

# Payments to Subcontractors

**A contractor may deduct amounts paid to subcontractors.**

- Sub must have a business license or contractor's license.
- Contractor must gather the name, address, and license number of the sub and maintain a copy of their license and keep record of amount paid to each sub.

The image shows two overlapping windows from a tax software application. The background window is titled 'Location' and contains a list of items with their respective amounts:

Item	Amount
4. Cash discounts allowed and taken on sales	0.00
5. Repossessions - The portion of the unpaid principal balance in excess of \$500 due on tangible personal property repossessed from customers	0.00
6. Amount allowed as trade-in value for any articles sold	0.00

The foreground window is titled 'Schedule C - Payment to Subcontractor Worksheet' and contains a table with the following columns: Name of Subcontractor, Address, Business License No., Bus License City/County, Contractor License No., Description of Business Activities Provided, Amount Paid, and Date Paid. The table is currently empty.

Both windows have 'Cancel' and 'OK' buttons at the bottom right.

# Uploading CSV Files

## Business Tax Return

Filing Option

Do you have gross sales of services or products to report?

Yes

No

Will you be completing your business tax return by uploading a CSV file? (This is not typical)

Yes

No

Cancel

Save Draft

< Previous

Next >

Please attach your Business Tax Return comma-separated values (CSV) file and Subcontractor Worksheet CSV file for uploading here. All businesses must attach a Business Tax Return file. If your business has any locations that are Classification 4, you will be enabled, but not required, to upload a corresponding Subcontractor Worksheet file after uploading your Business Tax Return file.

If you have other supporting documents to upload for the return, please do so here.

[CSV Upload Instructions](#)

+ Business Tax Return \*

+ Subcontractor Worksheet

Cancel

Save Draft

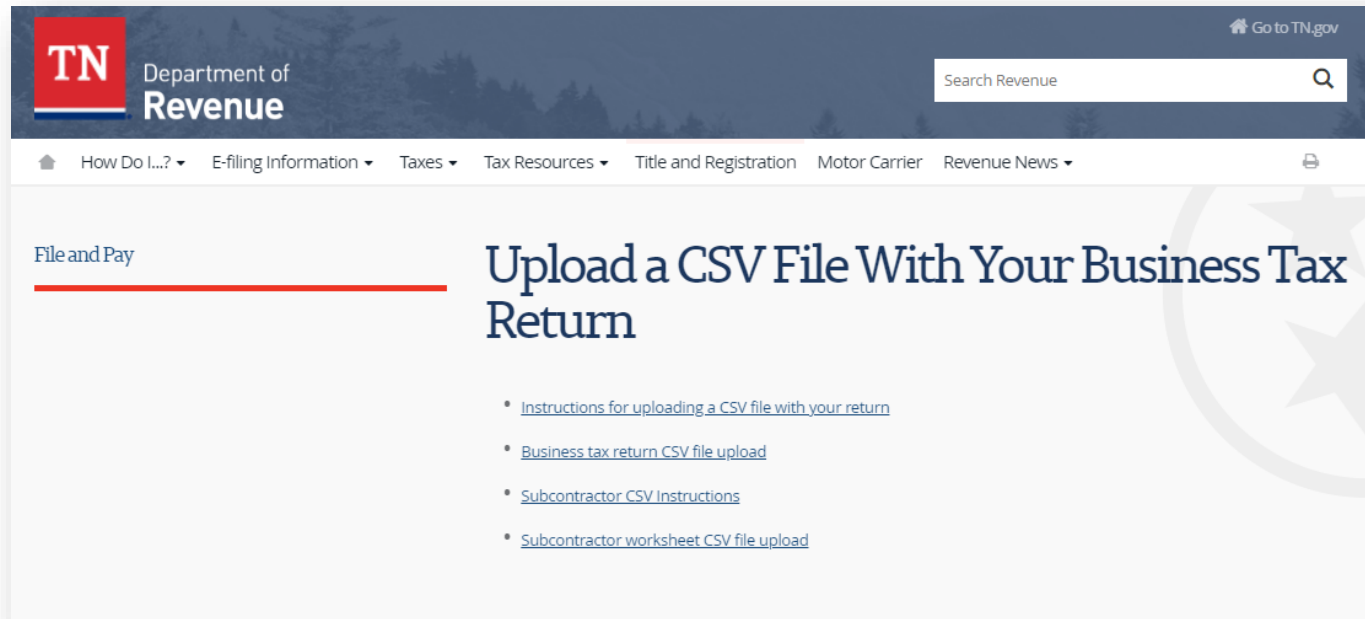
< Previous

Next >



# Uploading CSV Files

<https://www.tn.gov/revenue/taxes/business-tax/file-and-pay/upload--a-csv-file-with-your-business-tax-return.html>



The screenshot shows the TN Department of Revenue website. The header includes the TN logo, the text 'Department of Revenue', a search bar labeled 'Search Revenue', and a 'Go to TN.gov' link. A navigation menu contains links for 'How Do I...?', 'E-filing Information', 'Taxes', 'Tax Resources', 'Title and Registration', 'Motor Carrier', and 'Revenue News'. The main content area is titled 'File and Pay' and features a red underline. The primary heading is 'Upload a CSV File With Your Business Tax Return'. Below this heading is a list of four links: 'Instructions for uploading a CSV file with your return', 'Business tax return CSV file upload', 'Subcontractor CSV Instructions', and 'Subcontractor worksheet CSV file upload'.

- [Instructions for uploading a CSV file with your return](#)
- [Business tax return CSV file upload](#)
- [Subcontractor CSV Instructions](#)
- [Subcontractor worksheet CSV file upload](#)

# Closing locations

- 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 close the location in TNTAP.
- A taxpayer who ceases business activity but does not properly terminate will still be liable for the applicable minimal business tax.

Navigation: Favorites Summary Action Center <sup>2</sup> Settings More...

Filter: \_\_\_\_\_

**Business Tax**

Business Name  
Business address  
City, State ZIP  
[Action Center Items](#) <sup>1</sup>

**Account**

Account number-BUS

Balance  
**\$0.00**

[> Make a Payment](#)  
[> View/File Returns](#)  
[> Additional Actions/Licenses](#)

# Resources – [www.TN.gov/Revenue](http://www.TN.gov/Revenue)



Department of Revenue

Go to TN.gov

- How Do I...?
- E-filing Information
- Taxes
- Tax Resources
- Title and Registration
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- Revenue News

**Tax Manuals and Important Notices**



**Register/File/Pay/etc**



**Help Articles**



**General Tax Info**



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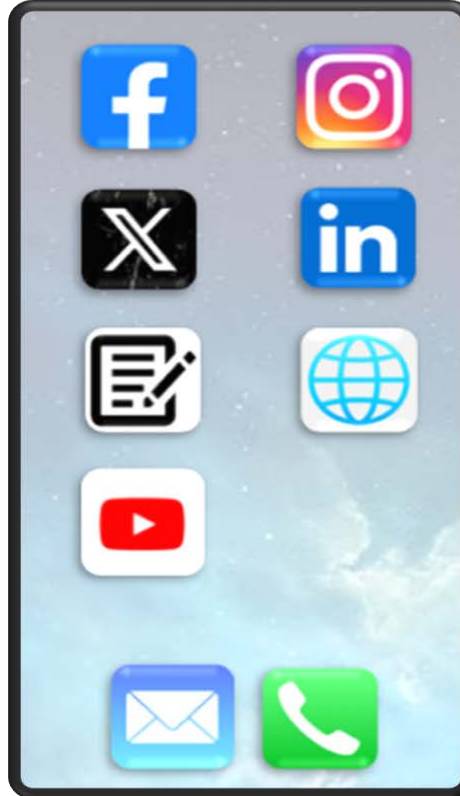
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**615.253.0600**

SUPPORT STAFF AVAILABLE TO ASSIST YOU M-F 8am - 4:30pm

[All Dept. of Revenue Contact Numbers and Office Locations](#)

